

NORTHROP GRUMMAN CORP /DE/

Form S-4/A

October 23, 2002

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As filed with the Securities and Exchange Commission on October 23, 2002

Registration No. 333-83672

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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AMENDMENT NO. 7 TO  
**FORM S-4**  
**REGISTRATION STATEMENT**  
UNDER  
**THE SECURITIES ACT OF 1933**

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### Northrop Grumman Corporation

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3812**  
(Primary Standard Industrial  
Classification Code Number)

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**95-4840775**  
(I.R.S. Employee  
Identification Number)

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

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**John H. Mullan**  
**Corporate Vice President and Secretary**  
**1840 Century Park East**  
**Los Angeles, California 90067**  
**(310) 553-6262**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies To:*

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**Four Times Square**  
**New York, New York 10036**  
**(212) 735-3000**

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

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

## Edgar Filing: NORTHROP GRUMMAN CORP /DE/ - Form S-4/A

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

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

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

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November 4, 2002

To Northrop Grumman Corporation's stockholders:

Accompanying this letter are proxy materials concerning Northrop Grumman's proposed acquisition of TRW Inc. In order to complete this transaction, Northrop Grumman stockholders must approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger. A special meeting of Northrop Grumman stockholders will be held on December 11, 2002 at 9:00 a.m. Los Angeles time at the Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California, to vote on the issuance of Northrop Grumman common stock pursuant to the merger.

**Northrop Grumman's board of directors (with one director absent) has unanimously approved the proposed merger and recommends that Northrop Grumman stockholders vote FOR the issuance of the shares of Northrop Grumman common stock pursuant to the merger, as described in the accompanying proxy materials.**

This proposal, as well as information regarding the merger and the Northrop Grumman special meeting, is described in greater detail in the materials accompanying this letter. Your vote is important. Please review the enclosed materials and be sure to vote at Northrop Grumman's special meeting by completing and returning the enclosed WHITE proxy card today or by voting by telephone or over the internet as described on the WHITE proxy card.

Sincerely yours,

Kent Kresa  
Chairman and Chief Executive Officer

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November 4, 2002

Dear TRW Shareholder:

The board of directors of TRW Inc. (with one director absent) has unanimously agreed to merge with Northrop Grumman Corporation. After undertaking a comprehensive strategic review with the objective of enhancing shareholder value, the board has determined that the merger is in the best interests of TRW shareholders. The merger of these two strong companies will create the second largest defense company in the world with expanded opportunities to serve customers.

The merger cannot be completed unless TRW shareholders holding two-thirds of the outstanding shares of TRW common stock vote to adopt the merger agreement. A special meeting of shareholders has been scheduled for December 11, 2002 at 8:30 a.m., Cleveland time, to be held at TRW's corporate headquarters located at 1900 Richmond Road, Cleveland, Ohio.

The accompanying notice of meeting and joint proxy statement/prospectus explain the merger and provide specific information concerning the special meeting. Please read these materials carefully.

Your vote is very important, regardless of the number of shares you own. To be certain that your shares are voted at the special meeting, please mark, sign, date and return promptly the enclosed proxy card or vote by telephone or over the internet, whether or not you plan to attend the special meeting in person. If you do not vote, it will have the same effect as voting against the merger.

TRW's board strongly supports the merger and is recommending that you vote in favor of the adoption of the merger agreement.

On behalf of your Board of Directors,

Philip A. Odeen  
Chairman

Kenneth W. Freeman  
Lead Director

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**The information in this joint proxy statement/prospectus is not complete and may be changed. Northrop Grumman may not distribute and issue the shares of Northrop Grumman common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to distribute these securities and Northrop Grumman is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.**

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

**1900 Richmond Road  
Cleveland, Ohio 44124  
(216) 291-7000**

**JOINT PROXY STATEMENT/PROSPECTUS**

Northrop Grumman Corporation, TRW Inc. and Richmond Acquisition Corp. have entered into an agreement and plan of merger (referred to in this joint proxy statement/prospectus as the merger agreement ) providing for Northrop Grumman's acquisition of TRW through a merger of Richmond Acquisition Corp., a wholly-owned subsidiary of Northrop Grumman, with and into TRW. In the merger, each share of common stock of TRW will be converted into the right to receive a number of shares of Northrop Grumman common stock equal to the exchange ratio.

The exchange ratio will be determined by dividing \$60.00 by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange (trading symbol: NOC) for the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger. However, in no event will the exchange ratio be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00).

The merger requires the approval by Northrop Grumman stockholders of the issuance of the shares of Northrop Grumman common stock pursuant to the merger and the adoption of the merger agreement by TRW shareholders.

**The board of directors of Northrop Grumman and the board of directors of TRW (each with one director absent) have unanimously approved the merger agreement.**

**The board of directors of Northrop Grumman (with one director absent) unanimously recommends that Northrop Grumman stockholders vote FOR the issuance of the shares of Northrop Grumman common stock pursuant to the merger.**

**The board of directors of TRW (with one director absent) unanimously recommends that the TRW shareholders vote FOR the adoption of the merger agreement.**

The vote of Northrop Grumman stockholders and TRW shareholders is very important. Whether or not you plan to attend a meeting, please take the time to vote by completing and mailing the enclosed proxy card or cast your vote by telephone or over the internet.

**Northrop Grumman stockholders and TRW shareholders should carefully read the section entitled RISK FACTORS beginning on page 15 for a discussion of specific risks that should be considered in determining how to vote on the matters described herein.**

This joint proxy statement/prospectus incorporates by reference important business and financial information about Northrop Grumman and TRW from documents filed with the SEC which are available without charge from the SEC's website at [www.sec.gov](http://www.sec.gov). See ADDITIONAL INFORMATION on page 126.

Northrop Grumman stockholders may request copies of these documents without charge from Northrop Grumman's information agent, D. F. King & Co., Inc., at 77 Water Street, New York, New York 10005, or by calling toll-free at (800) 549-6746. TRW shareholders may request copies of these documents without charge by writing to Financial Services, TRW Inc., 1900 Richmond Road, Cleveland, Ohio 44124-3760, or by calling the TRW Literature number at (216) 291-7755.

**Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the securities to be issued pursuant to the merger or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is first being mailed to Northrop Grumman stockholders and TRW shareholders on or about November [4], 2002.

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**This document has been issued in connection with the merger described herein. Notwithstanding its delivery to Northrop Grumman stockholders and TRW shareholders resident in Greece, this document does not constitute a public offer of securities in Greece and has not been approved by the Greek Capital Markets Commission.**

**This document does not constitute an offer of securities in the Federal Republic of Germany. It is intended solely as a source of information for the Northrop Grumman stockholders or TRW shareholders to which it has been addressed and for the purposes described herein.**

**The approval of the Securities Commission of Malaysia has been obtained pursuant to the provisions of Section 32 of the Malaysian Securities Commission Act of 1993. The Malaysian Securities Commission's approval shall not be taken to indicate that the Malaysian Securities Commission recommends the merger described herein.**

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**NOTICE OF SPECIAL MEETING  
OF  
NORTHROP GRUMMAN STOCKHOLDERS  
AND  
PROXY STATEMENT**

To Northrop Grumman Corporation's stockholders:

A special meeting of Northrop Grumman stockholders will be held at the Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California 90401 at 9:00 a.m. Los Angeles time on December 11, 2002.

Holders of Northrop Grumman common stock at the close of business on November 4, 2002 are entitled to notice of and to attend and vote at the special meeting. The sole item on the agenda is a proposal to authorize the issuance of shares of Northrop Grumman common stock pursuant to the Agreement and Plan of Merger, dated as of June 30, 2002, by and among Northrop Grumman, TRW Inc. and Richmond Acquisition Corp., a wholly owned subsidiary of Northrop Grumman. The Northrop Grumman stock would be issued in connection with the merger of Richmond Acquisition Corp., with and into TRW Inc., as described in greater detail in the accompanying materials.

By order of the Board of Directors,

John H. Mullan  
*Corporate Vice President and Secretary*

1840 Century Park East  
Los Angeles, California 90067

November 4, 2002

**IMPORTANT**

**Your vote is important. To assure your votes are counted at the Northrop Grumman special meeting, please mark, sign, date and return the enclosed WHITE proxy card in the enclosed return envelope today. No postage is required if mailed in the United States.**

**You may also vote by telephone or over the internet. For instructions on telephone or internet voting please see the instructions on the enclosed WHITE proxy card or the voting instruction form received from any broker, trustee, bank or other nominee who may hold your Northrop Grumman shares on your behalf.**

**If your Northrop Grumman shares are not registered in your own name and you would like to attend the meeting, please bring evidence of your Northrop Grumman share ownership with you to the meeting. You should be able to obtain evidence of your Northrop Grumman share ownership from the broker, trustee, bank or other nominee who holds your Northrop Grumman shares on your behalf.**

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**NOTICE OF SPECIAL MEETING OF TRW INC. SHAREHOLDERS AND PROXY STATEMENT**

To TRW Inc. s shareholders:

A special meeting of TRW shareholders will be held at TRW s executive offices located at 1900 Richmond Road, Cleveland, Ohio, at 8:30 a.m. Cleveland time on December 11, 2002.

TRW shareholders of record at the close of business on November 4, 2002 will be entitled to attend and vote at the special meeting. At the special meeting, shareholders will vote on a proposal to adopt the Agreement and Plan of Merger, dated as of June 30, 2002, by and among Northrop Grumman, TRW and Richmond Acquisition Corp., a wholly-owned subsidiary of Northrop Grumman.

Sincerely,  
William B. Lawrence  
*Secretary*

1900 Richmond Road  
Cleveland, Ohio 44124

November 4, 2002

**IMPORTANT**

**Your vote is important. To assure your votes are counted at the TRW special meeting, please mark, sign, date and return the enclosed YELLOW proxy card in the enclosed return envelope today. No postage is required if mailed in the United States.**

**You may also vote by telephone or over the internet. For instructions on telephone or internet voting please see the instructions on the enclosed YELLOW proxy card or the voting instruction form received from any broker, trustee, bank or other nominee who may hold your TRW shares on your behalf.**

**If your TRW shares are not registered in your own name and you would like to attend the meeting, please bring evidence of your TRW share ownership with you to the meeting. You should be able to obtain evidence of your TRW share ownership from the broker, trustee, bank or other nominee who holds your TRW shares on your behalf.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: What will happen if the merger is completed?**

A: TRW will be acquired by Northrop Grumman through the merger of a wholly-owned subsidiary of Northrop Grumman with and into TRW. After the merger, TRW will continue as a wholly-owned subsidiary of Northrop Grumman.

**Q: What will TRW shareholders receive in the merger?**

A: In the merger, each share of common stock of TRW will be converted into the right to receive a number of shares of Northrop Grumman common stock equal to the exchange ratio described below.

**Q: How is the exchange ratio calculated?**

A: The exchange ratio is calculated by dividing \$60.00 by the average closing sales prices for a share of Northrop Grumman common stock on the New York Stock Exchange during the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger. However, the five-day average closing sale price used in calculating the exchange ratio will not be less than \$112.00 or greater than \$138.00, even if the actual average sale price is lower than \$112.00 or higher than \$138.00. Therefore, the exchange ratio will not be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00), even if the actual average sale price per share of Northrop Grumman common stock used to calculate the exchange ratio is less than \$112.00 or greater than \$138.00.

**Q: When will the merger be completed?**

A: The companies believe that the merger can be completed in the fourth quarter of 2002. However, the merger cannot be completed without first receiving the approvals of the Northrop Grumman stockholders and the TRW shareholders described in this joint proxy statement/prospectus, and the merger also must be approved by United States antitrust regulatory authorities, among other things. As a result, the merger could be delayed for some time, and if the companies do not receive the necessary stockholder, shareholder and governmental approvals, the companies would not be able to complete the merger.

**Q: When and where are the special meetings?**

A: The Northrop Meeting will be held at the Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California 90401 at 9:00 a.m. Los Angeles time on December 11, 2002.

The TRW Meeting will be held at TRW's executive offices at 1900 Richmond Road, Cleveland, Ohio 44124 at 8:30 a.m. Cleveland time on December 11, 2002.

**Q: What stockholder approvals are required for the merger?**

A: Assuming a quorum is present at the Northrop Meeting, the holders of a majority of the votes cast at the Northrop Meeting must affirmatively vote to approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger.

The holders of at least two-thirds of the outstanding shares of TRW common stock must affirmatively vote to adopt the merger agreement.

**Q: How does my board of directors recommend I vote?**

A: The board of directors of Northrop Grumman (with one director absent) unanimously recommends that Northrop Grumman stockholders vote FOR the issuance of shares of Northrop Grumman common stock pursuant to the merger.

The board of directors of TRW (with one director absent) unanimously recommends that TRW shareholders vote FOR the adoption of the merger agreement.

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**Q: Whom should I contact if I have questions?**

A: Northrop Grumman stockholders should contact D.F. King & Co., Inc., Northrop Grumman's proxy solicitor and information agent for the merger, at:

D.F. King & Co., Inc.  
77 Water Street  
New York, New York 10005  
Toll-free at (800) 549-6746

TRW shareholders should contact Georgeson Shareholder Communications Inc., TRW's proxy solicitor and information agent for the merger, at:

Georgeson Shareholder Communications, Inc.  
17 State Street, 10th Floor  
New York, New York 10004  
Toll-free at (866) 649-8030

**Q: How can I get more information regarding the exchange ratio?**

A: D.F. King & Co., Inc. has established a recorded message line and will make available live operators who will provide sample calculations of the exchange ratio from the date this joint proxy statement/prospectus is first mailed to Northrop Grumman stockholders and TRW shareholders until the final exchange ratio for the merger is determined. The sample exchange ratio calculations will be updated daily, and will be determined by dividing \$60.00 by the average closing sales prices for a share of Northrop Grumman common stock for the five consecutive trading days ending on (and including) the second trading day before the date that a Northrop Grumman stockholder or TRW shareholder calls in for the sample exchange ratio calculation. However, in no event will the sample exchange ratio be greater than 0.5357 or less than 0.4348, as described on the previous page in the question and answer section entitled "How is the exchange ratio calculated?"

It is important to note that these sample calculations will be based on closing sale prices that will vary from day-to-day, and therefore the final exchange ratio may be significantly different than the sample exchange ratio provided over the D.F. King information line for any specific day.

Northrop Grumman stockholders and TRW shareholders can access these sample exchange ratio calculations (and information regarding the final exchange ratio for the merger, once it has been determined) by calling D.F. King's 24 hour recorded message line toll-free at (800) 549-6650 or by calling D.F. King's information line toll-free at (800) 549-6746.

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### **SUMMARY**

This summary does not contain all of the information that may be important to Northrop Grumman stockholders and TRW shareholders and is qualified in its entirety by reference to the information contained elsewhere in, or incorporated by reference into, this joint proxy statement/prospectus. Stockholders are urged to read the entire joint proxy statement/prospectus, including the information set forth in the section entitled **RISK FACTORS** beginning on page 15, and the attached exhibits and annexes. See **ADDITIONAL INFORMATION** on page 126.

#### **Overview of the Merger**

Northrop Grumman, TRW and a wholly-owned subsidiary of Northrop Grumman known as Richmond Acquisition Corp. have entered into a merger agreement providing for Northrop Grumman's acquisition of TRW through a merger of Richmond Acquisition Corp. with and into TRW. In the merger, each share of common stock of TRW will be converted into the right to receive a number of shares of Northrop Grumman common stock equal to the exchange ratio.

The exchange ratio will be determined by dividing \$60.00 by the average of the closing sales prices for a share of Northrop Grumman common stock on the New York Stock Exchange during the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger. However, in no event will the exchange ratio be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00).

Promptly following completion of the merger, Northrop Grumman intends to divest TRW's Automotive business either by selling that business to a third party or parties or by spinning it off to Northrop Grumman's stockholders (including the former TRW shareholders who are Northrop Grumman stockholders as of the record date for the spin off), as described in greater detail in the section entitled **NORTHROP GRUMMAN AFTER THE MERGER Proposed Sale or Spin Off of TRW's Automotive Business** beginning on page 100.

#### **Information About the Companies**

##### *Northrop Grumman (Page 27)*

Northrop Grumman provides technologically advanced, innovative products, services and solutions in defense and commercial electronics, information technology, systems integration and nuclear and non-nuclear shipbuilding and systems. Northrop Grumman's principal executive offices are located at 1840 Century Park East, Los Angeles, California 90067, and its telephone number is (310) 553-6262. 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. While Northrop Grumman conducts most of its business with the United States government, principally the Department of Defense, domestic and international commercial sales represent a significant portion of its business.

Based on the closing price of Northrop Grumman common stock on the New York Stock Exchange on October 21, 2002 (\$103.95) and the number of shares of Northrop Grumman common stock outstanding on that date (113,133,263), Northrop Grumman's market capitalization was approximately \$11.76 billion.

##### *TRW (Page 28)*

TRW is a United States-based international company that provides advanced technology products and services. TRW's principal executive offices are located at 1900 Richmond Road, Cleveland, Ohio 44124, and its telephone number is (216) 291-7000. The principal businesses of TRW and its subsidiaries are the design, manufacture and sale of products and the performance of systems engineering, research and technical services for

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industry and the United States government in the automotive, information systems, defense and aerospace markets. TRW currently operates its business in the following operating segments:

Automotive;

Systems; and

Space & Electronics.

TRW also operated an Aeronautical Systems business until October 1, 2002, when TRW sold that business to Goodrich Corporation, as described in the section entitled "Sale of Aeronautical Systems Business" on page 12. The Aeronautical Systems business is reported as discontinued operations in TRW's financial statements.

Based on the closing price of TRW common stock on the New York Stock Exchange on October 21, 2002, (\$53.65), and the number of shares of TRW common stock outstanding on that date (129,514,296), TRW's market capitalization was approximately \$6.95 billion.

### *Richmond Acquisition Corp.*

Richmond Acquisition Corp. is a newly-formed Ohio corporation that is wholly-owned by Northrop Grumman. Its principal executive offices are located at 1840 Century Park East, Los Angeles, California 90067, and its telephone number is (310) 553-6262. Richmond Acquisition Corp. was incorporated on June 27, 2002 in preparation for the merger described in this joint proxy statement/prospectus and has not conducted any business activities to date.

## **The Special Meetings (Pages 31 and 33)**

### *Time, Date and Place*

The special meeting of Northrop Grumman stockholders (which is referred to as the "Northrop Meeting") will be held at 9:00 a.m., Los Angeles time, on December 11, 2002 at:

The Fairmont Miramar Hotel  
101 Wilshire Boulevard  
Santa Monica, California 90401

The special meeting of TRW shareholders (which is referred to as the "TRW Meeting") will be held at 8:30 a.m., Cleveland time, on December 11, 2002 at:

TRW Inc.  
1900 Richmond Road  
Cleveland, Ohio 44124

### *Matter to be Considered at the Northrop Meeting (Page 31)*

At the Northrop Meeting, Northrop Grumman stockholders will consider and vote upon a proposal to authorize the issuance of the shares of Northrop Grumman common stock pursuant to the merger (including shares to be issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement).

### *Matter to be Considered at the TRW Meeting (Page 33)*

At the TRW Meeting, TRW shareholders will consider and vote upon the adoption of the merger agreement.

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### *Record Dates, Shares Entitled to Vote and Votes Required*

#### *Northrop Grumman (Pages 31 and 32)*

Northrop Grumman stockholders are entitled to cast one vote for each share of Northrop Grumman common stock held at the close of business on November 4, 2002, the record date for the Northrop Meeting. On that date, [113,133,263] shares of Northrop Grumman common stock were outstanding and entitled to vote, of which a total of [659,461] shares were held by Northrop Grumman's directors and executive officers.

Assuming a quorum is present, the affirmative vote of a majority of the votes cast at the Northrop Meeting is required to approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger.

#### *TRW (Pages 33 and 35)*

TRW shareholders are entitled to cast one vote for each share of TRW common stock held at the close of business on November 4, 2002, the record date for the TRW Meeting. On that date, [129,514,296] shares of TRW common stock were outstanding and entitled to vote, of which a total of [289,573] shares were held by TRW's directors and executive officers.

The holders of two-thirds of the outstanding shares of TRW common stock must affirmatively vote to adopt the merger agreement.

### *Changing a Vote After a Proxy Card Has Been Sent*

#### *Northrop Grumman Stockholders (Page 31)*

Northrop Grumman stockholders may revoke their proxies at any time before they are voted by delivering a written notice of revocation to Northrop Grumman's Corporate Secretary, by signing and delivering another WHITE proxy card with a later date or by submitting a telephone or internet proxy at a date after the date of the previously submitted proxy and before the vote at the meeting. A Northrop Grumman stockholder attending the Northrop Meeting in person may revoke any previously submitted proxy card by giving notice of revocation to an inspector of election at the meeting or by voting at the Northrop Meeting. If any other matters are properly brought before the Northrop Meeting, the enclosed WHITE proxy card gives discretionary authority to the persons named on the card to vote the shares of Northrop Grumman common stock represented by the card in their discretion. Each Northrop Grumman stockholder whose shares are held in the name of a bank, broker or other nominee holder must follow the directions received from his or her bank, broker or other nominee holder in order to direct the vote of his or her Northrop Grumman shares.

#### *TRW Shareholders (Page 33)*

TRW shareholders may revoke their proxies at any time before they are voted by delivering a written notice of revocation to TRW's Corporate Secretary, by signing and delivering another YELLOW proxy card with a later date or by submitting a telephone or internet proxy at a date after the date of the previously submitted proxy and before the vote at the meeting. A TRW shareholder attending the TRW Meeting in person may revoke any previously submitted proxy by giving notice of revocation to an inspector of election at the meeting or by voting at the TRW Meeting. If any other matters are properly brought before the TRW Meeting, the enclosed YELLOW proxy card gives discretionary authority to the persons named on the card to vote the shares of TRW common stock represented by the card in their discretion. Each TRW shareholder whose shares are held in the name of a bank, broker or other nominee holder must follow the directions received from his or her bank, broker or other nominee holder in order to direct the vote of his or her TRW shares.

Certain TRW shares are held for the benefit of plan participants of The TRW Employee Stock Ownership and Savings Plan, the TRW Canada Stock Savings Plan, and the TRW UK Share Purchase Plan. These plans

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contain pass-through voting provisions for the participants of the Plans, with TRW shares that are allocated to a participant's account voted in accordance with the instructions of the participant by the trustees of the respective plan responsible for voting. Information relating to voting by participants in these stock-based TRW employee benefit plans is set forth in the section entitled "THE TRW MEETING" TRW Employee Plan Voting beginning on page 34.

### *Quorum at the Special Meetings (Pages 32 and 35)*

A quorum must be present in order to transact business at each of the special meetings. If a Northrop Grumman stockholder or a TRW shareholder submits a properly executed proxy card, telephonic proxy or internet proxy, even if that person abstains from voting, his or her shares will be counted for purposes of calculating whether a quorum is present at the Northrop Meeting and the TRW Meeting, as applicable.

A quorum at the Northrop Meeting requires a majority of the outstanding shares of Northrop Grumman common stock entitled to vote to be present or represented by proxy at the special meeting.

A quorum at the TRW Meeting requires thirty-five percent of the voting power of TRW's outstanding stock to be present in person or represented by proxy at the TRW Meeting. However, since the merger agreement must be adopted by the holders of at least two-thirds of the outstanding shares of TRW common stock, the presence of a quorum alone might not mean that sufficient TRW shares are present in person or by proxy to adopt the merger agreement.

### *Effect of Abstentions and Broker Non-Votes (Pages 32 and 35)*

Both abstentions and broker non-votes will be counted in determining whether a quorum is present at the Northrop Meeting and the TRW Meeting.

Abstentions and broker non-votes will have no effect on the outcome of the Northrop Grumman proposal, assuming a quorum is present.

Since the vote at the TRW Meeting required to adopt the merger agreement is based upon a percentage of the total outstanding voting power of TRW rather than upon the percentage of the votes cast at the TRW Meeting, abstentions and broker non-votes will have the same effect as a vote against the adoption of the merger agreement.

**It is very important that ALL Northrop Grumman stockholders and ALL TRW shareholders vote their shares, so please complete and return the enclosed proxy card today!**

## **Board Recommendations**

### *Northrop Grumman's Board Recommendation (Page 37)*

Northrop Grumman's board of directors (with one director absent) has unanimously determined that the terms of the merger are fair to and in the best interests of Northrop Grumman stockholders, has unanimously approved the merger agreement and unanimously recommends that Northrop Grumman stockholders vote FOR the issuance of the shares of Northrop Grumman common stock pursuant to the merger (including shares to be issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement).

### *TRW's Board Recommendation (Page 42)*

TRW's board of directors (with one director absent) has unanimously determined that the terms of the merger are fair to and in the best interests of TRW shareholders, has unanimously approved the merger agreement and unanimously recommends that TRW shareholders vote FOR the adoption of the merger agreement.

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### **The Merger**

The rights and obligations of the parties to the merger agreement are governed by the specific terms and conditions of the merger agreement and not by any summary or other information in this joint proxy statement/prospectus. Therefore, the information in this joint proxy statement/prospectus regarding the merger agreement and the merger is qualified in its entirety by reference to the merger agreement itself, a copy of which is attached as Annex A to this joint proxy statement/prospectus.

#### *TRW Common Stock (Page 88)*

For each share of TRW common stock, TRW shareholders will receive a number of shares of Northrop Grumman common stock equal to \$60.00 divided by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange for the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger. However, in no event will the exchange ratio be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00). If the actual average Northrop Grumman common stock sale price is less than \$112.00, TRW shareholders should expect to receive less than \$60.00 in value of Northrop Grumman common stock per share of TRW common stock, and if the actual average Northrop Grumman common stock sale price is more than \$138.00, TRW shareholders should expect to receive more than \$60.00 in value of Northrop Grumman common stock per share of TRW common stock. While the exchange ratio is designed to provide TRW shareholders with Northrop Grumman common stock with a value of \$60.00 for each TRW common share if the average Northrop Grumman common stock price over the relevant period is between \$112.00 to \$138.00, the exchange ratio merely determines the number of shares of Northrop Grumman common stock that a TRW shareholder will receive per share of TRW common stock. See **RISK FACTORS** The Value of Northrop Grumman Common Stock Exchanged for TRW Common Stock Could Be Different Than \$60.00 Per Share on page 15. As described in the section entitled **Comparison of Rights of Holders of Northrop Grumman Common Stock and TRW Common Stock Rights Plan** on page 123, each share of Northrop Grumman common stock issued pursuant to the merger will be issued together with an associated preferred share purchase right.

If the shares of Northrop Grumman common stock proposed to be issued pursuant to the merger were issued on October 21, 2002, then approximately 75.13 million shares of Northrop Grumman common stock would be issued (including shares to be issued upon exercise of TRW options assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement), based on the exchange ratio calculated using the average closing sales prices of Northrop Grumman common stock for the five trading days starting October 11, 2002 and ending on (and including) October 17, 2002 of 0.5311. However, because this number is based on trading prices of Northrop Grumman common stock that continue to change, more or fewer shares of Northrop Grumman common stock ultimately may be issued pursuant to the merger. For example, if the five-day average closing sales price of Northrop Grumman common stock used to calculate the final exchange ratio was \$112.00 or less (and therefore the maximum exchange ratio of 0.5357 would result), the number of shares of Northrop Grumman common stock issued in connection with the merger (including shares to be issued upon exercise of TRW options assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger) would be approximately 75.78 million, assuming the number of TRW shares, options, shares of restricted stock and restricted stock units was the same as the number of such securities outstanding as of October 21, 2002.

#### *TRW Employee and Director Stock Options (Page 89)*

Pursuant to the merger agreement, each holder of options to acquire TRW common stock will be entitled to elect, prior to the effective time of the merger, to have such options canceled by TRW in exchange for cash, as described in the section entitled **THE MERGER AGREEMENT Treatment of TRW Stock Options and Other Equity Awards** on page 89. Any such cash elections made by TRW option holders are conditioned upon the

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completion of the merger, and will be ineffective if the merger does not occur. Any TRW options outstanding at the effective time of the merger will be deemed assumed by Northrop Grumman and will be subject to the same terms and conditions as in effect prior to the merger, except that any unvested TRW options will become vested at the effective time of the merger and the assumed options will be exercisable for shares of Northrop Grumman common stock, with the number of shares and exercise price determined pursuant to the merger agreement.

Other TRW equity-based awards will be cancelled in connection with the merger, and the holders of such awards will receive either lump sum cash payments, shares of Northern Grumman common stock based on the exchange ratio, or have their awards assumed by Northrop Grumman. TRW strategic incentive program grants will be cancelled in exchange for lump sum cash payments calculated on the assumption that maximum performance goals are reached. However, grants under the 2001-2002 strategic incentive program will be cancelled in exchange for lump sum payments equal to one-half of the maximum value of such grants.

### *Opinions of Financial Advisers*

#### *Northrop Grumman (Page 46)*

In connection with Northrop Grumman's consideration of the merger, Northrop Grumman received financial advice from Salomon Smith Barney and Stephens Financial Group. Each of Salomon Smith Barney and Stephens Financial Group has provided separately its opinion to Northrop Grumman's board of directors, each dated June 30, 2002, that as of that date and subject to the qualifications and limitations and based on the considerations in each respective opinion, the exchange ratio to be used in the merger was fair, from a financial point of view to Northrop Grumman.

The opinions of Salomon Smith Barney and Stephens Financial Group are attached as Annexes B and C, respectively, to this joint proxy statement/prospectus.

#### *TRW (Page 66)*

TRW's board of directors considered the opinion of each of Goldman, Sachs & Co. and Credit Suisse First Boston Corporation, each dated June 30, 2002, to the effect that, as of that date, and based on and subject to the assumptions, qualifications and limitations described in their respective opinions, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of TRW common stock other than Northrop Grumman and its affiliates. The opinions of Goldman Sachs and Credit Suisse First Boston are attached as Annexes D and E, respectively, to this joint proxy statement/prospectus.

#### *Redemption of TRW Preferred Stock (Page 89)*

Pursuant to the merger agreement, each outstanding share of TRW Cumulative Serial Preference Stock II, \$4.40 Convertible Series 1 and each outstanding share of TRW Cumulative Serial Preference Stock II, \$4.50 Convertible Series 3, was redeemed for cash by TRW on August 30, 2002, which was prior to the record date for the TRW Meeting. Therefore, the former holders of such securities are not entitled to notice of, or to vote at, the TRW Meeting, and the approval of such former TRW shareholders is not required to adopt the merger agreement.

#### *Conditions to the Merger (Page 94)*

The completion of the merger is subject to the satisfaction or valid waiver of the following conditions, among others:

Northrop Grumman stockholders must approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger (including shares to be issued upon exercise of TRW options)

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deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement);

TRW shareholders must adopt the merger agreement;

the waiting periods under the HSR Act must have expired or terminated (which expiration occurred on October 15, 2002, although the Department of Justice is still reviewing the transaction);

the European Commission must have approved the merger (which approval was announced on October 16, 2002);

there must be no law or court order prohibiting the merger;

Northrop Grumman and TRW each must have performed in all material respects their respective covenants and obligations to be performed at or prior to the effective time of the merger pursuant to the merger agreement; and

the representations and warranties of the respective parties made in the merger agreement must be true and correct.

These conditions and other conditions to the merger are more fully described in the section entitled **THE MERGER AGREEMENT** Conditions to the Completion of the Merger on page 94.

### *Termination of the Merger Agreement (Page 96)*

Pursuant to the merger agreement, Northrop Grumman and TRW may agree to terminate the merger agreement at any time before the merger is completed.

Either Northrop Grumman or TRW may terminate the merger agreement if:

the merger is not consummated by December 31, 2002 (or by March 31, 2003, if the only conditions to the merger that have not been satisfied relate to antitrust or governmental approvals or other legal prohibitions of the merger);

the Northrop Grumman stockholders do not approve the issuance of the Northrop Grumman common stock pursuant to the merger at the Northrop Meeting;

the TRW shareholders do not adopt the merger agreement at the TRW Meeting;

any law or regulation or legal action prohibits the merger; or

there is a breach of a representation, warranty or covenant in the merger agreement by the other party, as described in greater detail in **THE MERGER AGREEMENT** Termination of the Merger Agreement on page 96.

Northrop Grumman may terminate the merger agreement if:

TRW's board of directors changes its recommendation to the TRW shareholders regarding adoption of the merger agreement (whether or not permitted by the merger agreement);

TRW fails to call the TRW Meeting; or

TRW's board of directors recommends a proposal other than the merger to the TRW shareholders.

TRW may terminate the merger agreement if:

Northrop Grumman's board of directors changes its recommendation to Northrop Grumman stockholders regarding the issuance of Northrop Grumman common stock pursuant to the merger (whether or not permitted by the merger agreement);

Northrop Grumman fails to call the Northrop Meeting; or

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TRW's board of directors has first complied with certain provisions of the non-solicitation covenant in the merger agreement, as described in THE MERGER AGREEMENT Termination of the Merger Agreement on page 96.

### *Termination Fee and Expense Reimbursement*

#### *Termination Fee (Page 97)*

TRW must pay Northrop Grumman a termination fee of \$275 million if the merger agreement is terminated by Northrop Grumman under certain circumstances described in the section entitled THE MERGER AGREEMENT Termination Fee on page 97.

#### *Expense Reimbursement (Page 98)*

Northrop Grumman must reimburse TRW for up to \$50 million of documented expenses if the merger agreement is terminated by TRW because Northrop Grumman's board of directors changes its recommendation to the TRW stockholders or Northrop Grumman fails to call the Northrop Meeting. See THE MERGER AGREEMENT Expense Reimbursement on page 98.

#### *No Solicitation (Page 98)*

The merger agreement contains non-solicitation provisions which prohibit TRW from soliciting or engaging in discussions or negotiations regarding a competing proposal to the merger. There are exceptions to these prohibitions if TRW receives a proposal for a transaction from a third party under circumstances set forth in the merger agreement.

#### *Certain Federal Income Tax Consequences of the Merger (Page 82)*

Consummation of the merger is conditioned upon the receipt by Northrop Grumman and TRW of tax opinions to the effect that, for federal income tax purposes:

the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

each of Northrop Grumman, Richmond Acquisition Corp., and TRW will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code.

TRW shareholders will therefore not recognize any gain or loss for United States federal income tax purposes on the exchange of their shares of TRW common stock for shares of Northrop Grumman common stock in the merger, except for any gain or loss attributable to cash received instead of fractional shares of Northrop Grumman common stock. The tax consequences to TRW shareholders of the merger will depend on each shareholder's particular circumstances. TRW shareholders should consult their tax advisers for a full understanding of the tax consequences of the merger to them.

#### **Interests of TRW Directors and Executive Officers in the Merger (Page 77)**

In considering the recommendation of TRW's board of directors with respect to the merger, TRW shareholders should be aware that certain directors and executive officers of TRW may have interests in the merger that are different from, or are in addition to, the interests of TRW shareholders generally, including those listed below:

All but one of TRW's executive officers is party to an employment continuation agreement with TRW that provides for certain benefits upon termination of employment under certain circumstances

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following the closing of the merger. TRW estimates that the value of cash severance potentially payable to the executive officers as a group, not including payments with respect to employee benefits, incentive pay for the portion of the year worked prior to termination, or any excise tax gross up, would aggregate approximately \$21.2 million. An aggregate additional payment of approximately \$22.3 million (as of September 30, 2002) would be payable under the agreements as part of any severance for the amounts previously earned and credited to these executive officers' accounts under TRW's nonqualified defined contribution plans, unless deferred;

TRW has entered into retention and severance agreements with its executive officers, other than the two executive officers in its Automotive business described in the next paragraph, as a result of its plan to spin off the Automotive business and the other elements of TRW's value enhancement plan. A maximum aggregate amount of approximately \$15.3 million would be payable to the executives under these agreements. These amounts would offset and reduce amounts payable under the employment continuation agreements described above if a change in control occurs within twelve months of the date the officer becomes entitled to the retention and severance payment.

Northrop Grumman has entered into agreements with two of TRW's executive officers in its Automotive business to incentivize the executives to remain employed by TRW's Automotive business and to use their best efforts to accomplish a sale or spin off of the Automotive business after the merger. The agreements provide for aggregate cash payments of \$2.6 million within fifteen days following the six month anniversary of the sale or spin off date if certain conditions are satisfied;

Upon consummation of the merger, TRW's current executive officers and all employees that served as executive officers at any time since January 1, 2001 would receive an aggregate cash payment with respect to 611,000 shares of TRW common stock pursuant to outstanding performance units under TRW's strategic incentive program;

Unvested stock options, restricted stock and restricted stock units outstanding at the effective time of the merger will become vested. As of October 21, 2002 the current directors and executive officers of TRW and all other persons who served as a director or an executive officer of TRW since January 1, 2001 held: options to purchase 3,187,614 shares of TRW common stock, with a weighted average exercise price of \$46.23 per share, of which 2,497,110 options had vested; 35,713 unvested restricted stock units; and 91,600 unvested shares of restricted stock;

TRW directors and executive officers who hold options to acquire TRW common stock will be entitled to elect, prior to the effective time of the merger, to have such options canceled by TRW in exchange for cash, as described in the section entitled "THE MERGER AGREEMENT—Treatment of TRW Stock Options and Other Equity Awards" on page 89.

TRW has entered into split-dollar life insurance agreements with certain key executive officers. TRW will be required to fund a trust with approximately \$8.1 million to pay future premiums on the policies with respect to each officer party to such an agreement who has been an executive officer of TRW at any time since January 1, 2001; and

Under the terms of TRW's Deferred Compensation Plan for Non-Employee Directors, the balance of a director's account will be immediately distributed upon a change in control if the director has specifically stipulated on his or her election form for such distribution. As of September 30, 2002, TRW's aggregate liability under this plan to all the current directors with respect to the elective deferral portion of director compensation was an aggregate of approximately \$1.8 million.

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### **Dividend Policies (Page 26)**

#### *Northrop Grumman*

The holders of Northrop Grumman common stock receive dividends if and when declared by Northrop Grumman's board of directors out of legally available funds. Northrop Grumman has paid a cash dividend of \$0.40 per share of common stock in each fiscal quarter beginning with (and including) the fiscal quarter ended March 31, 1993 through (and including) the fiscal quarter ended September 30, 2002.

After the merger, Northrop Grumman expects to continue paying quarterly cash dividends on a basis consistent with Northrop Grumman's past practice. However, the declaration and payment of dividends will depend upon business conditions, operating results, capital and reserve requirements, covenants in its debt instruments and Northrop Grumman's board of directors' consideration of other relevant factors. Northrop Grumman can give TRW shareholders no assurance that Northrop Grumman will continue to pay dividends on its common stock in the future.

#### *TRW*

The holders of TRW common stock receive dividends if and when declared by TRW's board of directors out of legally available funds. For the past three fiscal quarters, including the fiscal quarter ended September 30, 2002, TRW has paid a cash dividend of \$0.175 per share of TRW common stock.

Should the merger be consummated, TRW will be a wholly-owned subsidiary of Northrop Grumman and will cease to be a public company. From and after the merger, TRW will not declare or pay dividends on TRW's shares, other than any dividends declared prior to the effective time of the merger with a payment date after the effective time of the merger or any dividends or distributions which may be made to Northrop Grumman after the merger as the parent corporation and sole shareholder of TRW.

Pursuant to the merger agreement, until the effective time of the merger, TRW is permitted to pay regular quarterly cash dividends not in excess of \$0.175 per share on its common stock and dividends on its preferred stock in accordance with the terms of such preferred stock.

### **Material Differences in Rights of Stockholders/Shareholders (Page 118)**

The governing documents of Northrop Grumman and TRW vary, and therefore TRW shareholders will have different rights once they become Northrop Grumman stockholders. Similarly, the laws of Ohio, TRW's state of incorporation, differ from those of Delaware, Northrop Grumman's state of incorporation. These differences are described in greater detail under "COMPARISON OF RIGHTS OF HOLDERS OF NORTHROP GRUMMAN COMMON STOCK AND TRW COMMON STOCK" beginning on page 118.

### **Sale of Aeronautical Systems Business**

On June 18, 2002, TRW entered into a definitive agreement with Goodrich Corporation for the sale of TRW's Aeronautical Systems business for a gross purchase price of \$1.5 billion in cash, subject to adjustment. This business includes aircraft engine and flight controls, cargo handling systems, power generation and management, missile actuation, nacelle actuation, hoists and winches, flexible shafts and couplings, and comprehensive aftermarket support and services, including asset management and service-level guarantees for a number of commercial airlines. This sale was completed on October 1, 2002 and, as a result, TRW no longer operates this business. The Aeronautical Systems business is reported as discontinued operations in TRW's financial statements.

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### **Dissenters Appraisal Rights (Page 84)**

If the merger is consummated, TRW shareholders will have certain rights under the Ohio Revised Code to dissent and demand dissenters' rights and to receive payment of the fair cash value of their TRW shares. TRW shareholders who perfect dissenters' rights by complying with the procedures set forth in Sections 1701.84 and 1701.85 of the Ohio Revised Code will have the fair cash value of their TRW shares determined by an Ohio trial court and will be entitled to receive a payment equal to the fair cash value of those shares from the corporation surviving the merger. In addition, any dissenting TRW shareholders would be entitled to receive payment of a fair rate of interest, at a rate determined by the trial court, on the amount determined to be the fair cash value of their TRW shares. In determining the fair cash value of TRW shares, the court is required to take into account all relevant factors, excluding any appreciation or depreciation in market value resulting from the merger. Accordingly, the court's determination could be based upon considerations other than, or in addition to, the market value of TRW common stock, including, among other things, asset values and earning capacity. The shares of TRW common stock held by any person who wants to dissent but fails to perfect or who effectively withdraws or loses the right to dissent under Section 1701.85 of the Ohio Revised Code will be converted into, as of the effective time of the merger, the right to receive the merger consideration. Copies of Sections 1701.84 and 1701.85 of the Ohio Revised Code are attached as Annex H to this joint proxy statement/prospectus.

### **Recent Financial Results**

On October 17, 2002, Northrop Grumman reported its financial results for the third quarter ended September 30, 2002, including a net loss of \$59 million or \$.56 per share on 115.2 million average diluted shares outstanding compared to net income of \$148 million or \$1.64 per share on 86.4 million average diluted shares outstanding for the quarter ended September 30, 2001. Sales for the quarter ended September 30, 2002 were \$4.2 billion compared to sales of \$3.4 billion for the third quarter of 2001. These results are adjusted to exclude amortization of goodwill in 2001 in accordance with SFAS No. 142 *Goodwill and Other Intangible Assets*. In the third quarter of 2002, Northrop Grumman completed the measurement of the goodwill impairment in its Component Technologies sector as of January 1, 2002, and recorded a non-cash charge of \$432 million. Northrop Grumman's 2002 third quarter results included an \$87 million pre-tax charge on its Polar Tanker program and a \$65 million charge on its F-16 Block 60 contract. The third quarter results also included positive pre-tax adjustments of \$69 million on the cancelled commercial cruise ship program and \$20 million on a Technology Services contract. In September 2002, Northrop Grumman entered into a definitive agreement to sell two Electronic Systems sector businesses which it expects will close in the fourth quarter of 2002. During the third quarter, Northrop Grumman also decided to sell the businesses of its Component Technologies sector and expects to conclude the sale of these businesses within the next 12 months. The results of these businesses are reported as discontinued operations in Northrop Grumman's earnings release for the quarter and year-to-date periods ended September 30, 2002 and 2001, respectively. Northrop Grumman's third quarter results include an estimated after-tax loss on disposal of \$208 million, which considers only those businesses that may be sold at a loss. Gains realized will be reported in the period in which the sales occur. Net income from continuing operations in the quarter ended September 30, 2002 was \$141 million, or \$1.17 per share, as compared to adjusted net income from continuing operations of \$140 million, or \$1.56 per share, in the quarter ended September 30, 2001.

On October 1, 2002, TRW completed the sale of its Aeronautical Systems business to Goodrich Corporation for \$1.5 billion in cash, subject to adjustment. On October 16, 2002, TRW reported its financial results for the third quarter ended September 30, 2002, including net earnings of \$13 million, or \$.10 per share on 129.1 million diluted shares outstanding as compared to a loss of \$57 million, or \$.46 per share on 125.2 million diluted shares outstanding for the quarter ended September 30, 2001. Sales for the quarter ended September 30, 2002 were \$3.9 billion as compared to \$3.6 billion for the third quarter of 2001. These results are adjusted in accordance with SFAS 142 as described above. The 2002 third quarter results include an after tax loss of \$82 million from discontinued operations and a net charge for unusual items of \$20 million. Before these items, operating earnings from continuing operations for the 2002 third quarter were \$115 million, or \$.89 per share, as compared to \$80 million, or \$.64 per share for the 2001 third quarter.

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**Other Recent Developments**

On September 20, 2002, the staff of the Securities and Exchange Commission advised Northrop Grumman telephonically, and confirmed by letter dated September 27, 2002, that it was considering recommending to the Commission that civil injunctive proceedings be initiated against Northrop Grumman pertaining to alleged failures to update disclosures in the joint proxy statement and prospectus issued by Northrop Grumman and Lockheed Martin Corporation on January 22, 1998 in connection with a meeting of Northrop Grumman's shareholders to approve the then-proposed (but subsequently abandoned) merger of the two companies. The allegations that the staff has suggested it would advance that Northrop Grumman should have updated the joint proxy statement and prospectus to disclose additional information about the status of the Department of Justice's antitrust review of the proposed transaction would appear to be substantially similar to those raised in certain private actions brought against Northrop Grumman pursuant to the federal securities laws which were dismissed in federal court on Northrop Grumman's motion. Northrop Grumman believes that the Commission should not commence an action against it, and has urged and continues to urge that the Commission not do so. As is typically the case in the context of potential governmental proceedings, Northrop Grumman cannot provide any assurance that the Commission will not commence an action, or that if an action were to be commenced, Northrop Grumman ultimately would prevail. However, Northrop Grumman does not currently anticipate that any Commission action in this regard would have a material adverse effect on its business, financial condition or results of operations.

On October 23, 2002 a jury in the Circuit Court of Maryland for Montgomery County rendered a verdict for breach of contract in favor of Fusion Lighting, Inc. against Northrop Grumman Corporation in the amount of \$32.7 million. The action involved allegations that Northrop Grumman had misallocated certain intellectual property rights relating to electrodeless light bulbs by obtaining certain patents in 1999 and 2000. Northrop Grumman believes that it will obtain substantial relief from the adverse judgment on motion or appeal based upon substantive as well as procedural grounds. Northrop Grumman believes that the jury's award in the trial was not warranted by the law applicable in the case and should be overturned. It is not possible at this time to predict the result of the appeal.

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**RISK FACTORS**

Northrop Grumman stockholders and TRW shareholders should read carefully this joint proxy statement/prospectus and the other documents attached to or incorporated by reference into this joint proxy statement/prospectus. Northrop Grumman stockholders and TRW shareholders should, in particular, read and consider the following risk factors, as well as the other risks associated with each of the businesses of Northrop Grumman and TRW, because these risks also will affect the combined businesses should the merger be completed. These other risks associated with the businesses of Northrop Grumman and TRW can be found in Northrop Grumman's and TRW's respective Annual Reports on Form 10-K for the year ended December 31, 2001 and Northrop Grumman's and TRW's documents filed subsequent thereto with the SEC and incorporated by reference into this document. Additional risks and uncertainties not presently known to Northrop Grumman or TRW also may adversely affect the merger and Northrop Grumman following the merger.

**Successful Integration of the Companies' Businesses is Not Assured**

Integrating and coordinating the operations and personnel of Northrop Grumman and TRW will involve complex technological, operational and personnel-related challenges. This process will be time-consuming and expensive and may disrupt the business of either or both companies. In addition, ongoing elements of integration of Northrop Grumman's recent past acquisition of Newport News Shipbuilding may require significant management time and attention. While the integration of Newport News is expected to be substantially complete by the time of the merger, the integration of these companies, and the ultimate integration of TRW's businesses and operations, may not timely or ever result in the full benefits expected by Northrop Grumman. The difficulties, costs and delays that could be encountered may include:

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

**The Value of Northrop Grumman Common Stock Exchanged for TRW Common Stock Could Be Different Than \$60.00 Per Share**

In the merger, Northrop Grumman will issue to TRW shareholders a number of shares of Northrop Grumman common stock designed to have a value of \$60.00 for each outstanding share of TRW common stock. However, the exchange ratio only determines the fraction of a share of Northrop common stock into which each share of TRW common stock will be exchanged. The value of that fraction of a share upon delivery may be worth more or less than the product of the exchange ratio multiplied by the average trading price used in calculating the exchange ratio, and therefore may be worth more or less than \$60.00 in value when ultimately delivered, whether or not the average Northrop Grumman common stock price is between \$112.00 and \$138.00 when the exchange ratio is calculated. TRW shareholders should expect to receive less than \$60.00 in value per TRW share if the market price of the Northrop Grumman common stock is less than \$112.00 at the time the exchange ratio is calculated and remains below \$112.00 when the Northrop Grumman common stock is delivered. Conversely, TRW shareholders should expect to receive more than \$60.00 in value per TRW share if the market price of the Northrop Grumman common stock is more than \$138.00 at the time the exchange ratio is calculated and remains above \$138.00 when the Northrop Grumman common stock is delivered. In addition, no adjustment will be made to reflect the trading price of Northrop Grumman common stock on the trading day before the closing date of the merger, and TRW shareholders may receive more or less than the amount they would receive if the closing occurred on the day the exchange ratio was calculated.

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### **Resales of Northrop Grumman Common Stock Following the Merger May Cause the Market Price to Fall**

As of October 21, 2002, Northrop Grumman had 113,133,263 shares of common stock outstanding, 7,796,310 shares of common stock issuable upon conversion of outstanding equity security units, 3,188,967 shares of common stock issuable upon conversion of outstanding shares of Series B Convertible Preferred Stock and 7,616,192 shares of common stock subject to outstanding options to purchase Northrop Grumman common stock. Northrop Grumman expects that it will issue a maximum of 75,779,743 shares of Northrop Grumman common stock in connection with the merger (including shares to be issued upon exercise of TRW options assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement), based on the maximum possible exchange ratio and the number of outstanding shares of TRW common stock, TRW options and shares of restricted stock and restricted stock units as of October 21, 2002. The issuance of these new Northrop Grumman shares, and the sale of additional shares of Northrop Grumman common stock that may become eligible for sale in the public market from time to time upon exercise of options or other rights, will increase the total number of shares of Northrop Grumman common stock outstanding. This increase could be very substantial and could have the effect of depressing the market price for Northrop Grumman common stock.

### **The Trading Prices of Northrop Grumman Common Stock and TRW Common Stock May be Affected by Different Factors**

Upon completion of the merger, holders of TRW common stock will become holders of Northrop Grumman common stock. Northrop Grumman's business differs from that of TRW, 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 TRW's results of operations and the trading price of TRW common stock as a separate company. Therefore, events or circumstances which might not have caused TRW's shares to decline in value might result in a decline in the value of Northrop Grumman common stock, and events or circumstances that might have caused an increase in the value of TRW common stock might not result in an increase in the value of Northrop Grumman common stock.

### **Northrop Grumman Will Have More Indebtedness After the Merger**

Northrop Grumman's indebtedness as of June 30, 2002 was approximately \$4.9 billion. Northrop Grumman's pro forma indebtedness as of December 31, 2001, after giving effect to the merger (as described in the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 104) was approximately \$9.72 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 Northrop Grumman common stock. For example, the increased levels of indebtedness could, among other things:

- reduce funds available for investment in research and development and capital expenditures;
- adversely affect the cost and availability of funds from commercial lenders, debt financing transactions and other sources; and
- create competitive disadvantages compared to other companies with lower debt levels.

Northrop Grumman expects that a significant portion of the debt assumed in connection with the merger will be reduced or transferred in connection with a sale or spin off of the TRW Automotive business. However, no final decisions have been made as to how much debt would be transferred, and there can be no assurance that a sale, spin off or other transfer of the TRW Automotive business will occur. The unaudited pro forma financial information beginning on page 104 assumes no debt reduction in the case of a sale of TRW's Automotive business and the transfer to or assumption of approximately \$2.8 billion of debt by TRW Automotive Inc. in the case of a spin off of TRW's Automotive business.

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**The Purchase Price Allocations of the Newport News Acquisition May Have a Material Effect on the Pro Forma Financial Information**

The final adjustment of the purchase price of Northrop Grumman's recent Newport News acquisition has not been determined as of October 23, 2002. There can be no assurance that such adjustments will not have a material impact on the pro forma financial statements. See UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION beginning on page 104.

**Risks Associated With the Proposed Sale or Spin Off of TRW's Automotive Business**

As described in greater detail in the section entitled NORTHROP GRUMMAN AFTER THE MERGER Proposed Sale or Spin Off of TRW's Automotive Business on page 100, Northrop Grumman currently intends to sell TRW's Automotive business to a third party or parties or to spin off the business to Northrop Grumman's stockholders (including any former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off) after the merger. However, there can be no assurance as to the value that may be realized from a sale of the Automotive business or as to the market value of its stock in the event of a spin off. There is also no assurance that the various conditions to such a sale or spin off can be satisfied, including receiving required governmental and other approvals, or what the economic proceeds or benefits from the separation of the Automotive business will be.

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### **FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE**

Certain statements and assumptions in this joint proxy statement/prospectus and in the documents attached or incorporated by reference contain or are based on forward-looking information and involve risks and uncertainties. Northrop Grumman and TRW believe that such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking information includes, among other things, statements as to the impact of the proposed merger on revenues and earnings, and other statements with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities, plans and objectives of management, and other matters. Such statements are subject to numerous assumptions and uncertainties, many of which are outside of Northrop Grumman's and TRW's control. These include completion of the merger, governmental regulatory processes, Northrop Grumman's ability to successfully integrate the operations of TRW, achieve a successful disposition or other resolution with respect to TRW's Automotive business, assumptions with respect to future revenues, expected program performance and cash flows, the outcome of contingencies including, among others, the timing and amounts of tax payments, litigation matters, environmental claims and remediation efforts, divestitures of businesses, successful negotiation of contracts with labor unions, and anticipated costs of capital investments. Northrop Grumman's and TRW's respective operations are subject to various additional risks and uncertainties resulting from their positions as suppliers, either directly or as subcontractors or team members, to the United States government and its agencies, as well as to foreign governments and agencies.

Actual outcomes are dependent upon many factors. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, among others:

Northrop Grumman's and TRW's dependence on sales to the United States government;

Northrop Grumman's and TRW's successful performance of internal plans;

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 and customer expectations;

continued development and acceptance of new products;

performance issues with key suppliers and subcontractors;

government import and export policies;

acquisition or termination of government contracts, which may include termination for the convenience of the government;

the outcome of political and legal processes;

legal, financial and governmental risks related to international transactions and global needs for military and commercial aircraft, electronic systems and support, information technologies, naval vessels, space systems and related products and technologies; and

other economic, political and technological risks and uncertainties and other risk factors set out in Northrop Grumman's and TRW's filings from time to time with the SEC, including, without limitation, Northrop Grumman's and TRW's respective reports on Form 10-K and Form 10-Q.

Words such as anticipates, believes, estimates, expects, hopes, targets or similar expressions are intended to identify forward-looking statements which speak only as of the date of this joint proxy statement/prospectus, and in the case of documents incorporated by reference, as of the date of those documents. Neither Northrop Grumman nor TRW undertakes any obligation to update or release any revisions to any forward-looking statements or to report any events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

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**SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONDENSED COMBINED  
FINANCIAL DATA**

The pro forma financial data presented below are derived from the historical consolidated financial statements of Northrop Grumman, Litton, Newport News and TRW, and have been adjusted to give effect to Northrop Grumman's acquisitions of Litton, Newport News and TRW. The pro forma statements contained herein use the purchase method of accounting, with Northrop Grumman treated as the acquirer and assuming that the Litton, Newport News and TRW acquisitions had been completed on January 1, 2001 (for statement of operations purposes) and on December 31, 2001 (for balance sheet purposes).

The pro forma amounts presented give effect to (a) the sale by TRW of its Aeronautical Systems business on October 1, 2002 for a gross purchase price of \$1.5 billion in cash and (b) the assumed divestiture of TRW's Automotive business upon the completion of the merger. The pro forma financial statements also assume a sale of TRW's Automotive business would generate cash proceeds of \$5.0 billion.

If the Automotive business divestiture is accomplished as a spin off rather than a sale, the pro forma effect of the divestiture will differ from that presented below in the following respects:

cash proceeds from the sale would be eliminated;

a portion of TRW's existing indebtedness, currently estimated as approximately \$2.8 billion, will be replaced by indebtedness of TRW Automotive Inc. and eliminated as indebtedness of TRW; and

interest costs associated with such replaced indebtedness will be eliminated.

Northrop Grumman stockholders and TRW shareholders should read the following summary information together with the unaudited pro forma financial statements and notes beginning on page 104.

**Table of Contents****SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA OF NORTHROP GRUMMAN**

The following is a summary of selected consolidated financial data for Northrop Grumman for each of the years in the five-year period ended December 31, 2001 and for the six months ended June 30, 2001 and 2002. The information with respect to the years ended December 31, 1997 through December 31, 2001 is derived from the audited financial statements of Northrop Grumman contained in its Annual Report on Form 10-K for the years ended December 31, 2001, 2000 and 1999. The information with respect to the six months ended June 30, 2001 and June 30, 2002 is derived from the unaudited consolidated financial statements of Northrop Grumman contained in the Quarterly Report on Form 10-Q for the period ended June 30, 2002. This summary should be read together with the financial statements which are incorporated by reference in this joint proxy statement/prospectus and the accompanying notes and management's discussion and analysis of operations and financial conditions of Northrop Grumman contained in such reports, as well as the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 104.

|                                                        | Northrop Grumman/<br>TRW<br>Pro Forma<br>(\$ in millions) |  | Northrop Grumman<br>Historical Data<br>(\$ in millions) |                                            | Northrop Grumman Historical Data<br>Year ended December 31,<br>(\$ in millions) |          |          |          |          |
|--------------------------------------------------------|-----------------------------------------------------------|--|---------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------|----------|----------|----------|----------|
|                                                        | Six Months Ended<br>June 30,<br>2002                      |  | Six<br>Months<br>Ended<br>June 30,<br>2002              | Six<br>Months<br>Ended<br>June 30,<br>2001 | 2001                                                                            | 2000     | 1999     | 1998     | 1997     |
| <b>Operating Data</b>                                  |                                                           |  |                                                         |                                            |                                                                                 |          |          |          |          |
| Net sales                                              | \$ 11,181                                                 |  | \$ 8,482                                                | \$ 5,649                                   | \$ 13,558                                                                       | \$ 7,618 | \$ 7,616 | \$ 7,367 | \$ 7,798 |
| Income from continuing operations, net of tax          | 334                                                       |  | 331                                                     | 217                                        | 427                                                                             | 625      | 474      | 193      | 318      |
| Basic earnings per share, from continuing operations   | 1.78                                                      |  | 2.85                                                    | 2.72                                       | 4.84                                                                            | 8.86     | 6.84     | 2.82     | 4.76     |
| Diluted earnings per share, from continuing operations | 1.76                                                      |  | 2.80                                                    | 2.69                                       | 4.80                                                                            | 8.82     | 6.80     | 2.78     | 4.67     |
| Cash dividends per common share                        | 0.80                                                      |  | 0.80                                                    | 0.80                                       | 1.60                                                                            | 1.60     | 1.60     | 1.60     | 1.60     |
| <b>Balance Sheet Data</b>                              |                                                           |  |                                                         |                                            |                                                                                 |          |          |          |          |
| Total assets                                           | \$ 36,568                                                 |  | \$ 21,384                                               | \$ 17,331                                  | \$ 20,886                                                                       | \$ 9,622 | \$ 9,285 | \$ 9,536 | \$ 9,677 |
| Total long term obligations                            | 13,800                                                    |  | 8,229                                                   | 8,016                                      | 8,013                                                                           | 3,015    | 3,564    | 4,319    | 4,339    |
| Redeemable preferred stock                             | 350                                                       |  | 350                                                     | 350                                        | 350                                                                             | 0        | 0        | 0        | 0        |

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Effective January 1, 2002, Northrop Grumman adopted Statement of Financial Accounting Standards (SFAS) 142 *Goodwill and Other Intangible Assets*, which changes the accounting from an amortization method to an impairment-only approach. In accordance with this statement, amortization of goodwill, including goodwill recorded in past business combinations, ceased December 31, 2001. The table below reconciles the selected historical and pro forma financial data of Northrop Grumman to the adjusted income from continuing operations and earnings per share for the three-year period ended December 31, 2001 and for the six months ended June 30, 2002 and 2001, reflecting the adoption of SFAS 142.

|                                                              | Northrop<br>Grumman/<br>TRW<br>Pro Forma<br>(\$ in millions) | Northrop Grumman<br>Historical Data<br>(\$ in millions) |                                         | Northrop Grumman Historical Data<br>Year ended December 31,<br>(\$ in millions) |         |         |         |         |
|--------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------|---------|---------|---------|---------|
|                                                              |                                                              | Six Months<br>Ended<br>June<br>30,<br>2002              | Six Months<br>Ended<br>June 30,<br>2001 | 2001                                                                            | 2000    | 1999    | 1998*   | 1997*   |
| <b>Income from continuing operations, net of tax</b>         |                                                              |                                                         |                                         |                                                                                 |         |         |         |         |
| As reported                                                  | \$ 334                                                       | \$ 331                                                  | \$ 217                                  | \$ 427                                                                          | \$ 625  | \$ 474  | \$ 193  | \$ 318  |
| Add back goodwill amortization, net of tax                   |                                                              |                                                         | 90                                      | 218                                                                             | 75      | 73      |         |         |
| Income from continuing operations, net of tax adjusted       | \$ 334                                                       | \$ 331                                                  | \$ 307                                  | \$ 645                                                                          | \$ 700  | \$ 547  | \$ 193  | \$ 318  |
| <b>Basic earnings per share from continuing operations</b>   |                                                              |                                                         |                                         |                                                                                 |         |         |         |         |
| As reported                                                  | \$ 1.78                                                      | \$ 2.85                                                 | \$ 2.72                                 | \$ 4.84                                                                         | \$ 8.86 | \$ 6.84 | \$ 2.82 | \$ 4.76 |
| Add back goodwill amortization, net of tax                   |                                                              |                                                         | 1.16                                    | 2.58                                                                            | 1.06    | 1.06    |         |         |
| Adjusted                                                     | \$ 1.78                                                      | \$ 2.85                                                 | \$ 3.88                                 | \$ 7.42                                                                         | \$ 9.92 | \$ 7.90 | \$ 2.82 | \$ 4.76 |
| <b>Diluted earnings per share from continuing operations</b> |                                                              |                                                         |                                         |                                                                                 |         |         |         |         |
| As reported                                                  | \$ 1.76                                                      | \$ 2.80                                                 | \$ 2.69                                 | \$ 4.80                                                                         | \$ 8.82 | \$ 6.80 | \$ 2.78 | \$ 4.67 |
| Add back goodwill amortization, net of tax                   |                                                              |                                                         | 1.15                                    | 2.55                                                                            | 1.06    | 1.05    |         |         |
| Adjusted                                                     | \$ 1.76                                                      | \$ 2.80                                                 | \$ 3.84                                 | \$ 7.35                                                                         | \$ 9.88 | \$ 7.85 | \$ 2.78 | \$ 4.67 |

(\*) Historical operating data not adjusted for the effect of SFAS 142

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF TRW**

The following is a summary of selected consolidated financial data of TRW for each of the years in the five-year period ended December 31, 2001 and for the six months ended June 30, 2001 and June 30, 2002. The information with respect to the years ended December 31, 1999, 2000 and 2001 is derived from the audited consolidated financial statements of TRW contained in its Form 8-K filed on September 3, 2002 (which contains restated financial information of TRW for those years to give effect to the sale of TRW's Aeronautical Systems business and the reporting of that business as a discontinued operation). The information with respect to the years ended December 31, 1997 and 1998 is derived from the audited consolidated financial statements of TRW contained in its Annual Report on Form 10-K for the fiscal years ended December 31, 1998 and 1999. The information with respect to the six months ended June 30, 2001 and June 30, 2002 is derived from the unaudited consolidated financial statements of TRW contained in its Quarterly Report on Form 10-Q for the six-month period ended June 30, 2002. This summary should be read together with the financial statements which are incorporated by reference in this joint proxy statement/prospectus and the accompanying notes and management's discussion and analysis of financial condition and the results of operations of TRW contained in such reports, as well as the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 104.

|                                                                                          | TRW                                                |                                                    | TRW                                         |           |           |           |           |
|------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                          | Six Months Ended June 30, 2002<br>(\$ in millions) | Six Months Ended June 30, 2001<br>(\$ in millions) | Year ended December 31,<br>(\$ in millions) |           |           |           |           |
|                                                                                          |                                                    |                                                    | 2001                                        | 2000      | 1999      | 1998      | 1997      |
| <b>Operating Data</b>                                                                    |                                                    |                                                    |                                             |           |           |           |           |
| Net sales                                                                                | \$ 8,119                                           | \$ 7,908                                           | \$ 15,282                                   | \$ 16,126 | \$ 16,068 | \$ 11,886 | \$ 10,831 |
| Income (loss) from continuing operations before extraordinary items, net of tax          | 202                                                | 20                                                 | 18                                          | 381       | 417       | 477       | (49)      |
| Gain (loss) from discontinued operations, net of tax                                     | (672)                                              | 38                                                 | 50                                          | 57        | 52        | 0         | 0         |
| Basic earnings (loss) per share, from continuing operations before extraordinary items   | 1.59                                               | 0.17                                               | 0.14                                        | 3.08      | 3.44      | 3.93      | (0.40)    |
| Diluted earnings (loss) per share, from continuing operations before extraordinary items | 1.59                                               | 0.17                                               | 0.14                                        | 3.05      | 3.38      | 3.83      | (0.40)    |
| Dividends declared per common share                                                      | 0.175                                              | 0.35                                               | 1.05                                        | 1.36      | 1.32      | 1.28      | 1.24      |
| <b>Balance Sheet Data</b>                                                                |                                                    |                                                    |                                             |           |           |           |           |
| Total assets                                                                             | \$ 14,639                                          | \$ 15,795                                          | \$ 14,444                                   | \$ 16,467 | \$ 18,266 | \$ 7,340  | \$ 6,410  |
| Total long term obligations                                                              | 7,455                                              | 7,655                                              | 7,392                                       | 7,825     | 8,543     | 2,442     | 2,067     |

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Effective January 1, 2002, TRW adopted Statement of Financial Accounting Standards (SFAS) 142 *Goodwill and Other Intangible Assets*, which changes the accounting from an amortization method to an impairment-only approach. In accordance with this statement, amortization of goodwill, including goodwill recorded in past business combinations, ceased December 31, 2001. The table below reconciles the selected historical financial data of TRW to the adjusted income (loss) from continuing operations before extraordinary items, gain (loss) from discontinued operations, and earnings (loss) per share for the three-year period ended December 31, 2001 and for the six months ended June 30, 2002 and 2001, reflecting the adoption of SFAS 142.

|                                                                                                | TRW                            |                                | TRW                                      |         |         |         |           |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|------------------------------------------|---------|---------|---------|-----------|
|                                                                                                | Six Months Ended June 30, 2002 | Six Months Ended June 30, 2001 | Year Ended December 31, (\$ in millions) |         |         |         |           |
|                                                                                                | (\$ in millions)               | (\$ in millions)               | 2001                                     | 2000    | 1999    | 1998*   | 1997*     |
| <b>Income (loss) from continuing operations before extraordinary items, net of tax</b>         |                                |                                |                                          |         |         |         |           |
| As reported                                                                                    | \$ 202                         | \$ 20                          | \$ 18                                    | \$ 381  | \$ 417  | \$ 477  | \$ (49)   |
| Add back goodwill amortization, net of tax                                                     |                                | 35                             | 71                                       | 79      | 65      |         |           |
| Income (loss) from continuing operations before extraordinary items, net of tax adjusted       | \$ 202                         | \$ 55                          | \$ 89                                    | \$ 460  | \$ 482  | \$ 477  | \$ (49)   |
| <b>Gain (loss) from discontinued operations, net of tax</b>                                    |                                |                                |                                          |         |         |         |           |
| As reported                                                                                    | \$ (672)                       | \$ 38                          | \$ 50                                    | \$ 57   | \$ 52   | \$      | \$        |
| Add back goodwill amortization, net of tax                                                     |                                | 9                              | 19                                       | 17      | 12      |         |           |
| Gain (loss) from discontinued operations, net of tax adjusted                                  | \$ (672)                       | \$ 47                          | \$ 69                                    | \$ 74   | \$ 64   | \$      | \$        |
| <b>Basic earnings (loss) per share from continuing operations before extraordinary items</b>   |                                |                                |                                          |         |         |         |           |
| As reported                                                                                    | \$ 1.59                        | \$ 0.17                        | \$ 0.14                                  | \$ 3.08 | \$ 3.44 | \$ 3.93 | \$ (0.40) |
| Add back goodwill amortization, net of tax                                                     |                                | 0.28                           | 0.57                                     | 0.65    | 0.54    |         |           |
| Adjusted                                                                                       | \$ 1.59                        | \$ 0.45                        | \$ 0.71                                  | \$ 3.73 | \$ 3.98 | \$ 3.93 | \$ (0.40) |
| <b>Diluted earnings (loss) per share from continuing operations before extraordinary items</b> |                                |                                |                                          |         |         |         |           |
| As reported                                                                                    | \$ 1.59                        | \$ 0.17                        | \$ 0.14                                  | \$ 3.05 | \$ 3.38 | \$ 3.83 | \$ (0.40) |
| Add back goodwill amortization, net of tax                                                     |                                | 0.28                           | 0.57                                     | 0.63    | 0.52    |         |           |
| Adjusted                                                                                       | \$ 1.59                        | \$ 0.45                        | \$ 0.71                                  | \$ 3.68 | \$ 3.90 | \$ 3.83 | \$ (0.40) |

(\*) Historical operating data not adjusted for the effect of SFAS 142



**Table of Contents****COMPARATIVE PER SHARE INFORMATION**

The following table summarizes unaudited per share information for Northrop Grumman and TRW separately on a historical basis, pro forma combined basis for Northrop Grumman and equivalent pro forma combined basis for TRW. The following information should be read in conjunction with the audited consolidated financial statements of Northrop Grumman and TRW, and the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 104. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the actual operating results or financial position that would have resulted if Northrop Grumman's acquisition of TRW and the Litton and Newport News acquisitions had been completed as of the beginning of the period 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 are 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. TRW equivalent pro forma combined per share amounts are calculated by multiplying Northrop Grumman pro forma combined per share amounts by 0.5357, the percentage of a share of Northrop Grumman common stock that would be exchanged for each share of TRW common stock pursuant to the merger, based upon a Northrop Grumman common stock price of \$112.00 per share, which represents the bottom end of the collar for the merger exchange ratio. The historical per share information of Northrop Grumman and TRW was derived from Northrop Grumman's and TRW's respective historical annual financial statements.

|                                                                 | <b>Six Months<br/>June 30,<br/>2002</b> | <b>Year Ended<br/>December 31,<br/>2001</b> |
|-----------------------------------------------------------------|-----------------------------------------|---------------------------------------------|
| <b>Northrop Grumman Historical</b>                              |                                         |                                             |
| Historical per common share:                                    |                                         |                                             |
| Income per basic share                                          | \$ 2.85                                 | \$ 4.84                                     |
| Income per diluted share                                        | 2.80                                    | 4.80                                        |
| Dividends declared Common                                       | 0.80                                    | 1.60                                        |
| Dividends declared Mandatorily Redeemable Preferred             | 3.50                                    | 5.19                                        |
| Book value per share                                            | 70.98                                   | 68.08                                       |
| <b>TRW Historical</b>                                           |                                         |                                             |
| Historical per common share:                                    |                                         |                                             |
| Income from continuing operations per basic share               | \$ 1.59                                 | \$ 0.14                                     |
| Income from continuing operations per diluted share             | 1.59                                    | 0.14                                        |
| Dividends declared Common                                       | 0.175                                   | 1.05                                        |
| Dividends declared Preference Stock II Series 1                 | 1.10                                    | 4.40                                        |
| Dividends declared Preference Stock II Series 3                 | 1.125                                   | 4.50                                        |
| Book value per share                                            | 15.53                                   | 17.25                                       |
| <b>Unaudited Pro Forma Combined</b>                             |                                         |                                             |
| Unaudited pro forma per share of Northrop Grumman common stock: |                                         |                                             |
| Income from continuing operations per basic share               | \$ 1.78                                 | \$ 2.47                                     |
| Income from continuing operations per diluted share             | 1.76                                    | 2.45                                        |
| Dividends declared Common                                       | 0.80                                    | 1.60                                        |
| Dividends declared Mandatorily Redeemable Preferred             | 3.50                                    | 7.00                                        |
| Dividends declared Preference Stock II Series 1                 |                                         |                                             |
| Dividends declared Preference Stock II Series 3                 |                                         |                                             |
| Book value per share                                            | 86.65                                   | N/A                                         |
| <b>Unaudited Pro Forma TRW Equivalents</b>                      |                                         |                                             |
| Unaudited pro forma per share of TRW common stock:              |                                         |                                             |
| Income from continuing operations per basic share               | \$ 0.95                                 | \$ 1.32                                     |
| Income from continuing operations per diluted share             | 0.94                                    | 1.31                                        |
| Dividends declared Common                                       | 0.43                                    | 0.86                                        |
| Dividends declared Mandatorily Redeemable Preferred             |                                         |                                             |
| Dividends declared Preference Stock II Series 1                 |                                         |                                             |
| Dividends declared Preference Stock II Series 3                 |                                         |                                             |
| Book value per share                                            | 46.42                                   | N/A                                         |

**Table of Contents****COMPARATIVE MARKET DATA**

Northrop Grumman common stock trades on the New York Stock Exchange and on the Pacific Exchange under the symbol NOC and TRW common stock trades on the New York Stock Exchange, the Pacific Exchange, the Chicago Stock Exchange and the Philadelphia Stock Exchange under the symbol TRW, the London Stock Exchange under the symbol TIN and the Frankfurt Stock Exchange under the symbol TRWA. The following table presents trading information for Northrop Grumman and TRW common stock on February 21, 2002, March 1, 2002, June 28, 2002 and October 22, 2002. February 21, 2002 was the last trading day before the public announcement of Northrop Grumman's proposal for a business combination of Northrop Grumman and TRW, March 1, 2002 was the last trading day before the date of the commencement of Northrop Grumman's offer to exchange all outstanding shares of TRW common stock, June 28, 2002 was the last trading day before the merger agreement was announced and October 22, 2002 was the last trading day before the date of this joint proxy statement/prospectus. Northrop Grumman stockholders and TRW shareholders should read the information presented below in conjunction with COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION on the following page.

|                   | Northrop Grumman<br>Common Stock |           |           | TRW<br>Common Stock |          |          |
|-------------------|----------------------------------|-----------|-----------|---------------------|----------|----------|
|                   | High                             | Low       | Closing   | High                | Low      | Closing  |
| February 21, 2002 | \$ 118.89                        | \$ 114.81 | \$ 117.80 | \$ 40.05            | \$ 38.91 | \$ 39.80 |
| March 1, 2002     | 108.00                           | 106.80    | 107.75    | 50.61               | 50.00    | 50.05    |
| June 28, 2002     | 128.82                           | 125.00    | 125.00    | 56.98               | 56.21    | 56.98    |
| October 22, 2002  | 104.45                           | 101.51    | 103.80    | 53.65               | 52.55    | 53.40    |

For illustrative purposes, the following table provides TRW equivalent per share information on each of the relevant dates assuming the highest (\$60.00/\$112.00) and the lowest (\$60.00/\$138.00) possible exchange ratios. TRW equivalent per share amounts are calculated by multiplying Northrop Grumman per share amounts by the exchange ratio.

| Date              | Northrop Grumman<br>Common Stock |           |           | TRW Equivalent per share at<br>Highest Exchange Ratio |          |          | TRW Equivalent per share at<br>Lowest Exchange Ratio |          |          |
|-------------------|----------------------------------|-----------|-----------|-------------------------------------------------------|----------|----------|------------------------------------------------------|----------|----------|
|                   | High                             | Low       | Close     | High                                                  | Low      | Close    | High                                                 | Low      | Close    |
| February 21, 2002 | \$ 118.89                        | \$ 114.81 | \$ 117.80 | \$ 63.69                                              | \$ 61.51 | \$ 63.11 | \$ 51.69                                             | \$ 49.92 | \$ 51.22 |
| March 1, 2002     | 108.00                           | 106.80    | 107.75    | 57.86                                                 | 57.21    | 57.72    | 46.96                                                | 46.43    | 46.85    |
| June 28, 2002     | 128.82                           | 125.00    | 125.00    | 69.01                                                 | 66.96    | 66.96    | 56.01                                                | 54.35    | 54.35    |
| October 22, 2002  | 104.45                           | 101.51    | 103.80    | 55.96                                                 | 54.38    | 55.61    | 45.41                                                | 44.13    | 45.13    |

**Table of Contents****COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION**

The following table sets forth, for the calendar quarters indicated, the high and low closing sales prices per share reported by the New York Stock Exchange for such securities and the dividends declared on Northrop Grumman common stock and on TRW common stock for the periods indicated.

|                          | Northrop Grumman<br>Common Stock |          |           | TRW<br>Common Stock |          |           |
|--------------------------|----------------------------------|----------|-----------|---------------------|----------|-----------|
|                          | High                             | Low      | Dividends | High                | Low      | Dividends |
| <b>1999</b>              |                                  |          |           |                     |          |           |
| March 31, 1999           | \$ 73.25                         | \$ 57.00 | \$ 0.40   | \$ 58.63            | \$ 44.75 | \$        |
| June 30, 1999            | 73.31                            | 57.75    | 0.40      | 54.94               | 41.94    | 0.33      |
| September 30, 1999       | 75.69                            | 59.94    | 0.40      | 57.19               | 48.06    | 0.33      |
| December 31, 1999        | 62.31                            | 49.00    | 0.40      | 54.00               | 41.50    | 0.66      |
| <b>2000</b>              |                                  |          |           |                     |          |           |
| March 31, 2000           | 55.19                            | 43.56    | 0.40      | 64.13               | 39.81    |           |
| June 30, 2000            | 80.25                            | 52.44    | 0.40      | 59.94               | 43.19    | 0.33      |
| September 30, 2000       | 91.81                            | 65.63    | 0.40      | 52.09               | 40.25    | 0.33      |
| December 31, 2000        | 92.50                            | 74.13    | 0.40      | 42.00               | 29.88    | 0.70      |
| <b>2001</b>              |                                  |          |           |                     |          |           |
| March 31, 2001           | 97.54                            | 79.81    | 0.40      | 40.34               | 33.86    |           |
| June 30, 2001            | 95.37                            | 77.60    | 0.40      | 44.95               | 33.48    | 0.35      |
| September 30, 2001       | 102.97                           | 77.00    | 0.40      | 44.35               | 28.01    | 0.35      |
| December 31, 2001        | 108.97                           | 89.02    | 0.40      | 40.51               | 30.01    | 0.35      |
| <b>2002</b>              |                                  |          |           |                     |          |           |
| March 31, 2002           | 117.80                           | 96.00    | 0.40      | 51.61               | 34.82    |           |
| June 30, 2002            | 132.50                           | 112.24   | 0.40      | 56.98               | 51.14    | 0.175     |
| September 30, 2002       | 128.00                           | 95.99    | 0.40      | 59.30               | 48.50    | 0.175     |
| Through October 22, 2002 | 122.80                           | 100.72   |           | 58.70               | 52.29    |           |

On June 28, 2002, the last full trading day prior to the announcement of the merger, the last sale price per share of Northrop Grumman common stock reported by the New York Stock Exchange was \$125.00 and the last sale price per share of TRW common stock was \$56.98. On October 22, 2002, the last full trading day prior to the date of this joint proxy statement/prospectus, the last sale price per share of Northrop Grumman common stock reported by the New York Stock Exchange was \$103.80 and the last sale price per share of TRW common stock was \$53.40.

Stockholders should obtain current market quotations for Northrop Grumman and TRW common stock before making any decision regarding the merger or the other matters described in this joint proxy statement/prospectus.

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### **INFORMATION ABOUT NORTHROP GRUMMAN AND TRW**

#### **Northrop Grumman**

Northrop Grumman provides technologically advanced, innovative products, services and solutions in defense and commercial electronics, military aircraft, information technology, systems integration and nuclear and non-nuclear 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. While Northrop Grumman is subject to the usual vagaries of the marketplace, it is also affected by the unique characteristics of the defense industry and by certain elements peculiar to its own business mix. It is common in the defense industry for work on major programs to be shared among a number of companies. A company competing to be a prime contractor may, upon ultimate award of the contract, turn out to be a subcontractor. For example, it is not uncommon to compete with customers and, simultaneously on other contracts, to be either a supplier to or a customer of such competitor. The nature of major defense programs, conducted under binding contracts, allows companies that perform well to benefit from a level of program continuity unknown in many industries. While Northrop Grumman conducts most of its business with the United States government, principally the Department of Defense, domestic and international commercial sales still represent a significant portion of Northrop Grumman's business.

Northrop Grumman is aligned into six business sectors as follows:

*Electronic Systems.* This sector includes the design, development, manufacture and integration of a wide variety of defense electronics and systems, airspace management systems, precision weapons, marine systems, logistics systems, space systems, and automation and information systems. Significant programs include fire control radars for the F-16 and F-22 fighter aircraft and the Longbow Apache helicopter, the AWACS airborne early warning radar, the Joint STARS air-to-ground surveillance radar sensor, the Longbow Hellfire missile and the BAT brilliant anti-armor submunition. This sector also provides tactical military radars and country-wide air defense systems, plus airborne electronic countermeasures systems intended to jam enemy aircraft and weapons systems. The sector includes the advanced electronics businesses, which design, develop and manufacture inertial navigation, guidance and control, IFF (identification friend or foe), and marine electronic systems, and provide electronic warfare systems and integrated avionics systems and shipboard information and communication systems. The United States government is a significant customer.

*Information Technology.* This sector includes the design, development, operation and support of computer systems for scientific and management information. Information Technology has extensive expertise in command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR). It is a key management support element for major weapons systems, such as the United States Navy's AEGIS class destroyer, and also provides mission planning for the United States Navy, Air Force and Special Operations Command. Information Technology provides base operations support for NASA's Kennedy Space Center, Cape Canaveral Air Station and Patrick Air Force Base, among others. In addition, Information Technology provides information technology services to commercial customers and to the other Northrop Grumman sectors. Information Technology includes the information systems businesses, which design, develop, integrate and support computer-based information systems and provide information technology and services, primarily for government customers.

*Integrated Systems.* This sector includes the design, development and production of airborne early warning, electronic warfare and surveillance and battlefield management systems. Integrated Systems is the prime contractor for the Joint STARS advanced airborne targeting and battle management system, the United States Air Force's B-2 Spirit stealth bomber, unmanned vehicles including the Global Hawk, and the EA-6B Prowler electronic countermeasures aircraft, and is upgrading the E-2C Hawkeye early warning aircraft. Integrated Systems also has a principal role in producing the United States Navy's F/A18 Hornet strike fighter and in the development and future production of the F-35 Joint Strike Fighter.

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*Ship Systems.* This sector is engaged in building large multimission non-nuclear surface ships for the United States Navy as well as for other government and commercial customers worldwide and is a provider of overhaul, repair, modernization, ship design and engineering services. The United States government is a significant customer.

*Newport News.* Newport News is the largest non-government-owned shipyard in the United States, as measured by each of revenues, size of facilities and number of employees. Its primary business is the design, construction, repair, maintenance, overhaul, life-cycle support and refueling of nuclear-powered aircraft carriers and the design, life-cycle support and construction of nuclear powered submarines for the United States Navy.

*Component Technologies.* This sector includes international suppliers of complex backplanes, connectors, laser crystals, solder materials, specialty products and other electronic components used primarily in the telecommunications, industrial and computer markets. In the third quarter of 2002, Northrop Grumman decided to sell the businesses in its Component Technologies sector and expects to conclude the sale of these businesses within the next 12 months.

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

Additional information concerning Northrop Grumman is included in the reports Northrop Grumman periodically files with the SEC. See **ADDITIONAL INFORMATION** beginning on page 126.

## **TRW**

TRW is a United States-based international company that provides advanced technology products and services. The principal businesses of TRW and its subsidiaries are the design, manufacture and sale of products and the performance of systems engineering, research and technical services for industry and the United States government in the Automotive, Information Systems and Defense markets. TRW currently operates its business in the following operating segments:

*Automotive.* TRW's Automotive segment designs, manufactures and sells a broad range of steering, suspension, braking, engine, safety, electronic, engineered fastening and other components and systems for passenger cars, light trucks and commercial vehicles. The principal products are:

- inflatable restraint, seat belt and steering wheel systems;
- braking systems and related products;
- steering and suspension systems and components;
- chassis modules and integrated vehicle control systems;
- vehicle dynamic control systems and electronics;
- access, security and safety electronics systems;
- display and heating, ventilating and air conditioning electronics;
- engineered and plastic fasteners and precision plastic moldings and assemblies;
- engine components and systems;
- commercial steering systems and components; and
- aftermarket operations, including parts, service and technical and diagnostic support.

TRW sells its automotive products primarily to automotive original equipment manufacturers in North and South America, Europe and the Asia Pacific region. In addition, TRW sells some of its automotive components for use as aftermarket and service parts to automotive original equipment manufacturers and



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others for resale through their own independent distribution networks. TRW's commercial steering systems and components are sold to heavy-duty vehicle manufacturers in North and South America, Europe and the Asia Pacific region.

*Systems.* TRW's Systems segment offers its customers systems engineering, systems integration, software development, modeling and simulation, testing and evaluation, training and information technology for high technology systems, products and services in the fields of:

- strategic missiles;
- intelligence management and processing;
- command, control and communications;
- missile and air defense;
- airborne reconnaissance;
- homeland security;
- public safety and transportation;
- logistics and training;
- health and human services;
- integrated supply chain;
- tax systems; and
- air traffic control.

The programs and services offered by TRW's Systems segment are sold to the United States government and its agencies, state and local government agencies, foreign governments and commercial customers. TRW's Systems segment also performs diverse testing and general research projects related to many of its products and services under both private and United States government contracts.

*Space & Electronics.* TRW's Space & Electronics segment focuses on the design and manufacture of:

- spacecraft systems and subsystems;
- electronic systems, including communication systems for space and defense;
- commercial telecommunications products;
- gallium arsenide and indium phosphide advanced semiconductors for satellite and telecommunications applications;
- digital broadband space payloads;
- space science instruments;
- advanced avionics systems;
- high energy laser systems; and
- spacecraft products, including solar arrays and reflectors.

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TRW's Space & Electronics segment also offers systems engineering and advanced technology research and development services to its customers. TRW's Space & Electronics segment sells its products and services primarily to the United States government for both military and civilian applications, as well as to international and commercial customers.

*Discontinued Operation.* Until it was sold on October 1, 2002 to Goodrich Corporation, TRW also operated an Aeronautical Systems business, which designs and manufactures high integrity systems and equipment, and provides services, in the following product areas:

equipment services, including spares and maintenance, repair and overhaul;

flight controls;

engine controls;

cargo systems;

power generation and management;

missile actuation; and

hoists and winches.

TRW completed the sale of the Aeronautical Systems business to Goodrich Corporation on October 1, 2002, as described in the section entitled SUMMARY Sale of Aeronautical Systems Business on page 12. As a result, TRW no longer operates this business, and it is reported as discontinued operations in TRW's financial statements.

The principal executive offices of TRW are located at 1900 Richmond Road, Cleveland, Ohio 44124 and its telephone number is (216) 291-7000.

Additional information concerning TRW is included in the reports TRW periodically files with the SEC. See ADDITIONAL INFORMATION beginning on page 126.

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### **THE NORTHROP MEETING**

#### **General Information**

This joint proxy statement/prospectus is being delivered to Northrop Grumman stockholders in connection with the solicitation of the enclosed WHITE proxy by the board of directors of Northrop Grumman for use at the Northrop Meeting.

#### **Matter to be Considered at the Northrop Meeting**

At the Northrop Meeting, Northrop Grumman stockholders will be asked to consider and vote on a proposal to approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger (including shares to be issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement).

#### **Record Date; Stockholders Entitled to Vote**

Only Northrop Grumman stockholders of record at the close of business on November 4, 2002, the record date for the Northrop Meeting, are entitled to notice of, and to vote at, the Northrop Meeting. As of the close of business on the record date, there were [113,133,263] shares of Northrop Grumman common stock outstanding and entitled to vote. Each Northrop Grumman stockholder is entitled to one vote per share of Northrop Grumman common stock held as of the record date.

#### **Voting and Revocation of Proxies**

Northrop Grumman stockholders are requested to complete, date and sign the enclosed WHITE proxy card and promptly return it in the accompanying envelope or otherwise mail it to Northrop Grumman. All properly completed proxies received by Northrop Grumman before the Northrop Meeting that are not validly revoked will be voted at the Northrop Meeting in accordance with the instructions indicated on the proxies or, if no instructions are given, proxies will be voted to approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger. Northrop Grumman stockholders also may vote by telephone or over the internet by calling the toll-free telephone number or following the instructions for internet voting on the WHITE proxy card or in the voting instruction form received from the bank, trustee, broker or other nominee holder of Northrop Grumman shares. Northrop Grumman stockholders may vote in person at the Northrop Meeting by delivering a completed WHITE proxy card at the meeting or by using written ballots which will be available to any Northrop Grumman stockholder who desires to vote in person at the Northrop Meeting.

Northrop Grumman stockholders who are beneficial owners of shares held in street name by a broker, trustee, bank or other nominee holder on behalf of such stockholder may vote in person at the meeting by obtaining a legal proxy from the nominee holding the Northrop Grumman shares. In addition, such Northrop Grumman stockholders may vote by proxy by completing and signing a voting instruction card provided to them by the nominee holding the Northrop Grumman shares.

Any proxy given by a Northrop Grumman stockholder may be revoked at any time before it is voted at the Northrop Meeting by doing any of the following:

- delivering a written notice bearing a date later than the date of the first proxy to Northrop Grumman's Corporate Secretary stating that the first proxy is revoked;

- signing and delivering a WHITE proxy card relating to the same shares and bearing a later date than the date of the previous proxy;

- voting by telephone or over the internet at a later date than the date of the previous proxy; or

- attending the Northrop Meeting and voting in person.

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However, any Northrop Grumman stockholder who beneficially owns Northrop Grumman shares through a broker, trustee, bank or other nominee holder will need to check with the broker, trustee, bank or other nominee holder who holds the shares on the stockholder's behalf to determine how to change a vote.

The matter to be considered at the Northrop Meeting is of great importance to Northrop Grumman stockholders. Accordingly, Northrop Grumman stockholders should read and carefully consider the information presented in this joint proxy statement/prospectus and to either complete, date, sign and promptly return the enclosed WHITE proxy card in the enclosed postage-paid envelope or to vote by telephone or over the internet, as described on the WHITE proxy card.

### **Proxy Solicitation**

In addition to this mailing, Northrop Grumman directors, officers, employees and representatives may solicit proxies personally, electronically, via the internet or by telephone. Northrop Grumman also has retained D.F. King & Co., Inc. as its proxy solicitor and information agent in connection with the Northrop Meeting, for which D.F. King will receive a fee of approximately \$20,000 plus reimbursement of out-of-pocket expenses. Northrop Grumman also has agreed to indemnify D.F. King against various liabilities and expenses in connection with the merger and proxy solicitation, including various liabilities under United States federal securities laws.

Northrop Grumman has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward Northrop Grumman's proxy solicitation materials to the beneficial owners of the Northrop Grumman shares held of record by such nominee holders. Northrop Grumman will reimburse these nominee holders for customary clerical and mailing expenses incurred in forwarding the proxy solicitation materials to the beneficial owners.

### **Stockholder Vote Required to Approve the Issuance of Stock**

The approval of the issuance of the shares of Northrop Grumman common stock pursuant to the merger requires the affirmative vote of a majority of the votes cast at the Northrop Meeting in person or by proxy, assuming a quorum is present.

A quorum at the Northrop Meeting requires the presence in person or by proxy of Northrop Grumman stockholders entitled to cast at least a majority of the votes that all Northrop Grumman stockholders are entitled to cast at the Northrop Meeting. Both abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum.

Brokers who hold shares of Northrop Grumman common stock for the accounts of their clients generally may vote such shares either as directed by their clients or in their own discretion, if permitted by the stock exchange or other organization of which the broker is a member. Members of the New York Stock Exchange are permitted to vote their clients' proxies in their own discretion as to routine matters, such as the election of directors, if the clients have not furnished voting instructions within ten days of the meeting. Certain non-routine matters, such as the proposal to be brought before the Northrop Meeting, are considered non-discretionary matters and brokers who have received no instructions from their clients do not have discretion to vote on those items. When a broker is not authorized to vote a client's shares on a proposal at a meeting and does not receive instructions regarding how to vote from the client, the missing votes are referred to as broker non-votes.

Since the required vote of the Northrop Grumman stockholders with respect to the proposed issuance of Northrop Grumman common stock is based on a percentage of the votes cast at the Northrop Meeting, rather than a percentage of the total number of shares of Northrop Grumman common stock outstanding, abstentions and broker non-votes will have no effect on the outcome of this proposal, assuming a quorum is present.

Representatives of Northrop Grumman's principal accountants, Deloitte & Touche LLP will not be present at the Northrop Meeting.

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### **THE TRW MEETING**

#### **General Information**

This joint proxy statement/prospectus is being delivered to TRW shareholders in connection with the solicitation of the enclosed YELLOW proxy by TRW's board of directors for use at the TRW Meeting.

#### **Matter to be Considered at the TRW Meeting**

At the TRW Meeting, TRW shareholders will be asked to consider and vote upon the adoption of the merger agreement.

#### **Record Date; Shareholders Entitled to Vote**

Only TRW shareholders of record at the close of business on November 4, 2002, the record date for the TRW Meeting, are entitled to notice of, and to vote at, the TRW Meeting. As of the close of business on the record date, there were [129,514,296] shares of TRW common stock outstanding and entitled to vote. Each TRW shareholder is entitled to one vote for each share of TRW common stock held as of the record date.

#### **Voting and Revocation of Proxies**

TRW shareholders are requested to complete, date and sign the enclosed YELLOW proxy card and promptly return it to Corporate Election Services in the accompanying envelope or otherwise mail it to Corporate Election Services, P.O. Box 1150, Pittsburgh, Pennsylvania 15230. All properly completed proxies received by TRW before the TRW Meeting that are not validly revoked will be voted at the TRW Meeting in accordance with the instructions indicated on the proxies or, if no instructions are given, to adopt the merger agreement. TRW shareholders also may vote by telephone by calling the toll-free telephone number on the YELLOW proxy card or over the internet by following the instructions for internet voting on the YELLOW proxy card. In addition, TRW shareholders may vote in person at the TRW Meeting by delivering a completed YELLOW proxy card at the meeting. TRW will pass out written ballots to any shareholder who desires to vote in person at the TRW Meeting.

TRW shareholders who are beneficial owners of shares held in street name by a broker, trustee, bank or other nominee holder on behalf of such shareholder may vote in person at the meeting by obtaining a legal proxy from the nominee holding the TRW shares. In addition to voting in person, such TRW shareholders may vote by proxy by completing and signing the voting instruction card provided to them by the nominee holding the TRW shares.

Any proxy given by a TRW shareholder may be revoked at any time before it is exercised at the TRW Meeting by doing any of the following:

- delivering a written notice bearing a date later than the date of the first proxy to the Secretary of TRW, stating that the first proxy is revoked;
- signing and delivering a YELLOW proxy relating to the same shares and bearing a later date than the date of the previous proxy;
- submitting a telephone or internet proxy at a later date than the date of the previous proxy; or
- attending the TRW Meeting and voting in person.

However, any TRW shareholder who beneficially owns TRW shares through a broker, trustee, bank or other nominee holder will need to check with the broker, trustee, bank or other nominee that holds the shares on his or her behalf to determine how to change a vote.

Additional information for voting by participants in TRW's stock-based employee plans is set forth on the following page under the heading TRW Employee Plan Voting.

The matter to be considered at the TRW Meeting is of great importance to TRW shareholders. Accordingly, TRW shareholders should read and carefully consider the information presented in this joint proxy statement/prospectus and to either complete, date, sign and promptly return the enclosed YELLOW proxy card in the enclosed postage-paid envelope or to vote by telephone or over the internet.

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**TRW shareholders should not send in their TRW stock certificates with their proxy cards.** Instead, TRW shareholders should send in their stock certificates with a completed letter of transmittal, which will be distributed in a separate mailing should the merger be completed. For more information regarding the procedures for completing the letters of transmittal and exchanging TRW stock certificates for Northrop Grumman stock certificates, please see the section entitled "THE MERGER AGREEMENT - Procedures for Exchanging TRW Common Stock" on page 89.

### **TRW Employee Plan Voting**

Certain TRW shares are held for the benefit of plan participants of The TRW Employee Stock Ownership and Savings Plan (referred to as the "US Plan"), the TRW Canada Stock Savings Plan (referred to as the "Canada Plan"), and the TRW UK Share Purchase Plan (referred to as the "UK Plan" and together with the US Plan and the Canada Plan, the "Plans"). The Plans contain pass-through voting provisions for the participants of the Plans, with TRW shares allocated to a participant's account voted in accordance with the instructions of the participant by the trustees of the respective Plan responsible for voting (the "Trustees").

**Participants in the Plans can only vote TRW shares held in the Plans on their behalf by instructing the relevant trustee (i) on a trustee's voting instruction card provided to participants for that purpose, (ii) via telephone by calling the toll-free telephone number on the voting instruction card or (iii) over the internet by following the instructions for internet voting on the voting instruction card.**

Any voting instructions given by a Plan participant may be revoked at any time prior to the deadline described below by which the applicable Plan participant's voting instructions must be received, by doing any of the following:

delivering a written notice bearing a date later than the date of the first voting instruction card to Corporate Election Services, P.O. Box 1150, Pittsburgh, Pennsylvania 15230;

signing and delivering a voting instruction card relating to the same shares and bearing a later date than the date of the previous voting instruction card; or

submitting a telephone or internet voting instruction at a later date than the date of the previous voting instruction.

#### *US Plan*

With respect to TRW shares held in the US Plan, TRW shares allocated to a participant who signs a voting instruction card but does not indicate or give instructions as to how to vote such shares will be voted by the Trustees of such Plan in accordance with the Trustees' fiduciary judgment. In the event the Trustees of the US Plan determine, in the exercise of their fiduciary responsibilities under ERISA, they cannot follow a US Plan participant's instructions, or a US Plan participant does not return or properly complete the voting instruction card and does not otherwise properly instruct the Trustee in accordance with the telephone or the internet voting procedures described in the voting instruction card, the Trustees will vote the shares allocated to such participant's account in accordance with their fiduciary judgment.

**In order to permit sufficient time to tabulate voting instruction cards, a participant's instructions must be received no later than December [9], 2002.**

#### *Canada Plan*

With respect to TRW shares held in the Canada Plan, TRW shares allocated to a participant who signs a voting instruction card but does not indicate or give instructions as to how to vote such shares will not be voted by the Trustee of the Canada Plan. In the event a Canada Plan participant does not return or sign a voting instruction card and does not otherwise properly instruct the Trustee in accordance with the telephone or the internet voting procedures described in the voting instruction card, the shares allocated to such participant's account will not be voted at the TRW Meeting.

**In order to permit sufficient time to tabulate voting instruction cards, a participant's instructions must be received no later than December [5], 2002.**

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### *UK Plan*

With respect to TRW shares held in the UK Plan, TRW shares allocated to a UK Plan participant who signs a voting instruction card but does not indicate or give instructions as to how to vote such shares will not be voted by the Trustee of the UK Plan. In the event a UK Plan participant does not return or sign a voting instruction card and does not otherwise properly instruct the Trustee in accordance with the telephone or the internet voting procedures described in the voting instruction card, the shares allocated to such participant's account will not be voted at the TRW Meeting.

**In order to permit sufficient time to tabulate voting instruction cards, a participant's instructions must be received no later than December [8], 2002.**

### **Proxy Solicitation**

In addition to this mailing, directors and employees of TRW may solicit proxies personally, electronically or by telephone, none of whom will receive additional compensation for such solicitation.

TRW has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward TRW's proxy solicitation materials to the beneficial owners of the TRW shares they hold of record. TRW will reimburse these record holders for customary clerical and mailing expenses incurred in forwarding these materials to their customers.

TRW has retained Georgeson Shareholder Communications, Inc. for proxy solicitation and information agent services in connection with the TRW Meeting. Georgeson will receive a fee of approximately \$75,000 for its services and reimbursement of out-of-pocket expenses in connection therewith. TRW also has agreed to indemnify Georgeson against certain liabilities arising out of or in connection with the engagement. Georgeson will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders.

### **TRW Shareholder Vote Required to Adopt the Merger Agreement**

Adoption of the merger agreement requires the affirmative vote of the holders of two-thirds of the total outstanding shares of TRW common stock.

A quorum at the TRW Meeting requires the presence in person or by proxy of TRW shareholders holding at least 35% of the voting power of TRW at the TRW Meeting. Since the affirmative vote of two-thirds of the total outstanding shares of TRW common stock is required to adopt the merger agreement, there might not be sufficient votes represented in person or by proxy at the TRW Meeting to adopt the merger agreement, even if a quorum is present. Both abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum.

Brokers who hold shares of TRW common stock for the accounts of their clients generally may vote such shares either as directed by their clients or in their own discretion, if permitted by the stock exchange or other organization of which they are members. Members of the New York Stock Exchange are permitted to vote their clients' proxies in their own discretion as to routine matters, such as the election of directors, if the clients have not furnished voting instructions within ten days of the meeting. Certain non-routine matters, such as the proposal to be brought before the TRW Meeting are considered non-discretionary and brokers who have received no instructions from their clients do not have discretion to vote on those items. When a broker is not authorized to vote a client's shares on a proposal at a meeting and does not receive instructions regarding how to vote from their client, the missing votes are referred to as broker non-votes.

Since the required vote with respect to the proposed adoption of the merger agreement is based upon a percentage of the total voting power entitled to vote on the proposal rather than upon a percentage of the TRW shares actually present or voted in person or by proxy at the TRW Meeting, abstentions and broker non-votes will have the same effect as a vote against adoption of the merger agreement.

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### **THE MERGER**

#### **General**

Northrop Grumman and TRW have entered into a merger agreement which provides for the merger of Richmond Acquisition Corp., an Ohio corporation and wholly-owned subsidiary of Northrop Grumman, with and into TRW, with TRW surviving the merger as a wholly-owned subsidiary of Northrop Grumman. In the merger, each share of common stock of TRW will be converted into the right to receive a number of shares of Northrop Grumman common stock equal to the exchange ratio. The exchange ratio will be determined by dividing \$60.00 by the average of the closing sale prices for a share of Northrop Grumman common stock on the New York Stock Exchange for the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger. However, in no event will the exchange ratio be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00).

#### **Northrop Grumman's Reasons for the Merger; Recommendation of Northrop Grumman's Board of Directors**

Northrop Grumman's board of directors believes that the merger represents an opportunity to enhance value for Northrop Grumman stockholders. The decision of Northrop Grumman's board of directors to enter into the merger agreement and to recommend that Northrop Grumman stockholders approve the issuance of the shares of Northrop Grumman common stock to be issued pursuant to the merger (including shares to be issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement) was the result of careful consideration by the board of directors of numerous factors, including, without limitation, the following generally positive factors:

*Access to New Product Areas.* TRW's proprietary technology and products will provide Northrop Grumman with technology and products to complement Northrop Grumman's existing technology and products.

*Increased Diversification into New Markets.* The combination of Northrop Grumman and TRW provides the affiliated entities with the opportunity for diversification into new markets and access to new customer elements of the United States Department of Defense and other federal agencies.

*Increased Market Presence and Opportunities.* The combination of Northrop Grumman and TRW provides the affiliated entities with increased market presence and opportunities for growth that could allow them to better respond to the needs of customers, the increased competitiveness of the marketplace and any opportunities that changes in the market for their respective products might bring.

*Product Mix.* The complementary nature of Northrop Grumman's and TRW's products and services will benefit clients of both companies.

*Operating Efficiencies.* The combination of Northrop Grumman and TRW provides the opportunity for potential economies of scale and cost savings.

In addition, in evaluating the merger agreement and the merger, Northrop Grumman's board of directors also considered the following potentially negative factors:

*Challenges in Integrating the Companies' Businesses.* There could be challenges and potential adverse effects associated with integrating and coordinating the operations and personnel of Northrop Grumman and TRW. These challenges and considerations are described in greater detail in the section entitled "RISK FACTORS Successful Integration of the Companies' Businesses is Not Assured" on page 15.

*Additional Indebtedness from TRW Acquisition.* As of June 30, 2002, Northrop Grumman's indebtedness was approximately \$4.9 billion. After giving effect to the merger, Northrop Grumman's pro forma indebtedness will be approximately \$9.72 billion. The consequences of such an increase in indebtedness gives rise to certain risks which Northrop Grumman's board considered, as described in "RISK FACTORS Northrop Grumman Will Have More Indebtedness After the Merger" on page 16.

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*Dilution of Existing Northrop Grumman Stockholders.* As a result of the issuance of the shares of Northrop Grumman common stock pursuant to the merger (including shares to be issued upon exercise of TRW options assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement), Northrop Grumman's existing stockholders will experience dilution in their ownership of Northrop Grumman, as the former TRW shareholders and holders of TRW options and restricted stock and restricted stock units will hold approximately 35% to 40% (based on the minimum and maximum exchange ratios and the number of such securities outstanding on the date hereof) of the outstanding common stock of Northrop Grumman after giving effect to the merger and the assumed exercise of TRW options and conversion of TRW restricted stock and restricted stock units.

*Issues Associated with TRW's Automotive Business.* Northrop Grumman intends to separate TRW's Automotive business from the rest of TRW's businesses in connection with or after the merger, which gives rise to certain risks and considerations. In particular, the board considered the risks that the Automotive business might not be sold to a third party at an acceptable price, that the value of the Automotive business as a separate public company following a spin off could not be predicted with confidence, and that the divestiture of the Automotive business could be delayed by factors beyond Northrop Grumman's control. The risks involved are discussed in greater detail in the section entitled **RISK FACTORS** *Risks Associated With the Proposed Sale or Spin Off of TRW's Automotive Business* on page 17.

The board of directors also discussed with management various financial analyses prepared by Northrop Grumman personnel, including, among other things, the projected earnings per share and economic earnings per share (which does not include pension income and amortization) of the combined company, valuation analyses of TRW as a whole and by business segment, and pro forma shareholder equity ownership percentages after giving effect to the merger. Representatives of Salomon Smith Barney and Stephens Financial Group, Northrop Grumman's financial advisers, were present at these discussions and confirmed orally that the analyses conducted by Northrop Grumman personnel, as presented to the board of directors by management during these discussions, were consistent with the respective conclusions reached by the financial advisers in the preparation of their respective fairness opinions. During these discussions, representatives of Salomon Smith Barney and Stephens Financial Group also gave their respective oral opinions (subsequently confirmed in writing) that the exchange ratio was fair, from a financial point of view, to Northrop Grumman.

After consideration of the generally positive and potentially negative factors associated with the merger, and after discussions with management and its legal and financial advisers, Northrop Grumman's board of directors unanimously determined (with one director absent) that the positive factors considered and potential benefits of the merger outweighed the potentially negative factors associated with the merger and the transaction was advisable. In making such determination, the board of directors considered the totality of the information available to them, including the generally positive and potentially negative factors described above, management's analyses and summaries, the respective oral opinions of the financial advisers, and other matters considered appropriate by the board of directors, and the board of directors did not ascribe any specific weight to any particular factors, advice or considerations. Although the financial advisers provided opinions only with respect to the fairness of the exchange ratio, from a financial point of view to Northrop Grumman, the board of directors concluded, after consideration of the dilution to existing Northrop Grumman stockholders and the other factors mentioned above, that the exchange ratio is fair, from a financial point of view, to Northrop Grumman stockholders.

**Northrop Grumman's board of directors (with one director absent) has unanimously approved the merger agreement and believes that the exchange ratio is fair, from a financial point of view, to Northrop Grumman stockholders.**

**Accordingly, Northrop Grumman's board of directors recommends that Northrop Grumman stockholders vote FOR the issuance of the shares of Northrop Grumman common stock pursuant to the merger.**

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**TRW's Reasons for the Merger; Recommendation of TRW's Board of Directors**

TRW's board of directors (with one director absent) has unanimously determined that the merger agreement with Northrop Grumman is fair to and in the best interests of TRW shareholders. TRW's board of directors believes that the merger represents an opportunity to enhance value for TRW shareholders. The decision of TRW's board of directors to approve and enter into the merger agreement and to recommend that TRW shareholders adopt the merger agreement was the result of careful consideration of numerous factors by the board of directors, including, without limitation, the following:

The value to TRW shareholders of the Northrop Grumman offer, including the fairness to shareholders of the financial terms of the offer;

A comparison of the financial terms and the other terms and conditions of the proposed merger agreement with Northrop Grumman and the proposals provided by the other bidders as well as TRW's value enhancement plan;

The effect of the merger on employees of TRW; and

The operational synergies and other business benefits offered by a transaction with Northrop Grumman.

The deliberations of the TRW board included consideration of the following factors which are generally positive:

*Exchange Ratio Premium.* The midpoint of the exchange ratio collar (\$60.00/\$125.00) represents a premium over selected historical exchange ratios of TRW common stock to Northrop Grumman common stock. The implied exchange ratio premium of the Northrop Grumman offer at the midpoint of the exchange ratio collar is 23.1% with respect to the implied historical exchange ratio as of February 15, 2001, the last trading day immediately preceding the announcement of the resignation of TRW's former chief executive officer, 42.1% with respect to the implied historical exchange ratio as of February 21, 2002, the last trading day immediately preceding the announcement of Northrop Grumman's initial unsolicited proposal, and 14.1% with respect to the average implied exchange ratio for the twelve-month period ended February 21, 2002.

*Collar.* The exchange ratio pursuant to the merger agreement is subject to a collar, which provides that if the average reported closing price per share of Northrop Grumman common stock on the New York Stock Exchange for the five consecutive trading days ending on (and including) the second trading day prior to the closing date of the merger is at least \$112.00 per share but not more than \$138.00 per share, the exchange ratio is designed to provide \$60.00 in value of Northrop Grumman common stock for each share of TRW common stock. In the event that the average reported closing price per share of Northrop Grumman common stock is less than \$112.00 or more than \$138.00, TRW shareholders will receive 0.5357 or 0.4348 of a share of Northrop Grumman common stock, respectively. TRW shareholders may benefit from this collar because:

TRW shareholders should expect to receive \$60.00 in value of Northrop Grumman common stock if the average closing price of a share of Northrop Grumman common stock remains between \$112.00 and \$138.00 during the relevant pricing period, which would not have been the case had the exchange ratio been fixed at the lowest ratio provided by the collar; and

TRW shareholders benefit from any increase in the average closing price of a share of Northrop Grumman common stock above \$138.00 during the relevant pricing period, which would not have been the case had the consideration been based on a fixed value.

*Fairness Opinions.* The opinion of each of Goldman Sachs and Credit Suisse First Boston delivered to the TRW board on June 30, 2002, to the effect that, as of that date and based on and subject to the assumptions, qualifications and limitations described in their respective opinions, the exchange ratio pursuant to the merger agreement is fair from a financial point of view to the holders of TRW common stock other than Northrop Grumman and its affiliates. Copies of the written opinions of Goldman Sachs

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and Credit Suisse First Boston, each dated June 30, 2002, which set forth the procedures followed, assumptions made, matters considered and the limitations on the reviews undertaken by each of Goldman Sachs and Credit Suisse First Boston in connection with their respective opinions, are attached as Annexes D and E, respectively, to this joint proxy statement/prospectus and are incorporated herein by reference. TRW shareholders are urged to read the Goldman Sachs and Credit Suisse First Boston opinions in their entirety.

*Strategic Alternatives.* The consideration, with TRW management and Goldman Sachs and Credit Suisse First Boston, of the following strategic alternatives:

remaining a stand-alone business;

the sale of TRW's Aeronautical Systems business;

separating TRW's business units through a spin off of its Automotive business and possibly a sale of TRW's Aeronautical Systems business; and

the sale of all of TRW, both with and without effecting a separation of TRW's business units.

TRW's board of directors believed that a sale to Northrop Grumman was more favorable to TRW's shareholders than following one of its other strategic alternatives alone based on the potential value of each alternative and the risks associated with consummating each alternative. Northrop Grumman's proposal allowed TRW to complete the sale of TRW's Aeronautical Systems business to Goodrich Corporation and also allowed TRW to continue to take certain steps towards separating its Automotive business from its other businesses.

*Independence Risks.* The strategic and operational risks associated with TRW remaining independent pursuant to TRW's value enhancement plan and the range of values TRW shareholders might receive if the value enhancement plan were implemented include:

risks associated with the separation of TRW's operations, including the risks relating to the costs incurred in connection with the spin off of TRW's Automotive business, the risk that the spin off could be taxable if certain events occurred and the risks relating to the fluctuation of the stock price of the shares of the Automotive business distributed in the spin off;

risks associated with increased competition in the Space, Defense, Information Systems and Automotive industries; and

risks associated with recruiting a chief executive officer to replace TRW's former chief executive officer, whose unexpected resignation was announced on February 19, 2002.

In determining that a sale to Northrop Grumman was more favorable to TRW's shareholders than remaining independent, TRW's board of directors considered the value of the sale to Northrop Grumman as compared to the range of potential values of TRW following implementation of TRW's value enhancement plan, as well as the board's perception that the risk associated with consummating the sale to Northrop Grumman was lower than the risks associated with achieving a competitive value through the implementation of TRW's value enhancement plan.

*Process.* The results of the thorough process for seeking business combination proposals conducted by TRW and its independent financial advisers, pursuant to which interested parties signed confidentiality agreements, met with TRW management and reviewed confidential information about TRW and its business, and TRW received proposals for business combinations from certain interested parties.

*Proposals.* The overall assessment of each of the proposals submitted by interested parties to TRW as part of its formal solicitation process. In considering the proposals submitted, TRW's board took into account the value of each proposal, the form of consideration proposed, the expected tax treatment of the proposed transaction, termination fees payable in the event that a more favorable transaction was presented to TRW following the execution of a definitive agreement and the risks associated with the proposed transactions. Such transaction risks related to the timing of proposed transactions and the

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certainty that the proposed transaction would be consummated, based upon regulatory risks and proposed conditions for consummation of the transaction. Based on these considerations, TRW's board believed that Northrop Grumman's proposal was more favorable to TRW's shareholders than the other proposals submitted.

*Due Diligence.* The TRW board of directors' review of public disclosures by and about the business, financial condition and current business strategy of Northrop Grumman, the due diligence review by TRW management and TRW's financial, legal and accounting advisers of Northrop Grumman and its businesses and Northrop Grumman's historical stock price performance. The public disclosures regarding Northrop Grumman that were reviewed by TRW and its advisers included the proxy statements, registration statements and the annual, quarterly and other filings made by Northrop Grumman with the Securities and Exchange Commission, earnings releases and other press releases made by Northrop Grumman, information relating to prior acquisitions by Northrop Grumman and analysts reports regarding Northrop Grumman. In light of the information reviewed, TRW's board believed that an investment in Northrop Grumman common stock by TRW's shareholders likely would produce greater value than owning common stock of TRW, if it remained independent.

*Opportunities for Shareholders.* The fact that, after giving effect to the sale of TRW's Aeronautical Systems business, the merger will present an opportunity for TRW shareholders to participate in a company that is the nation's second largest defense contractor and, as shareholders of the combined business, to benefit from the following:

Any future growth of a combined business that has expertise as a prime or platform contractor in ships, carriers and submarines, piloted and unpiloted aircraft, and satellite systems supporting national security; and

The greater opportunity to participate, as a larger, more capable company following the merger, in the expected increased expenditures for United States defense procurement and research, development, test and evaluation, the budget for which is projected to increase at a 7.2% compound annual growth rate through 2006.

*Northrop Grumman's Experience.* Northrop Grumman's experience in delivering stockholder value, integrating businesses and successfully executing strategies. TRW's board took into account the results of prior acquisitions made by Northrop Grumman, including Litton Industries Inc. and Newport News, and the effect of these prior acquisitions on Northrop Grumman's earnings. TRW's board also took into account the general trend of increases in the trading price of Northrop Grumman's common stock following such acquisitions.

*Terms and Conditions.* The structure of the transaction and the terms and conditions of the proposed combination of Northrop Grumman and TRW, including:

the terms of the merger agreement, including the fact that the merger is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code and is therefore not expected to be taxable to the shareholders of TRW (other than with respect to cash received in lieu of fractional shares);

the ability of TRW, prior to the consummation of the merger, to consider and negotiate unsolicited third party business combination proposals, subject to certain conditions;

the right of TRW's board, prior to the consummation of the merger, to terminate the merger agreement and accept a superior proposal, subject to the satisfaction of certain conditions and the payment of a termination fee to Northrop Grumman;

the ability of TRW, prior to the consummation of the merger, to take further steps to effect the separation of TRW's Automotive business; and

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the ability to consummate the merger within a reasonable period of time, including the likelihood of receiving necessary regulatory approvals in light of the commitments made by Northrop Grumman pursuant to the terms of the merger agreement in seeking such approvals and TRW management's assessment of the regulatory environment in the United States, Europe and the rest of the world.

The TRW board also identified and considered the following potentially negative factors in its deliberations:

*Collar.* The collar may negatively affect TRW shareholders in the following manner:

TRW shareholders should expect to only receive \$60.00 in value of Northrop Grumman common stock if the average closing price of a share of Northrop Grumman common stock is between \$112.00 and \$138.00 during the relevant pricing period, which would not have been the case had the exchange ratio been fixed at the highest ratio provided by the collar; and

TRW shareholders will be adversely affected by any decrease in the average closing price of a share of Northrop Grumman common stock below \$112.00 during the relevant pricing period, which would not have been the case had the consideration been based on a fixed value not subject to a collar.

*Disruptions.* The possible disruption to TRW's businesses that may result from the announcement of the transaction and the resulting distraction of management attention from the day-to-day operations of TRW's businesses.

*Integration Risks.* The difficulty inherent in integrating two businesses and the risk that the cost efficiencies, synergies and other benefits expected to be obtained in the transaction might not be fully realized.

*Operating Restrictions.* The restrictions contained in the merger agreement on the operation of TRW's businesses during the period between the signing of the merger agreement and the completion of the merger.

*Termination Fee.* The \$275 million termination fee to be paid to Northrop Grumman if the merger agreement is terminated under circumstances specified in the merger agreement. See THE MERGER AGREEMENT Termination Fee on page 97.

*Consummation Risk.* The possibility that the merger might not be completed and the effect of the resulting public announcement of termination of the merger agreement on:

the market price of TRW common stock;

TRW's operating results, particularly in light of the costs incurred in connection with the transaction, including the potential requirement to make a termination fee payment; and

TRW's ability to attract and retain key personnel, including a chief executive officer.

*Regulatory.* The possibility of significant costs, delays and non-consummation of the merger resulting from seeking regulatory approvals necessary for the consummation of the merger.

In its consideration of the proposed merger, TRW's board of directors also reviewed information relating to the two companies and the proposed merger, including:

Historical information concerning Northrop Grumman's and TRW's respective businesses, financial performance and condition, operations, technology, management and competitive position;

TRW's management's views as to the financial condition, results of operations and businesses of Northrop Grumman and TRW before and after giving effect to the merger;

Current financial market conditions and historical market prices, volatility and trading information with respect to Northrop Grumman common stock and TRW common stock; and

Discussions with TRW's senior management and financial advisers as to the result of their due diligence review of Northrop Grumman.

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Although the foregoing discussion sets forth all of the material factors considered by TRW's board of directors in reaching its recommendation, it may not include all of the factors considered by the board, and each director may have considered different factors. In view of the variety of factors and the amount of information considered, the board of directors did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. The determination was made after consideration of all of the factors as a whole and at numerous meetings.

**TRW's board of directors (with one director absent) has unanimously determined that the merger agreement with Northrop Grumman is fair to and in the best interests of TRW's shareholders and believes that the merger represents an opportunity to enhance value for TRW's shareholders.**

**Accordingly, TRW's board of directors (with one director absent) unanimously recommends that the TRW shareholders vote FOR adoption of the merger agreement.**

In considering the recommendation of TRW's board of directors with respect to the merger agreement, TRW shareholders should be aware that certain directors and officers of TRW have arrangements that cause them to have interests in the transaction that are different from, or are in addition to, the interests of TRW shareholders generally. See "THE MERGER" Interests of TRW Directors and Executive Officers in the Merger beginning on page 77.

### **Background of the Merger**

From time to time, Northrop Grumman and TRW have had informal discussions regarding possible business combination transactions, including in-depth discussions between August and December 1998. No agreement, however, was reached during that time period. Between 1999 and 2001, there were limited contacts between Northrop Grumman and TRW, but no substantive discussions occurred.

In early October 2001, Mr. Kent Kresa, the Chief Executive Officer of Northrop Grumman, had one brief meeting and one telephone conversation with Mr. David M. Cote, then the Chairman, President and Chief Executive Officer of TRW, regarding possible discussions for a combination of the two companies. No discussions were pursued at that time.

On February 19, 2002, Northrop Grumman learned that Mr. Cote had resigned. Northrop Grumman determined that TRW's board of directors and shareholders might view favorably a merger or other combination of Northrop Grumman and TRW in view of the leadership issues arising from Mr. Cote's resignation.

On February 21, 2002, Northrop Grumman made a proposal to TRW to provide all of TRW's shareholders with \$47.00 in Northrop Grumman common stock for each share of TRW common stock, to be received in a tax-free merger transaction. On February 22, 2002, Northrop Grumman publicly disclosed the proposal.

On February 22, 2002, TRW's board of directors met with TRW's management and TRW's financial adviser, Goldman Sachs, and TRW's legal adviser, Skadden, Arps, Slate, Meagher & Flom LLP, to discuss Northrop Grumman's proposal.

On February 28, 2002, TRW's board of directors met with TRW's management and TRW's financial advisers, Goldman Sachs and Credit Suisse First Boston, and TRW's legal adviser to further assess Northrop Grumman's proposal. The board reviewed, among other things, Northrop Grumman's proposal, strategic alternatives and business opportunities available to TRW with its management and financial and legal advisers.

On March 3, 2002, TRW's board of directors met again to consider further and to discuss the response to Northrop Grumman's proposal. At the meeting, TRW's board reviewed the strategic alternatives and business opportunities considered at the February 28, 2002 meeting. After careful consideration, including consultation with its financial and legal advisers, the board unanimously concluded that Northrop Grumman's \$47.00 per share proposal was financially inadequate.

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On March 4, 2002, Northrop Grumman commenced an offer to exchange all of the outstanding shares of TRW common stock for \$47.00 in value of Northrop Grumman common stock per share of TRW common stock, based on a formula and subject to a collar. Northrop Grumman also offered to exchange Northrop Grumman common stock for shares of TRW convertible preferred stock based on a specified exchange ratio.

On March 4, 2002, Northrop Grumman also sent a letter to TRW requesting that TRW call a special meeting of TRW shareholders pursuant to Ohio's control share acquisition law. Under the Ohio control share acquisition law, Northrop Grumman was prohibited from acquiring 20% or more of TRW's outstanding capital stock pursuant to the offer to exchange without first obtaining the approval of TRW's shareholders at a special meeting called for that purpose. A special meeting of TRW shareholders pursuant to the Ohio control share acquisition law was called by TRW in response to Northrop Grumman's request and subsequently was held on May 3, 2002, as described below.

On March 4, 2002, Northrop Grumman filed a lawsuit in the United States District Court for the Northern District of Ohio against TRW, the Attorney General of Ohio, and the Director of Ohio's Department of Commerce. The lawsuit, which was filed contemporaneously with Northrop Grumman's commencement of the exchange offer, challenged the constitutionality of Ohio's anti-takeover statutes. On the same date, TRW filed a lawsuit in the United States District Court for the Southern District of Ohio against Northrop Grumman, the Attorney General of Ohio, the Director of Ohio's Department of Commerce and the Commissioner of Ohio's Division of Securities. The lawsuit filed by TRW sought a judgment that Ohio's anti-takeover statutes are constitutional.

On March 8, 2002, TRW's board of directors met with TRW's management and TRW's legal and financial advisers to discuss, among other matters, Northrop Grumman's offer and Northrop Grumman's preliminary proxy statement to solicit shareholder approval of Northrop Grumman's acquisition of TRW's outstanding capital stock in accordance with Ohio law.

On March 11, 2002, Northrop Grumman filed notification with the United States Department of Justice and the Federal Trade Commission of its intention to acquire TRW, in compliance with the Premerger Notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. TRW filed its required forms with the Department of Justice and the Federal Trade Commission on March 26, 2002. On April 10, 2002, Northrop Grumman and TRW each received a request for additional information from the Department of Justice.

On March 12, 2002, TRW's board of directors held a special meeting to review Northrop Grumman's offer with management and TRW's legal and financial advisers. After discussion with TRW's management and its legal and financial advisers, TRW's board of directors unanimously rejected Northrop Grumman's offer. Based on the assessment of TRW's management, after consultation with TRW's financial advisers, that TRW's businesses in the aggregate had greater value than the offer, TRW's board directed management as part of its value enhancement plan to accelerate its plan to reduce TRW's indebtedness and then separate the Automotive business from TRW's other businesses. Accordingly, on March 13, 2002, TRW's board of directors issued a press release announcing the TRW board's unanimous rejection of Northrop Grumman's offer to exchange and filed a statement with the SEC recommending that TRW shareholders reject Northrop Grumman's offer to exchange. The same press release also announced TRW's value enhancement plan.

On March 18, 2002, Northrop Grumman filed a preliminary proxy statement in connection with TRW's annual shareholder meeting. The Northrop Grumman proxy statement (as filed in definitive form on April 1, 2002) stated that Northrop Grumman intended to propose three shareholder resolutions at TRW's annual shareholder meeting. The first resolution related to TRW providing Northrop Grumman non-public information relating to TRW, the second resolution related to a request that TRW establish a committee of independent directors to evaluate Northrop Grumman's offer, and the third resolution related to the TRW shareholders' ability to decide for themselves whether to exchange their TRW shares in Northrop Grumman's offer.

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On March 22, 2002, TRW's board of directors met with TRW's management and TRW's legal and financial advisers to discuss, among other matters, the Northrop Grumman shareholder proposals. After discussion with TRW's management and its legal and financial advisers, TRW's board of directors unanimously determined that Northrop Grumman's three shareholder proposals were not consistent with the board of directors' objective of enhancing shareholder value and were not in the best interests of TRW's shareholders.

On March 29, 2002, Northrop Grumman announced that it was extending its exchange offer until midnight on April 12, 2002.

On April 2, 2002, TRW began mailing to its shareholders a supplement to its proxy statement for its annual meeting of shareholders setting forth the recommendation of TRW's board of directors that TRW's shareholders vote against Northrop Grumman's three shareholder proposals and the reasons for such recommendation.

On April 5, 2002, TRW's board of directors held a special meeting at which it discussed, among other matters, pro forma financial information for TRW's proxy materials.

On April 15, 2002, Northrop Grumman amended its offer to exchange by (a) increasing its offer to exchange from \$47.00 to \$53.00 in value of Northrop Grumman common stock per share of TRW common stock, based on a formula and subject to a collar, (b) extending the offer to exchange from April 12, 2002 to May 3, 2002 and (c) adding a new condition to the offer to exchange requiring completion of a due diligence investigation of non-public information regarding TRW by Northrop Grumman.

On April 15, 2002, TRW's board of directors held a special meeting at which the board, among other matters, began to review the terms of Northrop Grumman's revised offer with management and TRW's legal and financial advisers.

On April 16, 2002, TRW's board of directors held another special meeting to review Northrop Grumman's revised offer with management and TRW's legal and financial advisers. At the meeting, TRW's board of directors again considered a separation of TRW's business units through a spin off of its Automotive business and a sale of TRW's Aeronautical Systems business, as well as a sale of all of TRW to a third party. After discussion with TRW's management and its legal and financial advisers, TRW's board of directors unanimously determined that Northrop Grumman's revised offer was inadequate.

On April 17, 2002, TRW issued a press release announcing the board's rejection of Northrop Grumman's revised offer. TRW's board of directors authorized management and its advisers to initiate a process to explore all strategic alternatives to create shareholder value at levels above Northrop Grumman's \$53.00 offer. In addition, TRW's board of directors authorized management to make certain confidential information relating to TRW available to third parties, including Northrop Grumman, upon the execution by such third parties of a confidentiality agreement satisfactory to TRW.

At TRW's annual shareholders meeting on April 24, 2002, TRW's shareholders did not approve Northrop Grumman's proposal that TRW establish a committee of independent directors to evaluate Northrop Grumman's \$53.00 offer or Northrop Grumman's proposal that TRW take all actions within its authority to let TRW shareholders decide for themselves whether to exchange their TRW stock for Northrop Grumman common stock. At this meeting, TRW's shareholders did approve Northrop Grumman's proposal to have TRW provide Northrop Grumman with non-public information about TRW.

Beginning in late April 2002, TRW and its financial and legal advisers initiated a formal process to provide information to and discuss proposals from parties interested in acquiring TRW. Between April 22 and May 5, 2002, TRW entered into confidentiality agreements with potential bidders, including Northrop Grumman. Pursuant to these agreements, TRW made confidential, non-public information available to potential bidders, and TRW's management presented information on TRW's businesses to assist potential bidders in their due diligence.

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On April 24, 2002, TRW's board of directors held a previously scheduled board meeting. At this meeting, TRW management provided the directors with an update of the status of negotiations with Northrop Grumman regarding a confidentiality agreement.

On May 3, 2002, TRW held the special meeting of its shareholders pursuant to the Ohio control share acquisition law to consider Northrop Grumman's proposal that the TRW shareholders authorize Northrop Grumman's acquisition of TRW shares pursuant to the offer to exchange. TRW's shareholders did not approve Northrop Grumman's proposal.

During May 2002, Northrop Grumman extended its exchange offer several times, with the last extension in May expiring at midnight on June 14, 2002. Beginning on May 5, 2002, Northrop Grumman commenced its due diligence review of TRW.

On June 3, 2002, TRW's board of directors met with TRW's management and its legal and financial advisers to further discuss TRW's strategic alternatives and its value enhancement plan. After discussion, TRW's board of directors instructed management to continue to pursue TRW's value enhancement plan and to continue to explore the sale of TRW as a whole through an auction process, the sale of TRW's Aeronautical Systems business and the spin off of TRW's Automotive business. The board of directors authorized management to sell TRW's Aeronautical Systems business and to continue its efforts to effect the separation of TRW's Automotive business, including the filing of a registration statement with the SEC. TRW's management and legal and financial advisers also reviewed with the board the status of the auction process relating to a possible sale of all of TRW.

On June 10, 2002, Goldman Sachs and Credit Suisse First Boston, financial advisers to TRW, sent a form of merger agreement and a letter setting forth certain procedures for the submission of a formal bid to acquire TRW by potential bidders, including Northrop Grumman, and requesting that formal bids be submitted on or before June 24, 2002.

Between June 13, 2002 and June 24, 2002, TRW and Northrop Grumman had discussions regarding several proposals made by Northrop Grumman to TRW regarding potential acquisition structures and terms; such proposals were sent by Northrop Grumman prior to the June 24, 2002 deadline for interested parties to submit proposals for a business combination with TRW. However, TRW was not prepared to enter into negotiations with respect to any of the proposals submitted by Northrop Grumman prior to the June 24, 2002 deadline. TRW also had conversations with other interested third parties regarding potential proposals during June 2002. During this period, TRW and its advisers provided confidential information to interested parties in data rooms, responded to additional due diligence requests, responded to questions regarding its business, discussed structures for business combinations that were suggested by interested parties and discussed the form of contract provided to interested parties.

On June 14, 2002, Northrop Grumman extended its exchange offer until midnight on June 21, 2002.

On June 18, 2002, TRW announced that it had reached a definitive agreement under which Goodrich Corporation would acquire TRW's Aeronautical Systems business for a gross purchase price of \$1.5 billion in cash.

On June 24, 2002, Northrop Grumman sent to TRW a new acquisition proposal to acquire TRW, including proposed revisions to the form of merger agreement sent by TRW on June 10, 2002. TRW also received bids from other interested parties for business combinations either involving TRW as a whole, or involving TRW following a separation of TRW's Automotive business.

On June 24, 2002, Northrop Grumman extended its exchange offer until midnight on June 28, 2002.

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On June 25, 2002, TRW's board of directors met and reviewed with TRW's management and legal and financial advisers the process for soliciting proposals and each of the proposals TRW had received. At the meeting, TRW's board of directors also reviewed the status of TRW's value enhancement initiatives. After careful analysis and discussions, TRW's board of directors determined to continue discussions with each of the interested parties to determine if the price and other terms of the proposals could be improved.

Between June 24, 2002 and June 27, 2002, there were a number of communications between representatives of Northrop Grumman and TRW concerning Northrop Grumman's acquisition proposals. From June 25th to June 27, 2002, TRW's management and legal and financial advisers also had further discussions with each of the other interested parties, and certain of the parties improved the terms and conditions of their proposals.

On June 27, 2002, TRW's board of directors met again to discuss the current terms and conditions of the proposals from each of the interested parties. After a discussion regarding the interim developments, TRW's board of directors determined to pursue discussions with only Northrop Grumman based upon the value of each proposal, the form of consideration proposed, the expected tax treatment of the proposed transactions, termination fees payable in the event that a more favorable transaction was presented to TRW following the execution of a definitive agreement and the timing and certainty risks associated with the proposed transactions.

On June 28, 2002, Northrop Grumman's exchange offer expired in accordance with its terms.

Between June 28, 2002 and June 30, 2002, Northrop Grumman and TRW conducted meetings in New York, New York during which the parties negotiated the terms of the definitive merger agreement. During this period, TRW and its legal, financial and accounting advisers updated TRW's due diligence review of Northrop Grumman, reviewed confidential, non-public information regarding Northrop Grumman and had discussions with Northrop Grumman's management regarding Northrop Grumman's businesses.

On June 30, 2002, TRW's board of directors met again with TRW's management and legal and financial advisers and discussed the terms and conditions of the proposed merger agreement with Northrop Grumman. At the meeting, each of Goldman Sachs and Credit Suisse First Boston rendered its opinion to the board of directors of TRW to the effect that, as of that date and based on and subject to the assumptions, qualifications and limitations described in their respective opinions, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of TRW common stock other than Northrop Grumman and its affiliates. Such opinions are attached hereto as Annexes D and E, respectively. Following a careful consideration of the proposed merger agreement, and after discussion with its financial and legal advisers, TRW's board of directors (with one director absent) unanimously determined that the terms and provisions of the merger agreement negotiated with Northrop Grumman were in the best interests of TRW's shareholders and approved the merger agreement. In addition, on June 30, 2002, Northrop Grumman's board of directors (with one director absent) unanimously approved the merger agreement. Thereafter, the merger agreement was executed by Northrop Grumman, TRW and Richmond Acquisition Corp.

On July 1, 2002, Northrop Grumman and TRW issued a joint press release announcing the merger agreement.

## **Opinions of Financial Advisers**

### **Northrop Grumman's Advisers**

In connection with Northrop Grumman's consideration of the proposed acquisition of TRW, Northrop Grumman received financial advice from Salomon Smith Barney and Stephens Financial Group. Each of Salomon Smith Barney and Stephens Financial Group has provided separately its opinion to Northrop Grumman's board of directors, each dated June 30, 2002, that as of that date, and subject to the qualifications and limitations and based on the considerations in each respective opinion, the exchange ratio to be used in the

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merger was fair, from a financial point of view, to Northrop Grumman. The opinions of Salomon Smith Barney and Stephens Financial Group are attached as Annexes B and C, respectively, to this joint proxy statement/prospectus and are incorporated herein by this reference.

### *Opinion of Salomon Smith Barney*

Salomon Smith Barney was retained to act as a financial adviser to Northrop Grumman in connection with the proposed acquisition of TRW. Pursuant to Salomon Smith Barney's engagement letter with Northrop Grumman, Salomon Smith Barney rendered an oral opinion to Northrop Grumman's board of directors on June 30, 2002, subsequently confirmed in writing, to the effect that, based upon and subject to the assumptions, considerations and limitations set forth in its opinion, its work described in the opinion, its experience as investment bankers and other factors it deemed relevant, as of that date, the exchange ratio was fair, from a financial point of view, to Northrop Grumman. Except for this opinion, Salomon Smith Barney did not provide to Northrop Grumman or Northrop Grumman's board of directors any report, opinion or appraisal.

The full text of Salomon Smith Barney's opinion, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the review undertaken by Salomon Smith Barney, is attached to this joint proxy statement/prospectus as Annex B. The summary of Salomon Smith Barney's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Stockholders are urged to read Salomon Smith Barney's opinion carefully and in its entirety. The fairness opinion was provided to Northrop Grumman's board of directors for its information and is directed only to the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to Northrop Grumman.**

Salomon Smith Barney has consented to the inclusion of its opinion and to the inclusion of the summary of its opinion in this joint proxy statement/prospectus. In giving such consent, Salomon Smith Barney does not concede that it comes within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended (the "Securities Act"), or the rules and regulations of the SEC thereunder, nor does it concede that it is an expert within the meaning of the term "expert" as used in the Securities Act or the rules and regulations of the SEC thereunder with respect to any part of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part.

In connection with rendering its opinion, Salomon Smith Barney, among other things:

- reviewed a draft of the merger agreement dated June 29, 2002;

- held discussions with certain senior officers, directors and representatives and advisers of Northrop Grumman and certain senior officers and representatives and advisers of TRW concerning the businesses, operations and prospects of Northrop Grumman and TRW;

- examined certain publicly available business and financial information relating to Northrop Grumman and TRW;

- reviewed certain financial forecasts and other information and data for Northrop Grumman and TRW which were provided to or otherwise discussed with Salomon Smith Barney by the managements of Northrop Grumman and TRW;

- reviewed the financial terms of the merger as set forth in the draft merger agreement provided to it in relation to, among other things:

- current and historical market prices and trading volumes of Northrop Grumman common stock and TRW common stock;

- the historical and projected earnings and other operating data of Northrop Grumman and TRW; and

- the capitalization and financial condition of Northrop Grumman and TRW;

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considered, to the extent publicly available, the financial terms of certain other similar transactions recently effected that Salomon Smith Barney considered relevant in evaluating the merger; and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Salomon Smith Barney considered relevant in evaluating those of Northrop Grumman and TRW;

evaluated the pro forma financial impact of the merger on Northrop Grumman; and

conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Salomon Smith Barney deemed appropriate in arriving at its opinion.

In rendering its opinion, Salomon Smith Barney assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or furnished to or otherwise reviewed by or discussed with it and has further relied upon the assurances of managements of Northrop Grumman and TRW that they are not aware of any facts that would make any of such information inaccurate or misleading. With respect to financial forecasts provided to or otherwise reviewed by or discussed with Salomon Smith Barney, Salomon Smith Barney was advised by the managements of Northrop Grumman and TRW that such forecasts had been reasonably prepared on bases reflecting the best then currently available estimates and judgments of Northrop Grumman and TRW managements as to the future financial performance of Northrop Grumman and TRW, as the case may be. Salomon Smith Barney expressed no view with respect to such forecasts or the assumptions on which they were based. Salomon Smith Barney assumed that the merger will be treated as a tax-free reorganization for United States federal income tax purposes. Salomon Smith Barney did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Northrop Grumman or TRW, nor did it make any physical inspection of the properties or assets of Northrop Grumman or TRW. Salomon Smith Barney further assumed that the transactions contemplated by the agreement pursuant to which TRW agreed to sell TRW's Aeronautical Systems business to Goodrich Corporation would be consummated in accordance with the terms of that agreement and that the proceeds from the sale of TRW's Aeronautical Systems business will be used by TRW to reduce its indebtedness. Northrop Grumman advised Salomon Smith Barney, and Salomon Smith Barney assumed, that the final terms of the merger agreement would not vary materially from those set forth in the draft provided to it. Salomon Smith Barney further assumed that the merger would be consummated in a timely fashion in accordance with the terms of the merger agreement, without waiver of any of the conditions precedent to the merger contained in the merger agreement.

Salomon Smith Barney's opinion relates to the relative values of Northrop Grumman and TRW. It does not express any opinion as to what the value of Northrop Grumman common stock will be when issued pursuant to the merger or the price at which Northrop Grumman common stock will trade or otherwise be transferable subsequent to the merger. Salomon Smith Barney was not requested to consider, and its opinion did not address, the relative merits of the merger as compared to any alternative business strategies that might exist for Northrop Grumman or the effect of any other transaction in which Northrop Grumman might engage. Salomon Smith Barney's opinion necessarily was based on information available to it and financial, stock market, and other conditions and circumstances as they existed and were disclosed to Salomon Smith Barney as of the date of its opinion.

**Salomon Smith Barney's advisory services and its opinion expressed herein were provided for the information of Northrop Grumman's board of directors in its evaluation of the merger, and Salomon Smith Barney's opinion is not intended to be and does not constitute a recommendation of the merger to Northrop Grumman's board of directors, Northrop Grumman or to anyone else, or a recommendation to any stockholder as to how such stockholder should vote on any matters relating to the merger.**

The Salomon Smith Barney opinion to Northrop Grumman's board of directors as to the fairness, from a financial point of view, of the exchange ratio to Northrop Grumman, was one of many factors taken into consideration by Northrop Grumman's board of directors in making its decision to approve the merger

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agreement. The terms of the merger were determined through negotiations between Northrop Grumman and TRW, and were approved by Northrop Grumman's board of directors. Although Salomon Smith Barney provided advice to Northrop Grumman during the course of negotiations, the decision to enter into the merger agreement and to agree to the exchange ratio was solely that of Northrop Grumman's board of directors.

**Financial Analyses of Salomon Smith Barney**

The following is a summary of the material financial analyses performed by Salomon Smith Barney in arriving at its opinion evaluating the fairness of the exchange ratio as reflected in its letter dated as of June 30, 2002, to Northrop Grumman's board of directors. The financial analyses performed by Salomon Smith Barney were not provided or presented to Northrop Grumman's board of directors.

The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Salomon Smith Barney, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data is, except as otherwise indicated, based on market data as it existed at or prior to June 28, 2002, and is not necessarily indicative of current or future market conditions. All calculations, forecasts and estimates set forth with respect to a specific year are based on such calendar year and not the fiscal year unless otherwise indicated.

In connection with arriving at its opinion, Salomon Smith Barney performed the following analyses of the exchange ratio: a historical exchange ratio analysis, a public company analysis, a precedent transactions analysis and a contribution analysis.

*Historical Exchange Ratio Analysis*

Salomon Smith Barney derived implied historical exchange ratios by dividing the closing price per share of TRW common stock by the closing price per share of Northrop Grumman common stock for each trading day in the period from June 28, 2001, through June 28, 2002. Salomon Smith Barney calculated the implied exchange ratio based on market prices as of June 28, 2002, to be 0.46x. Salomon Smith Barney considered the average implied exchange ratio for each of the following calendar periods ending June 28, 2002:

|                    |       |
|--------------------|-------|
| Last three months  | 0.45x |
| Last six months    | 0.43x |
| Last nine months   | 0.41x |
| Last twelve months | 0.43x |

Salomon Smith Barney noted that the lowest historical implied exchange ratio had been 0.28x on September 21, 2001, and the highest historical implied exchange ratio had been 0.55x on August 1, 2001.

Salomon Smith Barney also derived implied historical exchange ratios by dividing the closing price per share of TRW common stock by the closing price per share of Northrop Grumman common stock for each trading day in the period from February 21, 2001, through February 21, 2002, the last trading day prior to the public announcement of Northrop Grumman's proposal to TRW to commence merger negotiations. Salomon Smith Barney calculated the implied exchange ratio based on market prices as of February 21, 2002, to be 0.34x. Salomon Smith Barney considered the average implied exchange ratio for each of the following calendar periods ending February 21, 2002:

|                    |       |
|--------------------|-------|
| Last three months  | 0.39x |
| Last six months    | 0.37x |
| Last nine months   | 0.42x |
| Last twelve months | 0.42x |

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Salomon Smith Barney noted that the lowest historical implied exchange ratio had been 0.28x on September 21, 2001, and the highest historical implied exchange ratio had been 0.55x on August 1, 2001.

Based on the price per share of \$125.00 for Northrop Grumman's common stock on June 28, 2002, the exchange ratio would be 0.4800x. Pursuant to the merger agreement, in no event will the actual exchange ratio be less than 0.4348x or more than 0.5357x.

### *Public Company Analysis*

Salomon Smith Barney compared separately financial and stock market information and forecast financial information for six selected publicly traded companies operating in the defense industry and six publicly traded companies operating in the automotive industry that Salomon Smith Barney deemed appropriate for comparison with financial and forecast financial information for the space and defense businesses of TRW and for Northrop Grumman and the Automotive business of TRW.

### *Defense Comparable Companies*

The defense companies considered by Salomon Smith Barney were:

L-3 Communications Holdings, Inc.;

General Dynamics Corporation;

Lockheed Martin Corporation;

Raytheon Company;

Alliant Techsystems Inc.; and

Northrop Grumman Corporation.\*

The forecast financial information used by Salomon Smith Barney for this group of selected comparable companies was based on Salomon Smith Barney's equity research estimates, except for estimates for earnings per share. The earnings per share, or EPS, estimates were based on First Call\*\* estimates as of June 17, 2002. Calculations were made based on the closing price per share of each comparable company's common stock on June 28, 2002.

For each of the selected comparable companies, Salomon Smith Barney derived and compared, among other things:

the ratio of the closing price per common share of each company on June 28, 2002, to:

its estimated EPS for 2002 and 2003; and

the ratio of each company's firm value as of June 28, 2002, to:

its estimated revenues for 2002 and 2003;

its estimated earnings before interest, taxes, depreciation, amortization and pension income and expenses, which is referred to as EBITDAP, for 2002 and 2003; and

its estimated earnings before interest, taxes and pension income and expenses, which is referred to as EBITP, for 2002 and 2003.

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\* Used only for comparison with the space and defense businesses of TRW.

\*\* First Call Corporation compiles and averages summaries of financial forecasts published by various investment banking firms. The information published by First Call Corporation is referred to in this document as First Call estimates.

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For this purpose, each company's firm value was calculated as the sum of the value of:

all common shares assuming the exercise of all in-the-money options, warrants and convertible securities at the stock price on June 28, 2002, less any proceeds from the assumed exercise of those options, warrants and convertible securities; plus

non-convertible indebtedness; plus

non-convertible preferred stock; plus

out-of-the-money convertible securities; plus

minority interests; minus

investments in unconsolidated affiliates and cash.

In making these calculations, Salomon Smith Barney made adjustments to earnings amounts for unusual and nonrecurring items.

The following table sets forth the results of the comparable defense companies analysis:

|                                         | Comparable Defense Companies<br>at June 28, 2002 Closing Price |       |        |       |
|-----------------------------------------|----------------------------------------------------------------|-------|--------|-------|
|                                         | Range                                                          |       | Median | Mean  |
| Ratio of closing common share price to: |                                                                |       |        |       |
| (a) Estimated EPS for 2002              | 18.2x                                                          | 27.6x | 22.0x  | 22.3x |
| (b) Estimated EPS for 2003              | 15.8x                                                          | 22.4x | 18.6x  | 18.9x |
| Ratio of firm value to:                 |                                                                |       |        |       |
| (a) Estimated revenues for 2002         | 1.14x                                                          | 1.69x | 1.45x  | 1.47x |
| (b) Estimated revenues for 2003         | 1.04x                                                          | 1.57x | 1.33x  | 1.35x |
| Ratio of firm value to:                 |                                                                |       |        |       |
| (a) Estimated EBITDAP for 2002          | 10.2x                                                          | 13.2x | 11.0x  | 11.4x |
| (b) Estimated EBITDAP for 2003          | 9.2x                                                           | 11.5x | 9.8x   | 10.1x |
| Ratio of firm value to:                 |                                                                |       |        |       |
| (a) Estimated EBITP for 2002            | 12.4x                                                          | 16.6x | 14.1x  | 14.2x |
| (b) Estimated EBITP for 2003            | 10.8x                                                          | 13.9x | 12.5x  | 12.4x |

*Automotive Comparable Companies*

The automotive companies considered by Salomon Smith Barney were:

ArvinMeritor, Inc.;

Autoliv, Inc.;

Dana Corporation;

Johnson Controls, Inc.;

Lear Corporation; and

Magna International Inc.

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The forecast financial information used by Salomon Smith Barney for this group of selected comparable companies was based on Salomon Smith Barney's equity research estimates; except that the forecast financial information for ArvinMeritor, Inc. was based on Lehman Brothers published equity research estimates and all EPS estimates were based on Institutional Brokers Estimates System (also known as IBES\*\*\*) estimates. Calculations were made based on the closing price per share of each comparable company's common stock on June 28, 2002. For each of the selected comparable companies Salomon Smith Barney derived and compared, among other things:

the ratio of the closing price per common share of each company on June 28, 2002, to:

its estimated EPS, for 2002 and 2003, and

the ratio of each company's firm value as of June 28, 2002, to:

its revenues for the last twelve-month period, referred to as LTM, prior to March 31, 2002, for which financial results were available;

its LTM EBITDAP, prior to March 31, 2002, for which financial results were available, and estimated EBITDAP for 2002 and 2003; and

its LTM EBITP, prior to March 31, 2002, for which financial results were available, and estimated EBITP for 2002 and 2003.

The firm value of each company was calculated in the same manner as for the defense comparable companies analysis above. In making these calculations, Salomon Smith Barney made adjustments to earnings amounts for unusual and nonrecurring items.

The following table sets forth the results of the comparable automotive companies analysis:

|                                         | Comparable Automotive Companies<br>at June 28, 2002 Closing Price |       |
|-----------------------------------------|-------------------------------------------------------------------|-------|
|                                         | Median                                                            | Mean  |
| Ratio of closing common share price to: |                                                                   |       |
| (a) Estimated EPS for 2002              | 10.7x                                                             | 10.8x |
| (b) Estimated EPS for 2003              | 8.5x                                                              | 9.2x  |
| Ratio of firm value to:                 |                                                                   |       |
| (a) LTM revenues                        | 51.4%                                                             | 56.4% |
| Ratio of firm value to:                 |                                                                   |       |
| (a) LTM EBITDAP                         | 5.9x                                                              | 6.0x  |
| (b) Estimated EBITDAP for 2002          | 5.4x                                                              | 5.3x  |
| (c) Estimated EBITDAP for 2003          | 5.1x                                                              | 4.9x  |
| Ratio of firm value to:                 |                                                                   |       |
| (a) LTM EBITP                           | 8.8x                                                              | 10.5x |
| (b) Estimated EBITP for 2002            | 7.8x                                                              | 8.3x  |
| (c) Estimated EBITP for 2003            | 7.0x                                                              | 7.4x  |

Based on the ratios derived for each group of comparable companies and the management estimates of TRW for each of the two business segments, Salomon Smith Barney established (1) a reference range for the implied firm value of TRW's space and defense businesses of \$5,500 million to \$6,600 million and (2) a reference range for the implied enterprise value of TRW's Automotive business of \$5,000 million to \$6,000 million. Salomon Smith Barney then combined the values derived for the space and defense businesses and the Automotive business of TRW to derive a total firm value range for TRW of \$10,500 million to \$12,600 million. Based on this total firm value range for TRW, Salomon Smith Barney derived the aggregate equity value for TRW by adding to the total TRW firm value, \$243 million of interests in unconsolidated

\*\*\* I/B/E/S International Inc. is a data service which monitors and publishes averages of earnings estimates produced by selected research analysts on publicly traded companies.

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subsidiaries and subtracting \$3,780 million of net indebtedness and \$74 million of minority interests. In deriving the aggregate equity value for TRW, Salomon Smith Barney assumed that \$1,500 million of proceeds from the sale of TRW's Aeronautical Systems business would be used to reduce TRW's indebtedness. From this aggregate equity value for TRW, Salomon Smith Barney derived an implied range of equity value per share for TRW common stock, utilizing the treasury stock method (which assumes all in-the-money options are exercised and that the proceeds are utilized to repurchase shares at market value) resulting in an assumed 130.7 million shares of TRW common stock outstanding, of \$53.00 to \$69.00. Salomon Smith Barney noted that the \$60 offer price was within this range. Also, based on the ratios derived from the comparable defense companies and the management estimates of Northrop Grumman, Salomon Smith Barney derived a reference range for the implied equity value per share of Northrop Grumman common stock of \$125.00 to \$160.00. Based on both of these ranges, Salomon Smith Barney derived an implied exchange ratio ranging from 0.3313x to 0.5520x and noted that the high and low ends of the collar of the exchange ratio were within such range.

### *Precedent Transactions Analysis*

Salomon Smith Barney reviewed publicly available information for twelve completed acquisition transactions in the defense industry and nine such transactions in the automotive industry, all announced since November 21, 1997 and January 28, 1999, respectively, that it deemed appropriate in valuing each of the space and defense businesses and the Automotive business of TRW.

### *Defense Precedent Transactions*

The precedent transactions considered by Salomon Smith Barney were the following (in each case, the acquiror's name is listed first and the acquired business' name is listed second):

L-3 Communications Holdings, Inc. / Raytheon Company's Aircraft Integration Systems business;

General Dynamics Corporation / Motorola, Inc.'s Integrated Information Systems Group business;

Northrop Grumman Corporation / Aerojet-General's Electronic and Information Systems business;

Northrop Grumman Corporation / Litton Industries Inc.;

Northrop Grumman Corporation / Sterling Software (U.S.) Inc.;

BAE SYSTEMS North America, Inc. / Lockheed Martin Corporation's Aerospace Electronics Systems business;

Boeing Company / Hughes Electronics Corporation's Space and Communications business;

Thomson-CSF SA / Racal Electronics PLC;

British Aerospace plc / General Electric Co. PLC's defense and aerospace businesses;

General Electric Co. PLC / Tracor Inc.;

Litton Industries Inc. / Primark Corporation's subsidiary, TASC; and

TRW Inc. / BDM International, Inc.

For each of these precedent transactions, Salomon Smith Barney derived the ratio of the firm value of the acquired business based on the consideration agreed to be paid in the transaction to:

the LTM revenue of the acquired business prior to the announcement of the transaction for which financial results were available;

the LTM earnings before interest, taxes, depreciation and amortization, which is referred to as EBITDA, of the acquired business prior to the announcement of the transaction for which financial results were available; and

the LTM earnings before interest and taxes, which is referred to as EBIT, of the acquired company prior to the announcement of the transaction for which financial results were available.

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With respect to the financial information for the companies and businesses involved in the precedent transactions, Salomon Smith Barney relied on information in publicly available documents. The following table sets forth the results of these analyses.

|                         | <b>Range</b> |       |   | <b>Median</b> |   | <b>Mean</b> |   |
|-------------------------|--------------|-------|---|---------------|---|-------------|---|
| Ratio of Firm Value to: |              |       |   |               |   |             |   |
| (a) LTM Revenue         | 90.3%        | 197.9 | % | 117.4         | % | 125.4       | % |
| (b) LTM EBITDA          | 8.7x         | 17.3  | x | 10.9          | x | 11.4        | x |
| (c) LTM EBIT            | 10.5x        | 20.0  | x | 14.7          | x | 14.8        | x |

*Automotive Precedent Transactions*

The precedent transactions considered by Salomon Smith Barney were the following (all transaction values are in excess of \$1 billion and in each case, the acquiror's name is listed first and the acquired business name is listed second):

Collins & Aikman Corporation / Textron Inc.'s Automotive business;

Heartland Industrial Partners, L.P. / Collins & Aikman Corporation (represents purchase of 31% of the company);

Faurecia SA / Sommer Allibert SA's automotive assets (SAI Automotive AG);

Smiths Industries plc / TI Group plc;

Heartland Industrial Partners, L.P. / MascoTech, Inc.;

BC Partners Inc. / Mark IV Industries, Inc.;

Siemens AG and Robert Bosch GmbH / Atecs Mannesmann AG;

Lear Corporation / United Technologies Automotive Inc.; and

TRW Inc. / LucasVarity plc.

For each of these precedent transactions, Salomon Smith Barney derived the ratio of the transaction value based on the consideration agreed to be paid in the transaction to:

the LTM revenue of the acquired business prior to the announcement of the transaction for which financial results were available;

the LTM EBITDA of the acquired business prior to the announcement of the transaction for which financial results were available; and

the LTM EBIT of the acquired business prior to the announcement of the transaction for which financial results were available.

With respect to the financial information for the companies and businesses involved in the precedent transactions, Salomon Smith Barney relied on information in publicly available documents. The following table sets forth the results of these analyses.

|                                | <b>Range</b> |       |   | <b>Median</b> |   | <b>Mean</b> |   |
|--------------------------------|--------------|-------|---|---------------|---|-------------|---|
| Ratio of Transaction Value to: |              |       |   |               |   |             |   |
| (a) LTM Revenue                | 61.6%        | 118.3 | % | 81.0          | % | 87.1        | % |
| (b) LTM EBITDA                 | 5.0x         | 8.7   | x | 7.4           | x | 7.0         | x |
| (c) LTM EBIT                   | 7.0x         | 14.0  | x | 10.4          | x | 10.5        | x |

Based on the ratios derived for the precedent transactions in each of the two business segments and financial information for TRW, Salomon Smith Barney established (1) a reference range for the implied enterprise value

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of TRW's space and defense businesses of \$5,700 million to \$6,800 million and (2) a reference range for the implied firm value of TRW's Automotive business of \$6,500 million to \$8,000 million. Salomon Smith Barney then combined the values for the above business segments to derive a total firm value range for TRW of \$12,200 million to \$14,800 million. Based on this total firm value range for TRW, Salomon Smith Barney derived an implied range of equity value per share for TRW common stock utilizing the same methodology as described under "Public Company Analysis" above, of \$66.00 to \$86.00. Based on this range and the range derived for the implied equity value per share for Northrop Grumman common stock above, Salomon Smith Barney derived an implied exchange ratio ranging from 0.4125x to 0.6880x and noted that the high and low ends of the collar of the exchange ratio were within such range.

*Contribution Analysis*

Salomon Smith Barney analyzed and considered the relative contribution of each of Northrop Grumman and TRW to the pro forma merged entity with respect to certain financial data based on estimates of managements of Northrop Grumman and TRW, including:

estimated revenues for 2002 and 2003;

estimated EBITDAP for 2002 and 2003;

estimated EBITP for 2002 and 2003;

estimated net income for 2002 and 2003; and

estimated total assets as of December 31, 2002.

In performing this analysis, Salomon Smith Barney did not take into account any anticipated cost savings, revenue enhancements or other potential effects of the merger. Based on (1) each company's relative estimated contribution in each category; (2) total firm value for Northrop Grumman of \$19,901 million from which Salomon Smith Barney derived (a) a total equity value for Northrop Grumman by subtracting \$5,110 million of net indebtedness, \$19 million of minority interests and \$350 million of convertible preferred stock and (b) an aggregate equity value per share of Northrop Grumman common stock by utilizing the treasury stock method, resulting in an assumed 115.3 million shares of Northrop Grumman common stock outstanding on a fully diluted basis; and (3) total firm value for TRW of \$11,940 million from which Salomon Smith Barney derived (x) a total equity value for TRW by adding to the firm value \$245 million of interests in unconsolidated subsidiaries and subtracting \$5,283 million of net indebtedness and \$74 million of minority interests and (y) an implied equity value per share of TRW common stock by utilizing the treasury stock method and a 52-week average trading price of \$43.51 for TRW common stock, resulting in an assumed 128.3 million shares of TRW common stock outstanding on a fully diluted basis, Salomon Smith Barney derived an approximate implied exchange ratio for each of the above categories as set forth in the table below.

|              | <b>Northrop<br/>Grumman<br/>Contribution</b> | <b>TRW<br/>Contribution</b> | <b>Implied<br/>Exchange<br/>Ratio</b> |
|--------------|----------------------------------------------|-----------------------------|---------------------------------------|
| Revenues     |                                              |                             |                                       |
| 2002         | 51.5%                                        | 48.5%                       | 0.851x                                |
| 2003         | 53.1%                                        | 46.9%                       | 0.775x                                |
| EBITDAP      |                                              |                             |                                       |
| 2002         | 51.2%                                        | 48.8%                       | 0.867x                                |
| 2003         | 52.8%                                        | 47.2%                       | 0.787x                                |
| EBITP        |                                              |                             |                                       |
| 2002         | 54.0%                                        | 46.0%                       | 0.735x                                |
| 2003         | 56.0%                                        | 44.0%                       | 0.650x                                |
| Net Income   |                                              |                             |                                       |
| 2002         | 62.2%                                        | 37.8%                       | 0.545x                                |
| 2003         | 62.9%                                        | 37.1%                       | 0.530x                                |
| Total Assets | 58.1%                                        | 41.9%                       | 0.573x                                |

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Based on its analysis, Salomon Smith Barney noted that the implied exchange ratios ranged from a high of 0.867x to a low of 0.530x and that such low of 0.530x was marginally below the high end of the collar of the exchange ratio.

### *Accretion/Dilution Analysis*

Salomon Smith Barney analyzed and considered the impact of the merger on the estimated EPS of Northrop Grumman for 2003, assuming that the merger would be completed at an exchange ratio of 0.4800x, which is based on the \$125.00 closing price per share of Northrop Grumman common stock on June 28, 2002, and assuming proceeds of \$1.5 billion from the sale of TRW's Aeronautical Systems business. Estimated EPS for each of Northrop Grumman and TRW for 2003 were based on their respective management estimates. In performing this analysis, Salomon Smith Barney did not take into account any anticipated cost savings, revenue enhancements or other potential effects of the merger. The analysis indicated that the merger would be modestly accretive to estimated EPS of Northrop Grumman in 2003.

### *Discounted Cash Flow Analysis*

Salomon Smith Barney performed a separate discounted cash flow analysis for each of the space and defense businesses and the Automotive business of TRW using TRW management's financial forecasts. For purposes of this analysis, Salomon Smith Barney used a range of weighted average cost of capital of 9.50% to 10.50% and ranges of terminal values based on multiples of projected EBITDAP ranging from 9.5x to 10.5x in the case of TRW's space and defense businesses and 5.0x to 6.0x in the case of TRW's Automotive business and derived reference ranges of implied firm value for each of the space and defense businesses and the Automotive business of TRW of \$6,100 million to \$6,900 million and \$6,400 million to \$7,500 million, respectively.

Salomon Smith Barney then combined the values for the above business segments to derive a total firm value range for TRW of \$12,500 million to \$14,400 million, and from that range, derived an implied equity value per share for TRW common stock utilizing the same methodology as described under "Public Company Analysis" above, of \$68.00 to \$83.00. Salomon Smith Barney noted that this range was above Northrop Grumman's offer of \$60.00 in Northrop Grumman common stock per share of TRW common stock.

### *General*

The preparation of fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Salomon Smith Barney made no attempt to assign specific weights to particular analyses or factors it considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Salomon Smith Barney believes that its analyses, and the summary set forth above, must be considered as a whole and that selecting portions of the analyses and of the factors considered by Salomon Smith Barney without considering all of the analyses and factors could create a misleading or incomplete view of the processes underlying the analyses performed by Salomon Smith Barney and its opinion. With regard to the public company and precedent transactions analyses summarized above, Salomon Smith Barney selected comparable public companies and precedent transactions on the basis of various factors, including the size and similarity of the relevant companies and transactions as compared to Northrop Grumman, the space and defense businesses and the Automotive business of TRW and the merger, respectively; however, no company or transaction utilized as a comparison in these analyses is identical to Northrop Grumman or the space and defense businesses or the Automotive business of TRW or the merger, respectively. As a result, these analyses are not purely mathematical, but also take into account differences in financial and operating characteristics of the subject companies and other factors that could affect the public trading value of the subject companies to which Northrop Grumman and the space and defense businesses and the Automotive business of TRW are being compared.

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In its analyses, Salomon Smith Barney made numerous assumptions and considered a number of factors with respect to Northrop Grumman and TRW, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of either Northrop Grumman or TRW. Any estimates contained in Salomon Smith Barney's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Northrop Grumman or TRW, Northrop Grumman's board of directors, Salomon Smith Barney or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Salomon Smith Barney's analyses were conducted solely as part of Salomon Smith Barney's consideration of the fairness of the exchange ratio in the merger for the purpose of arriving at its opinion and were not provided to Northrop Grumman's board of directors.

Salomon Smith Barney is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Northrop Grumman selected Salomon Smith Barney to act as its financial adviser on the basis of Salomon Smith Barney's international reputation and Salomon Smith Barney's familiarity with Northrop Grumman. Salomon Smith Barney and its affiliates (including Citigroup Inc. and its affiliates) have in the past provided and are currently providing financial advisory, investment banking and financing services to Northrop Grumman and TRW unrelated to the merger, for which Salomon Smith Barney and its affiliates have received and will receive customary fees.

In the ordinary course of its business, Salomon Smith Barney and its affiliates may actively trade or hold the securities of both Northrop Grumman and TRW for its own account and for the account of customers and, accordingly, may at any time hold a long or short position in those securities. Salomon Smith Barney and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Northrop Grumman and TRW and their respective affiliates.

Pursuant to the terms of an engagement letter, Northrop Grumman agreed to pay Salomon Smith Barney an aggregate fee of \$22.5 million for its services rendered in connection with the merger, \$17.5 million of which have been earned and \$5 million of which will become payable upon consummation of the merger. Northrop Grumman also has agreed to reimburse Salomon Smith Barney for its reasonable travel and other expenses incurred in connection with its engagement, including the reasonable fees and expenses of its outside counsel, and to indemnify Salomon Smith Barney against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws.

In the past two years, Salomon Smith Barney was engaged by Northrop Grumman to perform the following investment banking services pursuant to which it received the compensation indicated in the following parentheticals, excluding the fees it has earned, and will earn, in connection with the consummation of the merger: joint bookrunning manager for an offering of six million 7.25% Equity Security Units of Northrop Grumman (\$8 million) and an offering of eight million shares of Northrop Grumman common stock (\$9.3 million), co-manager for an offering of \$750 million of Northrop Grumman 7.125% notes due 2011 and \$750 million of Northrop Grumman 7.750% notes due 2031 (\$0.8 million), financial adviser to Northrop Grumman in its acquisitions of Newport News Shipbuilding Inc. (\$13 million) and Litton Industries Inc. (\$17.5 million) and as financial adviser to Northrop Grumman in connection with three other acquisitions (\$10.3 million in the aggregate).

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*Opinion of Stephens Financial Group*

Stephens Financial Group (referred to as "SFG") was engaged to provide financial advisory services to Northrop Grumman in connection with the merger. Pursuant to SFG's engagement letter with Northrop Grumman, SFG provided an oral opinion to Northrop Grumman's board of directors on June 30, 2002, subsequently confirmed in writing, to the effect that, based upon and subject to the various assumptions, considerations and limitations set forth in its opinion, its work summarized below, its experience in investment banking and other factors it deemed relevant, as of that date, the exchange ratio was fair, from a financial point of view, to Northrop Grumman. Except for this opinion, SFG did not provide to Northrop Grumman or Northrop Grumman's board of directors any report, opinion or appraisal with respect to the exchange ratio.

The full text of SFG's opinion, which sets forth the assumptions made, information relied upon, general procedures followed, matters considered and limitations on the review undertaken by SFG, is attached to this joint proxy statement/prospectus as Annex C. The summary of SFG's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Stockholders are urged to read SFG's opinion carefully and in its entirety. The fairness opinion was provided to Northrop Grumman's board of directors for its information and is directed only to the fairness, from a financial point of view, of the exchange ratio pursuant to the merger agreement to Northrop Grumman.**

SFG has consented to the inclusion of its opinion and to the inclusion of the summary of its opinion in this joint proxy statement/prospectus. In giving such consent, SFG does not concede that it comes within the category of persons whose consent is required under Section 7 of the Securities Act, or the rules and regulations of the SEC thereunder, nor does it concede that it is an expert within the meaning of the term "expert" as used in the Securities Act or the rules and regulations of the SEC thereunder with respect to any part of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part.

In arriving at its opinion, SFG has, among other things:

reviewed certain publicly available financial statements and other information of Northrop Grumman and TRW, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Northrop Grumman and TRW prepared by the managements of Northrop Grumman and TRW, respectively;

analyzed certain financial projections prepared by the managements of Northrop Grumman and TRW, respectively;

discussed with senior executives of Northrop Grumman and TRW the business, operations and prospects of Northrop Grumman and TRW as well as certain strategic, financial and operational benefits of the merger for the combined company;

analyzed the pro forma impact of the merger on, amongst other things, the combined company's earnings per share, cash flow, consolidated capitalization and financial ratios;

reviewed the prices and trading activity for Northrop Grumman common stock and TRW common stock and compared them with the securities of certain other publicly-traded companies comparable to Northrop Grumman and TRW;

reviewed the financial terms, to the extent publicly available, of certain comparable merger transactions;

participated in certain discussions and negotiations of Northrop Grumman and TRW and their financial and legal advisers;

reviewed the merger agreement and certain related documents; and

performed such other analyses and considered such other factors as SFG deemed appropriate.

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In rendering its opinion, SFG has assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data reviewed by or discussed with SFG that was publicly available or furnished to SFG by or on behalf of Northrop Grumman and TRW, and has further relied upon the assurances of the management of Northrop Grumman and TRW that they are not aware of any facts that would make any of such information or data inaccurate or misleading. With respect to the financial forecasts provided to SFG which it examined, SFG has, based upon the advice of senior management of TRW and Northrop Grumman, assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of TRW and Northrop Grumman, as the case may be. SFG expresses no view with respect to such forecasts and estimates or the assumptions upon which they were based. SFG has also assumed that the merger will be a tax-free reorganization for United States federal income tax purposes. Northrop Grumman advised SFG, and SFG assumed, that the final terms of the merger agreement would not vary materially from those set forth in the draft provided to SFG. SFG further assumed that the merger would be consummated in a timely fashion in accordance with the terms of the merger agreement provided to SFG, without waiver or modification of any of the conditions precedent to the merger or other material terms contained in the merger agreement. SFG has not made an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Northrop Grumman or TRW, nor was it furnished with any such evaluations or appraisals.

SFG's opinion is necessarily based upon financial, economic, market and other conditions existing on the date thereof and does not address the fairness of the exchange ratio to Northrop Grumman as of any other date. SFG also has assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger contemplated by the merger agreement will be obtained without any adverse effect on Northrop Grumman or TRW or their subsidiaries or on the contemplated benefits of the transactions contemplated by the merger agreement in any respect material to its analysis.

SFG's opinion relates to the relative values of Northrop Grumman and TRW. It does not express any opinion as to what the value of Northrop Grumman common stock will be when issued in the merger or the price at which Northrop Grumman common stock will trade or otherwise be transferable subsequent to the merger. **SFG's opinion is for the benefit and use of the board of directors of Northrop Grumman in connection with and for the purpose of its consideration of the merger. Its opinion does not address the merits of Northrop Grumman's underlying business decision to effect the transactions contemplated by the merger agreement or the merits of the merger relative to any alternative transaction or business strategy that may be available to Northrop Grumman, and does not constitute a recommendation to any stockholder of Northrop Grumman as to whether or not that stockholder should vote to approve the merger and should not be relied upon by any stockholder as such.**

SFG's opinion to Northrop Grumman's board of directors as to the fairness, from a financial point of view, of the exchange ratio to Northrop Grumman, was one of many factors taken into consideration by Northrop Grumman's board of directors in making its decision to approve the merger agreement. The terms of the merger were determined through negotiations between Northrop Grumman and TRW, and were approved by Northrop Grumman's board of directors. Although SFG provided advice to Northrop Grumman during the course of negotiations, the decision to enter into the merger agreement and to agree to the exchange ratio was solely that of Northrop Grumman's board of directors.

### **Financial Analyses of Stephens Financial Group**

The following is a summary of the material financial analyses conducted by SFG in connection with rendering its opinion as to the fairness of the exchange ratio as reflected in its June 30, 2002 letter to the board of directors of Northrop Grumman. The analyses described below were not provided to Northrop Grumman's board of directors.

In connection with the preparation and delivery of its opinion, SFG performed a variety of financial and comparative analyses. The preparation of a fairness opinion involves various determinations as to the most

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appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Furthermore, in arriving at its opinion, SFG did not attribute any particular weight to any analysis or factor considered by it, but made subjective judgments as to the significance and relevance of each analysis and factor. Accordingly, SFG believes that its analyses must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying its opinion. In its analyses, SFG made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of Northrop Grumman or TRW. Any estimates contained in these analyses were not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth herein. In addition, analyses relating to the value of businesses did not purport to be appraisals or to reflect the prices at which businesses may actually be sold.

The quantitative information, to the extent it was based upon market data was, unless otherwise indicated, based upon market data that existed on or before June 28, 2002, and is not necessarily indicative of current or future market conditions.

### *Discounted Cash Flow Analysis*

SFG performed a sum of the parts discounted cash flow analysis of TRW's three principal business segments, Aerospace (ASG), Defense (SS&E) and Automotive, to provide insight into the intrinsic value of TRW as a whole based on projections of earnings, capital requirements and cash flows generated by those business segments provided by the management of TRW. A range of discount rates was used from 9.5% to 10.5%. The terminal values for the ASG and SS&E businesses were based on perpetuity growth rates of 3.25% to 4.5%. The terminal values for TRW's Automotive business were based on multiples of projected EBITDA ranging from 4.5x to 6.5x. After combining the individual values to calculate a combined value, SFG derived a range of implied enterprise value for the combined business segments of \$12,300 million to \$14,500 million and, from that range, calculated an implied equity value per share for TRW common stock of \$63 to \$79.

### *Contribution Analysis*

SFG analyzed the respective contributions to the pro forma merged entity attributable to Northrop Grumman and TRW with respect to certain financial data based on estimates of the management of Northrop Grumman and TRW. Based on its analysis, SFG concluded that the implied exchange ratios ranged from a high of 0.782x to a low of 0.521x. SFG noted that such low of 0.521x was marginally below the high end of the collar of the exchange ratio.

In arriving at such determination, SFG reviewed the financial data provided by the management of Northrop Grumman and TRW with respect to:

- estimated revenues for 2002 and 2003;
- estimated EBITDAP for 2002 and 2003;
- estimated EBITP for 2002 and 2003; and
- estimated net income for 2002 and 2003.

In conducting this analysis, SFG did not take into account any potential effects of the merger, including anticipated cost savings or revenue enhancements. Based on the total enterprise value for Northrop Grumman of approximately \$19,986 million, SFG calculated a total equity value for Northrop Grumman. This was determined by subtracting from the total enterprise value \$5,370 million of net indebtedness, \$16 million of minority

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interests and assuming conversion of \$350 million of in-the-money convertible preferred stock. SFG also calculated an implied equity value per share utilizing the treasury stock method, resulting in an assumed 116.8 million shares of Northrop Grumman's common stock outstanding on a fully diluted basis.

Based on the total enterprise value for TRW of \$11,111 million, SFG calculated a total equity value for TRW by subtracting from the enterprise value \$5,462 million of net indebtedness and \$74 million of minority interests. SFG also calculated an implied equity value per share of TRW common stock by utilizing the treasury stock method and a 52-week average trading price of \$43.51 for TRW common stock, resulting in an assumed 128.1 million shares of TRW common stock outstanding on a fully diluted basis after conversion of TRW's outstanding Serial Preference Stock II.

Based on the foregoing analysis and each company's relative estimated contribution, SFG calculated an implied exchange ratio for each of the categories as set forth in the table below:

|            | <b>Northrop<br/>Grumman<br/>Contribution</b> | <b>TRW<br/>Contribution</b> | <b>Implied<br/>Exchange<br/>Ratio</b> |
|------------|----------------------------------------------|-----------------------------|---------------------------------------|
| Revenues   |                                              |                             |                                       |
| 2002       | 51.6%                                        | 48.4%                       | 0.782x                                |
| 2003       | 52.3%                                        | 47.7%                       | 0.753x                                |
| EBITDAP    |                                              |                             |                                       |
| 2002       | 51.7%                                        | 48.3%                       | 0.778x                                |
| 2003       | 51.8%                                        | 48.2%                       | 0.774x                                |
| EBITP      |                                              |                             |                                       |
| 2002       | 52.8%                                        | 47.2%                       | 0.730x                                |
| 2003       | 53.6%                                        | 46.4%                       | 0.699x                                |
| Net Income |                                              |                             |                                       |
| 2002       | 63.0%                                        | 37.0%                       | 0.521x                                |
| 2003       | 62.4%                                        | 37.6%                       | 0.533x                                |

*Comparable Company Analysis*

Using publicly available information, SFG compared separately the financial performance and stock market valuation of the SS&E and Automotive segments of TRW with selected companies operating in similar business segments, and which SFG believed to be appropriate for comparison.

*Defense Companies*

For the SS&E segment comparison, SFG used the following:

General Dynamics Corporation;

L-3 Communications Holdings, Inc.;

Lockheed Martin Corporation;

Northrop Grumman Corporation; and

Raytheon Company.

The financial forecasts used by SFG were based on various Wall Street estimates. Calculations were based on the closing share price of each comparable company's common stock on June 28, 2002.

For each of the selected comparable companies, SFG derived and compared:

The ratio of each company's enterprise value as of June 28, 2002 to:

estimated revenues for 2002 and 2003;



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estimated EBITDAP for 2002 and 2003; and

estimated EBITP for 2002 and 2003.

The ratio of each company's equity market value as of June 28, 2002 to estimated net income for 2002 and 2003.

Each company's enterprise value was calculated as the sum of the value of: (1) all common shares assuming the exercise of all in-the-money options, warrants and convertible securities at the stock price on June 28, 2002, less any proceeds from the assumed exercise of those options, warrants and convertible securities; plus (2) non-convertible indebtedness; plus (3) non-convertible preferred stock; plus (4) out-of-the-money convertible securities; plus (5) minority interests; minus (6) cash and cash equivalents.

SFG made adjustments to earnings amounts for unusual and/or nonrecurring items in connection with its calculations.

The following table shows the results of the SFG analysis of comparable defense companies:

|                             | Comparable Defense Companies<br>Closing Price June 28, 2002 |        |       |       |
|-----------------------------|-------------------------------------------------------------|--------|-------|-------|
|                             | Range                                                       | Median | Mean  |       |
| Enterprise Value / Revenues |                                                             |        |       |       |
| 2002                        | 1.12x                                                       | 1.75x  | 1.52x | 1.51x |
| 2003                        | 1.03x                                                       | 1.57x  | 1.40x | 1.36x |
| Enterprise Value / EBITDAP  |                                                             |        |       |       |
| 2002                        | 9.9x                                                        | 13.8x  | 12.4x | 12.0x |
| 2003                        | 9.1x                                                        | 13.1x  | 10.6x | 10.9x |
| Enterprise Value / EBITP    |                                                             |        |       |       |
| 2002                        | 13.3x                                                       | 17.4x  | 14.0x | 14.8x |
| 2003                        | 12.2x                                                       | 16.3x  | 12.5x | 13.4x |
| Equity Value / Net Income   |                                                             |        |       |       |
| 2002                        | 18.3x                                                       | 28.3x  | 21.1x | 22.0x |
| 2003                        | 16.2x                                                       | 25.1x  | 17.9x | 19.1x |

*Automotive Companies*

For the Automotive business segment comparison, SFG used the following:

ArvinMeritor, Inc.;

Autoliv, Inc.;

BorgWarner, Inc.;

Dana Corporation;

Delphi Corporation;

Johnson Controls, Inc.;

Lear Corporation;

Magna International Inc.; and

Visteon Corporation.

The financial forecasts used by SFG were based on various Wall Street estimates. Calculations were based on the closing share price of each comparable company's common stock on June 28, 2002.

For each of the selected comparable companies, SFG derived and compared:

The ratio of each company's enterprise value as of June 28, 2002 to:

estimated revenues for 2002 and 2003;

estimated EBITDA for 2002 and 2003; and

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estimated EBIT for 2002 and 2003.

The ratio of each company's equity market value as of June 28, 2002 to estimated net income for 2002 and 2003.

The enterprise value of each Automotive comparable company was calculated in the same way as for the SS&E comparable companies analysis. SFG made adjustments to earnings for unusual and/or nonrecurring items in connection with its calculations.

The following table shows the results of the SFG analysis of comparable Automotive companies:

|                             | Comparable Automotive Companies<br>Closing Price June 28, 2002 |       |
|-----------------------------|----------------------------------------------------------------|-------|
|                             | Median                                                         | Mean  |
| Enterprise Value / Revenues |                                                                |       |
| 2002                        | 0.46x                                                          | 0.49x |
| 2003                        | 0.41x                                                          | 0.46x |
| Enterprise Value / EBITDA   |                                                                |       |
| 2002                        | 5.2x                                                           | 5.1x  |
| 2003                        | 5.0x                                                           | 4.7x  |
| Enterprise Value / EBIT     |                                                                |       |
| 2002                        | 8.2x                                                           | 8.5x  |
| 2003                        | 7.6x                                                           | 8.1x  |
| Equity Value / Net Income   |                                                                |       |
| 2002                        | 11.3x                                                          | 11.4x |
| 2003                        | 11.2x                                                          | 10.8x |

Based on the ratios derived for each group of comparable companies and the management estimates of TRW for each of the two business segments, SFG established (i) a reference range for the implied enterprise value of SS&E of \$5,700 million to \$6,700 million and (ii) a reference range for the implied enterprise value of TRW's Automotive business of \$4,600 million to \$5,600 million. SFG then combined the values derived for TRW's SS&E and Automotive businesses to derive a total enterprise value range for TRW of \$10,300 million to \$12,300 million. Based on this total enterprise value range for TRW, SFG derived an equity value for TRW common stock of \$49.00 to \$63.00. SFG noted that the \$60.00 offer price was within this range. Also, based on the ratios derived from the comparable defense companies and earnings estimates of Northrop Grumman, SFG derived a reference range for the equity value per share of Northrop Grumman's common stock of \$125.00 to \$153.00. Based on both of these ranges, SFG derived an implied exchange ratio ranging from 0.320x to 0.504x and noted that the low end of the collar of the exchange ratio was within such range and the high end of the collar was outside such range.

Because of the inherent differences in the business, operations, financial conditions and prospects of TRW and the companies included in the comparable companies group, SFG did not rely on a purely quantitative analysis but also made certain qualitative judgments concerning the differences between TRW and these companies which would affect the trading values of the comparable companies and TRW. These qualitative judgments did not lead to specific conclusions regarding the value of TRW, but rather were part of SFG's evaluation of the relevancy of this comparative analysis under the particular circumstances of the merger.

#### *Comparable Transaction Analysis*

Using publicly available information, SFG reviewed certain terms and financial characteristics of twelve completed acquisition transactions in the defense industry and eight in the automotive industry, that it deemed appropriate in valuing each of the SS&E and Automotive businesses of TRW.

**Table of Contents***Comparable Defense Transactions*

The precedent defense industry transactions considered by SFG consisted of the following (identified by acquirer/acquiree):

L-3 Communications Holdings, Inc. / Raytheon Company's Aircraft Integration Systems;

General Dynamics Corporation / Motorola, Inc.'s Integrated Information Systems Group;

Northrop Grumman Corporation / Aerojet-General's Electronic and Information Systems;

Northrop Grumman Corporation / Litton Industries Inc.;

Northrop Grumman Corporation / Sterling Software (US) Inc.;

BAE Systems North America Inc. / Lockheed Martin Corporation's Aerospace Electronics Systems;

Boeing Company / Hughes Electronics Corporation's Space and Communications;

Thomson-CSF SA / Racal Electronics PLC;

British Aerospace PLC / General Electric Co. PLC's Defense and Aerospace;

General Electric Co. PLC / Tracor Inc.;

Litton Industries Inc. / TASC (subsidiary of Primark Corporation); and

TRW Inc. / BDM International, Inc.

With respect to each of these transactions, SFG calculated the ratio of the firm value of the acquired business based on the consideration to be paid to:

Revenues of the acquired business for the LTM prior to the announcement of the transaction;

EBITDA of the acquired business for the LTM prior to the announcement of the transaction; and

EBIT of the acquired business for the LTM prior to the announcement of the transaction.

The following table shows the results of these calculations:

|                             | Comparable Defense Transactions |       |        |       |
|-----------------------------|---------------------------------|-------|--------|-------|
|                             | Range                           |       | Median | Mean  |
| Enterprise Value / Revenues |                                 |       |        |       |
| LTM                         | 0.9x                            | 2.0x  | 1.2x   | 1.3x  |
| Enterprise Value / EBITDA   |                                 |       |        |       |
| LTM                         | 8.6x                            | 17.4x | 10.8x  | 11.2x |
| Enterprise Value / EBIT     |                                 |       |        |       |
| LTM                         | 10.6x                           | 19.8x | 14.5x  | 14.6x |

*Comparable Automotive Transactions*

The precedent automotive industry transactions considered by SFG consisted of the following (identified by acquirer/acquiree):

Collins and Aikman Corporation / Textron Automotive;

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Heartland Industrial Partners, L.P. / Collins and Aikman Corporation (31% of the company);

Faurecia SA / SAI Automotive AG;

Heartland Industrial Partners L.P. / Simpson Industries Inc.;

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Heartland Industrial Partners L.P. / MascoTech Inc.;

BC Partners Inc. / Mark IV Industries, Inc.;

Lear Corporation / United Technologies Automotive Inc.; and

TRW Inc. / LucasVarity plc.

With respect to each of these transactions, SFG calculated the ratio of the firm value of the acquired business based on the consideration to be paid to:

Revenues of the acquired business for the LTM prior to the announcement of the transaction;

EBITDA of the acquired business for the LTM prior to the announcement of the transaction; and

EBIT of the acquired business for the LTM prior to the announcement of the transaction.

The following table shows the results of these calculations.

|                             | Comparable Automotive Transactions |       |        |      |
|-----------------------------|------------------------------------|-------|--------|------|
|                             | Range                              |       | Median | Mean |
| Enterprise Value / Revenues |                                    |       |        |      |
| LTM                         | 0.6x                               | 1.2x  | 0.8x   | 0.7x |
| Enterprise Value / EBITDA   |                                    |       |        |      |
| LTM                         | 5.0x                               | 8.4x  | 6.5x   | 7.0x |
| Enterprise Value / EBIT     |                                    |       |        |      |
| LTM                         | 7.0x                               | 12.1x | 9.4x   | 8.9x |

Based on the ratios it had calculated for comparable defense and automotive industry transactions, and financial information for TRW, SFG developed (i) a range for the implied enterprise value of SS&E of \$5,900 million to \$7,000 million, and (ii) a range for the implied enterprise value of TRW's Automotive business of \$6,100 million to \$7,600 million. SFG then combined the values for the two business segments to obtain a total enterprise value range for TRW of \$12,000 million to \$14,600 million. Based on this total enterprise value range for TRW, SFG derived an equity value for TRW common stock of \$61 to \$79. Using this range and the range obtained above for the equity value per share of Northrop Grumman's common stock, SFG calculated an implied exchange ratio ranging from 0.399x to 0.632x and noted that the high and low ends of the collar of the exchange ratio were within such range.

No company or transaction used in the comparable company and comparable transaction analyses is identical to TRW or the merger. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning financial and operating characteristics of TRW and other factors that could affect the trading value of the companies to which they are being compared.

#### *Pro Forma Merger Analysis*

SFG analyzed the financial impact of the merger on Northrop Grumman's estimated earnings per share based on recent estimates for the 2002 and 2003 earnings of Northrop Grumman. Estimates of cost savings, revenue enhancements and other synergies expected to result from the merger were not included. Based on such estimates, the expected exchange ratio of 0.4800, which was based upon the closing price of Northrop Grumman's stock on June 28, 2002 of \$125.00, the announced sale of ASG for \$1.5 billion, and the proposed spin off of TRW's Automotive business post-merger, SFG calculated that the merger would result in neither accretion nor dilution to Northrop Grumman's earnings per share in 2002, and would be slightly accretive in 2003.

**Table of Contents***Historical Exchange Ratio Analysis*

SFG compared the daily closing share price of Northrop Grumman to the daily closing share price of TRW for the period from June 28, 2001, through June 28, 2002. The implied historical exchange ratio was calculated by dividing the closing price per share of TRW common stock by the closing price per share of Northrop Grumman common stock over the same period.

The following table presents the average implied exchange ratios during the periods shown below:

| <b>Period Ending June 28, 2002</b> | <b>Implied Ratio</b> |
|------------------------------------|----------------------|
| At June 28, 2002                   | 0.46x                |
| Last three months average          | 0.45x                |
| Last six months average            | 0.43x                |
| Last nine months average           | 0.41x                |
| Last twelve months average         | 0.43x                |

Based on a price per share of \$125 for Northrop Grumman's common stock on June 28, 2002, each share of TRW common stock would be exchanged for 0.48 shares of Northrop Grumman common stock. Under the terms of the merger agreement, the actual exchange ratio will not be less than 0.4348x or more than 0.5357x.

*General Information*

SFG is an investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, private placements and valuations for corporate and other purposes. Northrop Grumman selected SFG to act as its financial adviser on the basis of its reputation and SFG's familiarity with Northrop Grumman. In the ordinary course of business, SFG or its affiliates may trade the equity and debt securities of Northrop Grumman and TRW for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in these securities.

Pursuant to the terms of an engagement letter, Northrop Grumman agreed to pay SFG an aggregate fee of \$4.25 million for its services provided in connection with the merger, \$4.0 million of which is contingent upon the consummation of the merger. Northrop Grumman also has agreed to reimburse SFG for its reasonable travel and other expenses incurred in connection with its engagement, including the reasonable fees and expenses of its outside counsel. In addition, Northrop Grumman has agreed to indemnify SFG for certain liabilities and expenses arising out of its engagement, including liabilities under United States federal securities laws.

SFG was retained to provide financial advisory services to Northrop Grumman in connection with the merger, for which they will receive the fees described above. Prior to that date, SFG provided no investment banking services to Northrop Grumman.

**TRW's Advisers**

At the meeting of the board of directors of TRW on June 30, 2002, each of Goldman Sachs and Credit Suisse First Boston rendered its opinion to the board of directors of TRW to the effect that, as of that date and based on and subject to the assumptions, qualifications and limitations described in their respective opinions, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to the holders of shares of TRW common stock other than Northrop Grumman and its affiliates.

**The full texts of the written opinions of Goldman Sachs and Credit Suisse First Boston, each dated June 30, 2002, which set forth the procedures followed, assumptions made, matters considered and**

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limitations on the review undertaken by each of Goldman Sachs and Credit Suisse First Boston in connection with their respective opinions, are attached as Annexes D and E, respectively, to this joint proxy statement/prospectus and are incorporated herein by reference. Goldman Sachs and Credit Suisse First Boston provided their respective advisory services and opinions for the information and assistance of the TRW board of directors in connection with its consideration of the merger. Neither the Goldman Sachs opinion nor the Credit Suisse First Boston opinion is a recommendation as to how any holder of shares of TRW common stock should vote at the TRW meeting. Holders of TRW common stock are urged to and should read these opinions in their entirety.

### *Opinion of Goldman Sachs*

In connection with its opinion, Goldman Sachs reviewed, among other things:

the merger agreement;

the annual reports to shareholders and annual reports on Form 10-K of TRW and Northrop Grumman for the five years ended December 31, 2001;

the Schedule 14D-9 of TRW, filed on March 13, 2002, as amended;

a number of interim reports to stockholders and quarterly reports on Form 10-Q of TRW and Northrop Grumman;

a number of other communications from TRW and Northrop Grumman to their respective stockholders; and

a number of internal financial analyses and forecasts for TRW and Northrop Grumman prepared by their respective managements, including cost savings and operating synergies projected by the management of TRW to result from the merger.

Goldman Sachs also held discussions with members of the senior managements of TRW and Northrop Grumman regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs reviewed the reported price and trading activity for the TRW common stock and the Northrop Grumman common stock, compared select financial and stock market information for TRW and Northrop Grumman with similar information for several other companies the securities of which are publicly traded, and reviewed the financial terms of several recent business combinations in the automotive and aerospace and defense industries specifically and in other industries generally. Goldman Sachs also performed other studies and analyses that it considered appropriate.

For purposes of its analyses, Goldman Sachs assumed that:

the merger would be consummated in accordance with the merger agreement without amendment, modification or waiver of any of the terms of the merger agreement; and

in the course of obtaining the necessary regulatory and third party approvals, consents, waivers and agreements relating to the merger, no modification, condition, restriction, limitation or delay would be imposed that would have an adverse effect on TRW or Northrop Grumman or the contemplated benefits of the merger.

Goldman Sachs' opinion was necessarily based upon information available to it and financial, economic, market and other conditions as they existed and could be evaluated on the date of Goldman Sachs' opinion. Goldman Sachs' opinion did not address relative merits of the merger as compared to other business strategies or transactions that might have been available to TRW or the underlying business decision of TRW to engage in the merger. In connection with its engagement, Goldman Sachs approached third parties to solicit indications of interest in a possible acquisition of TRW and its constituent businesses and held preliminary discussions with third parties.

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Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting and other information discussed with or reviewed by it and assumed that accuracy and completeness for purposes of rendering its opinion. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities of TRW or Northrop Grumman or any of their respective subsidiaries. Goldman Sachs assumed that the internal financial forecasts prepared by the management of TRW were reasonably prepared on a basis reflecting the best currently available estimates and judgments of TRW.

Goldman Sachs provided its advisory services and its opinion for the information and assistance of the TRW board of directors in connection with its consideration of the transaction contemplated by the merger agreement, and the Goldman Sachs opinion does not constitute a recommendation as to how any holder of TRW common stock should vote with respect to such transaction.

### *Opinion Of Credit Suisse First Boston*

In arriving at its opinion, Credit Suisse First Boston, among other things:

reviewed the merger agreement;

reviewed business and financial information relating to TRW and Northrop Grumman;

reviewed other information relating to TRW and Northrop Grumman, including financial forecasts and publicly available research estimates provided to or discussed with Credit Suisse First Boston by the managements of TRW and Northrop Grumman and met with the managements of TRW and Northrop Grumman to discuss the businesses and prospects of TRW and Northrop Grumman;

considered financial and stock market data of TRW and Northrop Grumman, and compared those data with similar data for other publicly held companies in businesses similar to TRW and Northrop Grumman;

considered the financial terms of other business combinations and other transactions recently effected; and

considered other information, financial studies, analyses and investigations and financial, economic and market criteria that it deemed relevant.

In connection with its review, Credit Suisse First Boston did not assume any responsibility for independent verification of any of the information that it reviewed or considered and relied on that information being complete and accurate in all material respects. Credit Suisse First Boston was advised, and assumed with respect to the financial forecasts and publicly available research estimates reviewed by Credit Suisse First Boston, that (i) the forecasts prepared and provided by TRW were reasonably prepared on bases reflecting the best currently available estimates and judgments of TRW's management as to the future financial performance of TRW and (ii) the publicly available research estimates with respect to Northrop Grumman discussed with the management of Northrop Grumman represent reasonable estimates as to the future financial performance of Northrop Grumman.

Credit Suisse First Boston relied upon the views of management of TRW and Northrop Grumman concerning the business, operational and strategic benefits and implications of the merger, including the cost savings and potential synergies expected to result from the merger.

TRW also informed Credit Suisse First Boston, and Credit Suisse First Boston assumed, the merger will be treated as a tax-free reorganization for federal income tax purposes. Credit Suisse First Boston also assumed that the merger will be consummated in accordance with the merger agreement without amendment, modification or waiver of any of the terms of the merger agreement and that in the course of obtaining the necessary regulatory and third party approvals, consents, waivers and agreements relating to the merger, no modification, condition, restriction, limitation or delay would be imposed that would have an adverse effect on TRW or Northrop Grumman or the contemplated benefits of the merger.

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Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of TRW or Northrop Grumman. Credit Suisse First Boston's opinion was necessarily based upon information available to it, and financial, economic, market and other conditions as they existed and could be evaluated on the date of Credit Suisse First Boston's opinion.

Credit Suisse First Boston did not express any opinion as to the actual value of the Northrop Grumman common stock when issued or the prices at which Northrop Grumman common stock will trade at any time. Credit Suisse First Boston's opinion did not address the relative merits of the merger as compared to other business strategies or transactions that might have been available to TRW or the underlying business decision of TRW to engage in the merger.

In connection with its engagement, Credit Suisse First Boston was requested to approach, and hold preliminary discussions with, third parties to solicit indications of interest in a possible acquisition of TRW or its constituent businesses and held preliminary discussions with certain of those parties prior to the delivery of its opinion. The Credit Suisse First Boston opinion does not constitute a recommendation to any shareholder of TRW as to how any such shareholder should vote or act on any matter related to the merger.

### **Joint Financial Analyses of TRW's Financial Advisers**

In preparing their respective opinions to the TRW board of directors, Goldman Sachs and Credit Suisse First Boston performed a variety of financial and comparative analyses, including those described below. The summary of the analyses of Goldman Sachs and Credit Suisse First Boston described below is not a complete description of the analyses underlying their opinions. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at their respective opinions, Goldman Sachs and Credit Suisse First Boston made qualitative judgments as to the significance and relevance of each analysis and factor that they considered. Accordingly, Goldman Sachs and Credit Suisse First Boston believe that their analyses must be considered as a whole and that selecting portions of their analyses and factors, or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying their analyses and opinions.

In their analyses, Goldman Sachs and Credit Suisse First Boston considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the parties and their advisers. No company, transaction or business used in Goldman Sachs' and Credit Suisse First Boston's analyses as a comparison is identical to TRW, Northrop Grumman or the proposed merger. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. The estimates contained in the analyses of Goldman Sachs and Credit Suisse First Boston and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the analyses and estimates of Goldman Sachs and Credit Suisse First Boston are inherently subject to substantial uncertainty.

The opinions of Goldman Sachs and Credit Suisse First Boston were only one of many factors considered by the board of directors of TRW in its evaluation of the proposed merger and should not be viewed as determinative of the views of the board of directors of TRW or management with respect to the merger or the exchange ratio. The following summary is not a complete description of the analyses performed by Goldman Sachs or Credit Suisse First Boston and is qualified in its entirety by reference to the written opinions of Goldman Sachs and Credit Suisse First Boston set forth in Annexes D and E, respectively.

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The following is a summary of the material financial analyses underlying the opinions of Goldman Sachs and Credit Suisse First Boston delivered to the board of directors of TRW. **The financial analyses summarized below include information presented in tabular format. In order to fully understand Goldman Sachs' and Credit Suisse First Boston's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Goldman Sachs' and Credit Suisse First Boston's financial analyses.**

*Value to TRW Shareholders at Various Northrop Grumman Prices*

At various prices of Northrop Grumman's common stock, Goldman Sachs and Credit Suisse First Boston calculated:

the value in Northrop Grumman common stock to be received by TRW shareholders for each share of TRW common stock; and

the percentage ownership by TRW shareholders of the common equity on a fully diluted basis of Northrop Grumman after the merger.

The results of these analyses are summarized as follows:

| <b>Northrop Grumman Price</b>          | <b>Implied Value to<br/>TRW<br/>Shareholders</b> | <b>TRW Pro Forma<br/>Ownership</b> |
|----------------------------------------|--------------------------------------------------|------------------------------------|
| \$100.00                               | \$ 53.57                                         | 38%                                |
| \$105.00                               | \$ 56.25                                         | 38%                                |
| \$110.00                               | \$ 58.93                                         | 38%                                |
| <b>\$112.00 (bottom of collar)</b>     | <b>\$ 60.00</b>                                  | <b>38%</b>                         |
| \$115.00                               | \$ 60.00                                         | 37%                                |
| \$120.00                               | \$ 60.00                                         | 36%                                |
| \$125.00 (June 28, 2002 closing price) | \$ 60.00                                         | 35%                                |
| \$130.00                               | \$ 60.00                                         | 34%                                |
| \$135.00                               | \$ 60.00                                         | 34%                                |
| <b>\$138.00 (top of collar)</b>        | <b>\$ 60.00</b>                                  | <b>33%</b>                         |
| \$140.00                               | \$ 60.87                                         | 33%                                |
| \$145.00                               | \$ 63.04                                         | 33%                                |
| \$150.00                               | \$ 65.22                                         | 33%                                |

Goldman Sachs and Credit Suisse First Boston performed this analysis to contrast the implied value in Northrop Grumman common stock to be received by TRW shareholders to the percentage of ownership of the common equity of Northrop Grumman by TRW shareholders on a pro forma basis at various prices of Northrop Grumman's common stock.

*Historical TRW Share Price Analysis*

Goldman Sachs and Credit Suisse First Boston reviewed the historical trading prices for the shares of common stock of TRW. For the five-year period ended February 21, 2002, which was the last trading day immediately preceding Northrop Grumman's public announcement of its proposal to purchase each share of TRW common stock for Northrop Grumman common stock with a value of \$47.00 per TRW share, the price of TRW common stock closed 13 times above \$60.00 per share, 617 times between \$50.00 to \$60.00 per share, and 627 times below \$50.00 per share. For the ten-year period ended February 21, 2002, the price of TRW common shares closed 13 times above \$60.00 per share, 650 times between \$50.00 to \$60.00 per share, and 1,859 times below \$50.00 per share.

**Table of Contents***Historical Exchange Ratio Analysis*

Goldman Sachs and Credit Suisse First Boston reviewed the historical trading prices for TRW common stock and Northrop Grumman common stock for the one-year period ended February 21, 2002 in order to compare the Northrop Grumman exchange ratio collar of .4348x to .5357x to the historical exchange ratios of TRW common stock to Northrop Grumman common stock. The analysis indicated the following average historical exchange ratios of TRW common stock to Northrop Grumman common stock and implied exchange ratio premiums to the holders of shares of TRW common stock at the high end, midpoint and low end of the collar range:

|                                                                                                      | Implied<br>Exchange<br>Ratio | Implied Premium/(Discount) of Exchange<br>Ratio of Northrop Grumman Offer (\$60) at<br>High End, Midpoint and Low End<br>of Collar Range |                    |                    |
|------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                      |                              | \$138<br>(0.4348x)                                                                                                                       | \$125<br>(0.4800x) | \$112<br>(0.5357x) |
| February 21, 2002 (Close Before Northrop Grumman's Initial Proposal)                                 | 0.3379x                      | 28.7%                                                                                                                                    | 42.1%              | 58.6%              |
| February 15, 2002 (Close Before Announcement of Resignation of TRW's former Chief Executive Officer) | 0.3900x                      | 11.5%                                                                                                                                    | 23.1%              | 37.4%              |
| Initial Offer (1)                                                                                    | 0.4352x                      | (0.1%)                                                                                                                                   | 10.3%              | 23.1%              |
| Revised Offer (1)                                                                                    | 0.4492x                      | (3.2%)                                                                                                                                   | 6.9%               | 19.3%              |
| 12-Month Average                                                                                     | 0.4206x                      | 3.4%                                                                                                                                     | 14.1%              | 27.4%              |
| 12-Month High (Aug. 1, 2001)                                                                         | 0.5547x                      | (21.6%)                                                                                                                                  | (13.5%)            | (3.4%)             |
| 12-Month Low (Sept. 21, 2001)                                                                        | 0.2819x                      | 54.2%                                                                                                                                    | 70.3%              | 90.0%              |

- (1) Calculated by dividing the price per share of TRW common stock by the respective midpoints of the Northrop Grumman collars; initial offer exchange ratio calculated as \$47.00/\$108.00; revised offer exchange ratio calculated as \$53.00/\$118.00.

This analysis was used to demonstrate the implied premium or discount to TRW shareholders at the high end, midpoint and low end of the exchange ratio collar relative to certain selected implied historical exchange ratios of TRW common stock to Northrop Grumman common stock.

*Valuation Overview*

Using financial forecasts provided by TRW's management, Goldman Sachs and Credit Suisse First Boston calculated potential, fully-distributed enterprise values for TRW's Automotive business. Using these implied enterprise values for the Automotive business, Goldman Sachs and Credit Suisse First Boston calculated a range of enterprise values for the remaining Systems, Space and Electronics business of TRW based on the Northrop Grumman offer of \$60.00 per TRW share. This analysis compares the potential value of the Automotive business and the implied value of the remaining Systems, Space and Electronics business to other publicly traded companies and financial multiples of business combinations in the automotive industry and the aerospace and defense industry, respectively.

*Implied Fully-Distributed Enterprise Values for Automotive.* In calculating the range of fully-distributed enterprise values for Automotive, the financial advisers calculated various trading multiples using the following measures:

estimated fiscal year 2002 and 2003 earnings before interest, taxes, depreciation and amortization, sometimes referred to as EBITDA (EBITDA is a measure used by management and is not intended to represent an alternative to operating income or net cash flows provided by operating activities. EBITDA is not a recognized term under generally accepted accounting principles);

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estimated fiscal year 2002 and 2003 EBITDA before pension and other post-employment benefits income and expenses, sometimes referred to as EBITDAPO; and

estimated fiscal year 2002 and 2003 EBITDA before pension income.

The following table presents the results of this analysis:

**Fully-Distributed Automotive  
Enterprise Value  
(\$ in millions)**

|                                |          | <u>\$5,250</u> | <u>\$5,500</u> | <u>\$5,750</u> | <u>\$6,000</u> | <u>\$6,250</u> |
|--------------------------------|----------|----------------|----------------|----------------|----------------|----------------|
| EBITDA                         | FY 2002E | 4.3x           | 4.5x           | 4.7x           | 4.9x           | 5.1x           |
|                                | FY 2003E | 4.2            | 4.4            | 4.6            | 4.8            | 5.0            |
| EBITDAPO                       | FY 2002E | 4.8x           | 5.1x           | 5.3x           | 5.5x           | 5.7x           |
|                                | FY 2003E | 4.6            | 4.8            | 5.1            | 5.3            | 5.5            |
| EBITDA (before pension income) | FY 2002E | 5.4x           | 5.6x           | 5.9x           | 6.1x           | 6.4x           |
|                                | FY 2003E | 5.1            | 5.4            | 5.6            | 5.9            | 6.1            |

Using selected publicly available research forecasts, Goldman Sachs and Credit Suisse First Boston also calculated current public trading EBITDA multiples for eight peer companies in the automotive industry, including ArvinMeritor, Inc., Autoliv, Inc., BorgWarner Inc., Dana Corporation (excluding Dana Credit Corp.), Delphi Corporation, Lear Corporation, Magna International Inc. and Visteon Corporation. Goldman Sachs and Credit Suisse First Boston selected these companies for comparison because they are publicly traded automotive companies with operations that for purposes of the analysis may be considered similar to the operations of the Automotive business. For this group of selected companies, the mean estimated 2002 EBITDA multiple was 5.5x, the median was 5.5x, the high was 7.1x and the low was 3.7x and the mean estimated 2003 EBITDA multiple was 4.8x, the median was 5.0x, the high was 5.6x and the low was 3.1x.

In addition, the financial advisers for TRW calculated and compared various financial multiples of business combinations involving companies in the automotive industry since July 1998. The financial advisers compared the transaction value as a multiple of the latest 12 months (or LTM) EBITDA prior to the announcement of such transaction for the following acquisitions:

Collins & Aikman Corporation's acquisition of Textron Inc.'s auto trim division;

ZF Friedrichshafen AG's acquisition of Mannesmann Sachs AG;

Heartland Industrial Partners, L.P.'s acquisition of Collins & Aikman;

Heartland Industrial Partners' acquisition of MascoTech, Inc.;

Faurecia SA's acquisition of Sommer Allibert SA;

BC Partners Inc.'s acquisition of Mark IV Industries, Inc.;

Robert Bosch GmbH's and Siemens AG's acquisition of Atecs Mannesmann AG;

Meritor Automotive, Inc.'s acquisition of Arvin Industries, Inc.;

Lear Corporation's acquisition of United Technologies Automotive Inc.;

TRW's acquisition of LucasVarity plc;

Federal-Mogul Corporation's acquisition of Cooper Automotive; and

Continental AG's acquisition of ITT Industries, Inc.'s brake & chassis division.

Goldman Sachs and Credit Suisse First Boston selected these transactions for comparison because they related to acquisitions of automotive companies with operations similar to the operations of the Automotive business.



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The following table presents the results of this analysis:

|         | Value (\$ in millions) | LTM EBITDA Multiples |
|---------|------------------------|----------------------|
| Mean:   | \$ 2,634               | 6.7x                 |
| Median: | \$ 1,918               | 6.5x                 |
| High:   | \$ 8,500               | 8.9x                 |
| Low:    | \$ 1,100               | 4.2x                 |

*Implied Enterprise Values for Systems, Space and Electronics.* Assuming a total equity value of \$7.814 billion for TRW (using the \$60.00 in Northrop Grumman common stock per TRW share offer price) and net debt of \$4.19 billion for TRW, Goldman Sachs and Credit Suisse First Boston implied enterprise values for the Systems, Space and Electronics businesses ranging from \$5.754 billion to \$6.754 billion. The EBITDA and EBIT multiples calculated from these enterprise values, which were based on financial forecasts provided by TRW's management, are summarized in the following table:

**Implied Systems, Space & Electronics  
(SS&E) Enterprise Value  
(\$ in millions)**

|                     |          | \$6,754 | \$6,504 | \$6,254 | \$6,004 | \$5,754 |
|---------------------|----------|---------|---------|---------|---------|---------|
| EBITDA              | FY 2002E | 15.1x   | 14.5x   | 14.0x   | 13.4x   | 12.9x   |
|                     | FY 2003E | 12.1    | 11.7    | 11.2    | 10.8    | 10.3    |
| Pro forma EBITDA(1) | FY 2002E | 13.9x   | 13.3x   | 12.8x   | 12.3x   | 11.8x   |
| EBIT                | FY 2002E | 20.4x   | 19.7x   | 18.9x   | 18.2x   | 17.4x   |
|                     | FY 2003E | 15.8    | 15.3    | 14.7    | 14.1    | 13.5    |
| Pro forma EBIT(1)   | FY 2002E | 18.2x   | 17.6x   | 16.9x   | 16.2x   | 15.5x   |

(1) EBITDA and EBIT pro forma for fiscal year 2003E Systems, Space and Electronics commercial business expense levels.

Using selected publicly available research forecasts, Goldman Sachs and Credit Suisse First Boston also calculated current public trading EBITDA multiples for seven peer companies in the aerospace and defense industry, including BAE Systems plc, The Boeing Company, General Dynamics Corporation, L-3 Communications Holdings, Inc., Lockheed Martin Corporation, Northrop Grumman and Raytheon Company. Goldman Sachs and Credit Suisse First Boston selected these companies for comparison because they are publicly traded aerospace and defense companies with operations that for purposes of the analysis may be considered similar to the operations of TRW's Systems, Space and Electronics business. For this group of selected companies, the mean estimated 2002 EBITDA multiple was 10.9x, the median was 10.9x, the high was 14.0x and the low was 7.9x and the mean estimated 2003 EBITDA multiple was 10.2x, the median was 10.9x, the high was 12.8x and the low was 7.2x.

In addition, Goldman Sachs and Credit Suisse First Boston calculated and compared various financial multiples of other business combinations involving companies in the aerospace and defense industry since December 1996. The financial advisers compared the transaction value as a multiple of the latest 12 months EBITDA prior to the announcement of such transaction for the following acquisitions:

Northrop Grumman's acquisition of Newport News;

Northrop Grumman's acquisition of Litton Industries;

DaimlerChrysler Aerospace AG's acquisition of Aerospatiale Matra SA;

Thales SA's acquisition of Racal Electronics plc;

British Aerospace plc's acquisition of Marconi Electronic Systems;

Lockheed Martin's withdrawn acquisition proposal for Northrop Grumman;

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Raytheon's acquisition of Hughes Aircraft Company;

Boeing's acquisition of McDonnell Douglas Corporation; and

Raytheon's acquisition of Texas Instruments Incorporated's defense systems and electronics business.

Goldman Sachs and Credit Suisse First Boston selected these transactions for comparison because they related to acquisitions of aerospace and defense companies with operations similar to the operations of TRW's Systems, Space and Electronics business.

The following table presents the results of this analysis.

|         | Value (\$ in millions) | LTM EBITDA Multiples |
|---------|------------------------|----------------------|
| Mean:   | \$ 7,792               | 10.3x                |
| Median: | \$ 6,748               | 10.0x                |
| High:   | \$ 15,783              | 14.0x                |
| Low:    | \$ 2,531               | 7.8x                 |

*Analysis of TRW Value Enhancement Plan*

Using financial forecasts provided by TRW's management, Goldman Sachs and Credit Suisse First Boston analyzed the fully distributed public trading value to TRW shareholders if TRW had completed its value enhancement plan including a sale of the Aeronautical Systems business for an assumed \$1.5 billion in gross proceeds to reduce debt and a sponsored spin off of the Automotive business. With respect to the valuation of the separate Automotive business, debt of approximately \$2.8 billion to achieve a targeted credit rating of Baa3/BBB- and an equity investment by financial sponsors in the business were assumed. Based on an enterprise value for the Automotive business of \$5.5 billion to \$6.0 billion and 10.0-12.0x estimated 2002 pro forma EBITDA for the Systems, Space and Electronics businesses, the value ranged from \$46.00 to \$57.00 per TRW share. This analysis provides a means to compare the implied value to TRW shareholders of TRW's value enhancement plan to the implied value to TRW shareholders of the merger based on the foregoing assumptions.

*Northrop Grumman Performance Analysis*

Goldman Sachs and Credit Suisse First Boston reviewed the historical trading prices for the shares of common stock of Northrop Grumman. For the five-year period ended June 28, 2002, Northrop Grumman's stock price increased 41% relative to an increase of 92% in an aerospace and defense composite consisting of Boeing, General Dynamics, L-3 Communications, Lockheed Martin and Raytheon and an increase of 12% in the S&P 500. For the one-year period ended June 28, 2002, Northrop Grumman's stock price increased 53% relative to an increase of 40% in the aerospace and defense composite and a decrease of 19% in the S&P 500. TRW's financial advisers also compared Northrop Grumman's performance against the aerospace and defense composite with L-3 Communications excluded from the composite, and under that scenario, Northrop Grumman's percentage increase in price of 41% was closer to the increase in the composite of 44% for the five-year period ended June 28, 2002 (the S&P 500 increased 12% during the same period). Goldman Sachs and Credit Suisse First Boston used an aerospace and defense composite excluding L-3 Communications for comparison because L-3 Communications was notably smaller in size relative to the other aerospace and defense companies in the composite. In addition, Goldman Sachs and Credit Suisse First Boston analyzed the percentage price increases for Northrop Grumman shares compared to the composite for the period commencing on the date of Northrop Grumman's initial offer to TRW and ending on June 28, 2002. This analysis resulted in price increases of 14% and 11% for Northrop Grumman stock and for the composite, respectively, and a similar 14% price increase for both Northrop Grumman stock and for the composite (excluding L-3 Communications). The S&P 500 decreased 9% during the same period.

Goldman Sachs and Credit Suisse First Boston also compared trading multiples for Northrop Grumman against its industry peers, which included BAE Systems, Boeing, General Dynamics, L-3 Communications,

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Lockheed Martin and Raytheon, based on IBES, Inc. median estimates for earnings per share and selected publicly available research forecasts for EBITDA projections. TRW's financial advisers implied an enterprise value to estimated calendar year 2002 EBITDA multiple of 10.5x for Northrop Grumman and an enterprise value to estimated calendar year 2003 EBITDA multiple of 10.0x. The median EBITDA multiple for the selected companies was 10.9x for both calendar years 2002 and 2003. Goldman Sachs and Credit Suisse First Boston derived price to earnings multiples of 20.6x and 18.4x for Northrop Grumman for estimated calendar years 2002 and 2003, respectively. The median price to earnings multiples for the selected companies was 20.4x and 18.4x for 2002 and 2003, respectively.

In addition, TRW's financial advisers reviewed the current earnings estimates for Northrop Grumman from several brokers. Some of these brokers provided price targets, which ranged from \$125.00 per share to \$160.00 per share.

The analysis above was undertaken to demonstrate the historical performance of the Northrop Grumman common stock to be received in the merger and how the public market values Northrop Grumman relative to other publicly traded companies in the aerospace and defense industry.

### *Pro Forma Merger Analysis*

Using financial forecasts provided by TRW's management and selected publicly available research forecasts, Goldman Sachs and Credit Suisse First Boston analyzed the pro forma estimated calendar year 2002 revenues and enterprise value for Northrop Grumman (combined with TRW's Systems, Space and Electronics businesses, based on the \$60.00 offer price and an enterprise value for TRW's Automotive business of \$5.75 billion) relative to its industry peers, assuming no synergies from the merger. The financial advisers calculated the total estimated calendar year 2002 revenues to be \$23.4 billion and the total enterprise value to be \$27.4 billion for Northrop Grumman.

Goldman Sachs and Credit Suisse First Boston also prepared a pro forma analysis of the financial impact of the merger on the earnings per share of Northrop Grumman using financial forecasts provided by TRW's management and IBES, Inc. estimates for Northrop Grumman. For the estimated calendar year 2003, TRW's financial advisers analyzed the accretion or dilution to earnings per share of the common stock of Northrop Grumman on a pro forma basis of the offer of \$60.00 in Northrop Grumman common stock per TRW share, assuming a \$1.9 billion write-up of intangibles to be amortized over 13.5 years and tax deductible for financial accounting purposes. Goldman Sachs and Credit Suisse First Boston performed this analysis based on the low end, midpoint and high end of Northrop Grumman's collar and under various pre-tax synergies scenarios, ranging from the realization of no pre-tax synergies up to \$150 million of pre-tax synergies from the merger. The analysis indicated that the proposed merger, at the midpoint of the collar range with \$100 million of pre-tax synergies, would be moderately accretive to Northrop Grumman's earnings per share in estimated calendar year 2003.

Goldman Sachs and Credit Suisse First Boston also analyzed the pro forma impact of the merger based on the offer of \$60.00 in Northrop Grumman common stock per TRW share, assuming a split-off of the Automotive business at an enterprise value of \$5.75 billion with \$2.8 billion in debt and based on the midpoint of Northrop Grumman's collar of \$125.00 per Northrop Grumman share. Goldman Sachs and Credit Suisse First Boston calculated that the merger under the scenario of no change in Northrop Grumman's 2003 earnings per share performance relative to IBES, Inc. estimates with pre-tax synergies of \$100 million would be moderately dilutive.

The pro forma merger analysis above was conducted to demonstrate the financial impact of the merger on certain financial measures, including revenues, enterprise value and earnings per share, under various scenarios.

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### *General*

Each of Goldman Sachs and Credit Suisse First Boston, as part of their respective investment banking businesses, is continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities and private placements as well as for estate, corporate and other purposes. TRW selected Goldman Sachs and Credit Suisse First Boston as its financial advisers because they are internationally recognized investment banking firms that have substantial experience in transactions similar to the merger and because of Goldman Sachs' familiarity with TRW.

Goldman Sachs is familiar with TRW, having performed investment banking services for TRW from time to time, including having acted as:

financial adviser in connection with TRW's sale of certain assets and liabilities of TRW engaged in the Aeronautical Systems business to Goodrich Corporation;

financial adviser in connection with TRW's proposed spin off or other disposition of its Automotive business;

co-manager with respect to an offering of 8.75% notes of TRW due 2006 (aggregate principal amount \$400 million) in May 2000 and as lead manager with respect to an offering of 7.63% notes of TRW due 2006 (aggregate principal amount \$500 million) in March 2001;

agent with respect to TRW's commercial paper program in 2002; and

its financial adviser in connection with, and having participated in some of the negotiations leading to, the merger agreement.

Goldman Sachs has received or is expected to receive from TRW a total of approximately \$10.9 million as compensation for investment banking services provided to TRW over the past two years, excluding the fees it will earn upon the consummation of the merger.

Goldman Sachs also has provided certain investment banking services to Northrop Grumman from time to time, including having acted as financial adviser with respect to its acquisition of Litton in April 2001, and having acted as co-manager with respect to an offering of 7.25% equity security units of Northrop Grumman (aggregate principal amount \$600 million) and of 8 million shares of Northrop Grumman common stock (aggregate amount \$708 million) in November 2001.

Goldman Sachs may provide investment banking services to TRW and Northrop Grumman in the future. Goldman Sachs provides a full range of financial advisory and securities services and, in the course of its normal trading activities, may from time to time effect transactions and hold positions in securities, including derivative securities, of TRW or Northrop Grumman for its own account and for the accounts of customers.

Credit Suisse First Boston in the past has provided, is currently providing, and may in the future provide investment banking and financial services to TRW and Northrop Grumman for which Credit Suisse First Boston has received, and expects to receive, compensation. Credit Suisse First Boston has received or is expected to receive from TRW a total of approximately \$8.1 million as compensation for investment banking services provided to TRW over the past two years, excluding the fees it will earn upon the consummation of the merger.

In the ordinary course of its business, Credit Suisse First Boston and its affiliates may actively trade the debt and equity securities of both TRW and Northrop Grumman and in the future may actively trade securities of Northrop Grumman and its affiliates for their own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in those securities.

TRW retained Goldman Sachs and Credit Suisse First Boston as its independent financial advisers in connection with TRW's analysis and consideration of, and response to, Northrop Grumman's acquisition

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proposal and with respect to the possible purchase of all or a portion of the stock or assets of TRW, a recapitalization of TRW, a sale of TRW or the solicitation of proxies or consents of TRW's shareholders. TRW has agreed to pay Goldman Sachs and Credit Suisse First Boston transaction fees of .25% and .15%, respectively, of the aggregate value to be paid in the merger, or \$30 million and \$18 million, respectively, based on an assumed aggregate value of the transaction of \$12 billion. TRW has also agreed to reimburse Goldman Sachs and Credit Suisse First Boston for all reasonable out-of-pocket expenses, including fees of counsel, and to indemnify Goldman Sachs and Credit Suisse First Boston and certain related persons against specified liabilities, including liabilities under the federal securities laws, relating to or arising out of their respective engagements.

### **Interests of TRW Directors and Executive Officers in the Merger**

Certain members of the board of directors and executive officers of TRW may have interests in the merger that are different from, or are in addition to, the interests of TRW shareholders generally. The TRW board of directors was aware of these interests and considered them (other than the arrangements described below under "Special Incentive Agreements"), among other matters, in approving the merger agreement. The consummation of the merger will constitute a change of control for purposes of each of the plans and agreements described below.

### *Employment Continuation Agreements*

TRW has entered into agreements with each of its executive officers (other than Mr. Lunn) designed generally to assure continued management in the event of a change in control of TRW. The agreements provide that, following a change in control, TRW will employ the officer until the earlier of the officer's death, his or her attaining age 65 (age 70 in the case of Mr. Knicely) or the expiration of the third anniversary of the change in control, which is referred to as the "employment period." If the officer's employment were to be terminated by TRW during the employment period for reasons other than disability or cause, or by the officer for reasons relating to changed circumstances or during the 60-day period immediately following the first anniversary of the occurrence of a change in control, the officer would be entitled to receive a severance payment equal to the net present value of:

the salary and incentive pay that the officer would have received under the agreement for the remainder of the employment period or two years, whichever is longer (the "remaining period") and a pro rata portion of the incentive pay for the year of termination; and

employee benefits (other than employee welfare benefits and stock options and similar compensatory benefits) that the executive would have received for the remaining period, including under TRW's non-qualified retirement plan, assuming vesting (other than with respect to Mr. Plant, who will be entitled to a payment equal to 15% of his base salary and target incentive pay in lieu of such benefit continuation).

TRW will also provide the executive with health insurance and similar welfare benefits for the remaining period. If and to the extent any such employee benefits cannot be provided due to the fact that the executive is no longer employed by TRW or as a result of a termination or amendment of such employee benefit, TRW will itself pay or provide for the payment of such employee benefit. Welfare benefits payable to the executive shall be reduced to the extent comparable welfare benefits are actually received by the executive from another employer during the remaining period.

If Mr. Plant's employment is terminated following the change in control and that termination occurs on or before the date on which he becomes eligible for a TRW-requested early retirement under the TRW pension scheme, TRW will pay Mr. Plant a pension equal to the benefit he would have received had he continued to be employed by TRW until the date upon which he would have become eligible for a TRW-requested early retirement. If following a change in control Mr. Plant is terminated, but that termination of employment occurs after he becomes eligible for a TRW-requested early retirement, then Mr. Plant will receive a pension benefit

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equal to the amount he would then be entitled to receive, assuming that his employment with TRW had continued for the remaining period and that his age was increased by an amount equal to the remaining period.

The agreements also provide that, in the event that total payments and distributions to the executive would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, TRW will pay the excise tax and will pay to the officer a gross-up payment such that, after taking into account all taxes under Section 4999 applicable to the officer, the officer retains the same after-tax payment that he or she would have retained if Section 4999 did not apply.

TRW has also established a plan under which TRW executives party to employment continuation agreements may elect to defer receipt of payments that would otherwise be payable within five business days of a qualifying termination of employment following a change in control. The executives may elect to defer receipt of payments for up to two years, and may elect to receive their payouts in a lump sum or in annual installments of two to ten years. An executive who elects to defer is able to hypothetically invest the deferred amounts in a range of investment alternatives, and upon payout of the deferred amounts the executive receives the gain or loss on those hypothetical investments while such amounts were deferred.

TRW has established a trust related to funding payments that TRW would be required to make under the employment continuation agreements described above upon a change in control. Under the terms of the trust, within 310 days or such later date as determined by TRW's board of directors following a potential change in control, TRW is required to fund the trust with amounts sufficient to fund 125% of TRW's obligations under the agreements. The public disclosure by Northrop Grumman on February 22, 2002 of its unsolicited proposal to TRW to provide all of the TRW's shareholders with \$47.00 in Northrop Grumman common stock for each share of TRW common stock constituted a potential change in control. At the present time TRW has not yet funded the trust. The trust is revocable at the option of TRW until a change in control occurs, after which it is irrevocable.

TRW estimates that the aggregate maximum amount of cash severance that would become payable to the executive officers as a group under the employment continuation agreements (assuming the employment of all such officers terminates in a manner entitling them to such benefits), not including payments with respect to employee benefits, incentive pay for the portion of the year worked prior to termination, balances in non-qualified defined contribution plans or any excise tax gross up, would be approximately \$21.2 million.

### *Retention Agreements*

TRW entered into retention and severance agreements with its executive officers (other than Mr. Lunn and Mr. Plant) as a result of TRW's plan to spin off the Automotive business and the other elements of TRW's value enhancement plan. The agreements with each such officer provides that the officer will be paid a retention bonus of eighteen months of base salary plus incentive bonus at the target level of 60% of base salary, if the officer remains in active status through the effective date which is the earlier of:

the elimination of the officer's position;

three months after the distribution date for the spin off of the Automotive business; and

April 17, 2003, subject to TRW's right to extend the April 17, 2003 date for an additional three months if the spin off has just been completed or is still in process as of April 17, 2003.

The agreements provide that the officer will be paid the retention bonus if his employment is terminated, other than for cause, before the effective date.

The agreements also provide for severance payments if the officer's employment is terminated by TRW without cause or if a constructive termination of employment occurs and, in either case, the officer has not accepted or continued employment within TRW or the spun-off Automotive business (or, in the case of

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Mr. Bush, the buyer of TRW's Aeronautical Systems business). If the officer qualifies for severance payments, TRW will generally continue the employment relationship from the date the officer ceases to provide active service to TRW until the earliest of:

eighteen months following that date;

the date the officer begins full-time employment outside of TRW;

the date the officer elects to retire from TRW (in the case of retirement-eligible officers); and

the officer's death,

each of which is referred to as the termination date. TRW will continue to pay the officer's salary and incentive bonus payments at target level through the termination date. If the officer begins full-time employment outside of TRW, retires or dies before the end of the eighteen-month severance period, all such compensation that would otherwise be paid over time will be accelerated and paid in a single lump sum within 30 days of the termination date. The officer would also generally receive benefits through the termination date. The benefits payable to retirement-eligible officers under TRW's pension plan and non-qualified pension plans will be based on service through the earliest of the completion of the 18-month severance period, the officer's retirement, or the officer's death. The agreement with Mr. Roman provides that if his termination occurs more than twelve months after he is eligible to receive the retention bonus, he will receive severance in accordance with the terms of his preexisting employment arrangement with TRW.

If a change in control, as defined in the executive's employment continuation agreement, occurs within twelve months of the effective date, the amounts payable under the executive's employment continuation agreement will be offset and reduced by the retention and severance payments received under the retention and severance agreement.

Each of the agreements also contains covenants on the part of the executive with respect to confidentiality, cooperation and the release of claims. It is estimated that the aggregate maximum amount of cash benefit that would become payable to the executive officers as a group under these agreements (assuming such officers qualify for such benefits) would be approximately \$15.3 million.

### *Special Incentive Agreements*

Northrop Grumman has entered into special incentive letter agreements with Mr. Plant and Mr. Lunn, each of whom is an executive officer of TRW and a key employee of TRW's Automotive business. These agreements incentivize Mr. Plant and Mr. Lunn to remain employed by TRW's Automotive business and to use their respective best efforts to accomplish a sale or spin off of the Automotive business after the merger.

The respective agreements provide for a cash payment of \$1.8 million to Mr. Plant and a cash payment of \$800,000 to Mr. Lunn payable within fifteen days following the six month anniversary of the sale or spin off date, if the following conditions are satisfied:

the merger closes on or before March 31, 2003;

the sale or spin off occurs after the merger, but before December 31, 2003 (subject to extension by mutual agreement);

the named individual remains continuously employed on a full time basis through the closing of the sale or spin off of the Automotive business and during that time uses best efforts to accomplish the sale or spin off of the Automotive business (which condition will be deemed satisfied if the individual is terminated without cause by Northrop Grumman after the merger but before the sale or spin off of the Automotive business); and

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the named individual remains continuously employed on a full-time basis by the new entity which includes the Automotive business for at least six months after the sale (which condition will be deemed satisfied if the individual is not offered employment with the new entity with at least the same base pay and 60% target bonus opportunity they currently have, or if the base pay or bonus opportunity is reduced during the six-month period or if the new entity terminates the individual without cause ).

### *Equity Awards*

Upon completion of the merger, (a) all outstanding stock options will vest, (b) all outstanding shares of restricted stock will vest and all restrictions thereon will immediately lapse and (c) all outstanding restricted stock units will vest and be settled in shares of Northrop Grumman common stock, based on the exchange ratio. Under the terms of the merger agreement, each TRW option outstanding at the effective time of the merger will be deemed assumed by Northrop Grumman and converted into an option to purchase a number of shares of Northrop Grumman common stock based on the exchange ratio, and each TRW share of restricted stock and each TRW restricted stock unit will be converted into shares of Northrop Grumman common stock based on the exchange ratio. Alternatively, each holder of options to acquire TRW common stock will be entitled to elect to receive prior to the effective time of the merger, in cancellation of any such options, a cash payment equal to the average reported closing price per share of TRW common stock on the New York Stock Exchange for the five consecutive trading days ending on (and including) the second trading day prior to the closing date of the merger multiplied by the number of shares subject to such options for which the election is made minus the aggregate exercise price for such options. See THE MERGER AGREEMENT Treatment of TRW Stock Options and Other Equity Awards on page 89.

As of October 21, 2002, the current directors and executive officers of TRW and all other persons who served as a director or an executive officer of TRW since January 1, 2001 held:

Options to purchase 3,187,614 shares of TRW common stock, with a weighted average exercise price of \$46.23 per share. Of these securities, options to purchase 2,497,110 shares of TRW common stock had vested as of such date;

35,713 unvested restricted stock units; and

91,600 unvested shares of restricted stock.

### *Strategic Incentive Program*

Each of TRW's executive officers has been awarded grants under TRW's strategic incentive program. The terms of each outstanding grant provide that if a change in control occurs prior to the end of the applicable performance period, the officer will be entitled to receive a payment for the full performance period, assuming maximum performance of all performance goals. The cash value of the award is equal to the number of performance units payable multiplied by the average of the high and low sales prices for shares of TRW common stock for each day on which such shares are traded on the New York Stock Exchange during the 30 calendar days ending two days prior to the date the change in control occurs. As of October 21, 2002, TRW's current executive officers and all persons that served as executive officers at any time since January 1, 2001 would receive an aggregate cash payment, as determined above, with respect to 611,000 shares of TRW common stock, as determined above, upon a change of control, pursuant to outstanding performance units under the strategic incentive program.

### *Split-dollar Life Insurance Agreements*

TRW has entered into split-dollar life insurance agreements with certain key executive officers. Under the split-dollar agreements, TRW owns, and pays the premiums on, the life insurance policies and the officer has the

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right to designate a beneficiary to receive a fixed portion of the policy death benefit. The balance of the death benefit will be payable to TRW as a recovery of its investment. The plan under which the agreements were entered into provides that upon a change in control, ownership of the policies will transfer to an irrevocable trust, and TRW will be required to fund the trust with sufficient assets to pay future premiums on the policies. TRW currently estimates that the amount necessary to fund the trust with respect to policies covering each person who has been an executive officer of TRW at any time since January 1, 2001 is approximately \$8.1 million.

### *Deferred Compensation Arrangements*

TRW maintains certain non-qualified defined contribution plans. The balance of an executive's account under these plans will be terminated and payable as a part of any severance payment under the employment continuation agreements described above. As of September 30, 2002, an aggregate amount of \$22.3 million was credited under the nonqualified defined contribution plans to the accounts of TRW's executive officers that are party to employment continuation agreements.

### *Directors Deferred Compensation Plan*

Under the terms of TRW's Deferred Compensation Plan for Non-Employee Directors, the balance of the director's deferred compensation account will be immediately distributed upon a change in control, if the director has specifically stipulated on his or her election form for such distribution. As of September 30, 2002, TRW's aggregate liability under this plan to all the current directors with respect to the elective deferral portion of director compensation was approximately \$1.8 million. TRW has contributed approximately \$3.2 million to a trust for the payment of amounts under this plan, which is approximately equal to the current liability to all current and former directors with respect to their elective deferrals under the plan. The trust also holds shares of TRW common stock, which shares were purchased by the trustee with the mandatory deferral portion of directors' annual retainer.

### *Agreement with Former Executive Officer*

Under the terms of an agreement entered into between TRW and Carl G. Miller, TRW's Chief Financial Officer from February 1996 through July 2001, Mr. Miller is entitled to an annual incentive payment with respect to 2002. In the event of a change in control of TRW, the incentive payment that Mr. Miller is entitled to with respect to 2002 will be equal to the highest annual incentive payment paid to Mr. Miller in any of the three years preceding the date of the change in control.

## **Governmental and Regulatory Matters**

*United States Antitrust.* Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (sometimes referred to as the HSR Act) and the rules that have been promulgated thereunder by the Federal Trade Commission (sometimes referred to as the FTC) certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the United States Department of Justice and the FTC and certain waiting period requirements have been satisfied. The merger is subject to these requirements.

Pursuant to the requirements of the HSR Act, Northrop Grumman filed the required Notification and Report Forms (the Forms) with the Antitrust Division and the FTC on March 11, 2002. TRW filed the Forms on March 26, 2002. On April 10, 2002, Northrop Grumman and TRW each received a request for additional information from the Antitrust Division. TRW and Northrop Grumman certified substantial compliance with the April 10, 2002 request for additional information on September 11, 2002 and September 12, 2002, respectively. The statutory waiting period applicable to the merger pursuant to the HSR Act expired at 11:59 P.M., Eastern Time, on October 15, 2002, although the Department of Justice is still reviewing the transaction. Northrop Grumman and TRW have agreed that they will notify the Antitrust Division of their intent to complete the transaction no sooner than ten business days prior to the earlier of the Northrop Meeting or the TRW Meeting.

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The Antitrust Division and the FTC frequently scrutinize the legality of transactions under the antitrust laws. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could, notwithstanding termination of the waiting period, take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger or seeking divestiture of TRW's or Northrop's assets. Private parties and State Attorneys General may also bring legal actions under the antitrust laws.

*European Community Merger Control Regulation.* Under Council Regulation (EC) No. 4064/89 (the "ECMR"), certain transactions may not be consummated before approval has been obtained from the European Commission. The ECMR prevents merging parties from consummating their merger until the European Commission has approved the transaction or has granted an express derogation from this rule. The European Commission's initial investigation will last one month from the date a complete notification form has been submitted by Northrop Grumman (a period that is extended to six weeks if remedies are offered to address any concerns raised by the European Commission). Northrop Grumman and TRW submitted a joint notification form on September 13, 2002. On October 16, 2002, the European Commission announced that it had completed its review and approved the transaction.

*Other.* Additional filings may be necessary in countries outside the United States and the European Community. In addition, it is possible that any of the governmental entities with which filings are made may seek, as conditions for granting approval of the merger, various regulatory concessions.

### **Certain Federal Income Tax Consequences of the Merger**

The following discussion is the opinion of Gibson, Dunn & Crutcher LLP and PricewaterhouseCoopers LLP, advisers to Northrop Grumman and TRW, respectively, as to the material United States federal income tax consequences of the merger. This discussion is based on the Internal Revenue Code, its legislative history, the related Treasury regulations, administrative interpretations and court decisions, all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and the conclusions discussed below and the tax consequences of the merger to TRW shareholders. This discussion applies only to TRW shareholders that hold their shares of TRW common stock, and will hold the shares of Northrop Grumman common stock received in the merger, as capital assets within the meaning of Section 1221 of the Internal Revenue Code. This discussion does not address all federal income tax consequences of the merger that may be relevant to particular holders, including holders that are subject to special tax rules. Some examples of holders that are subject to special tax rules are:

dealers in securities;

financial institutions;

insurance companies;

tax-exempt organizations;

holders of shares of TRW stock as part of a position in a straddle or as part of a hedging or conversion transaction;

holders who have a functional currency other than the United States dollar;

holders who are foreign persons;

holders who own their shares indirectly through partnerships, trusts or other entities that may be subject to special treatment; and

holders who acquired their shares of TRW stock through stock option or stock purchase programs or otherwise as compensation.

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In addition, this discussion does not address the tax consequences of the merger under the laws of any state, local or foreign jurisdiction or the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the merger.

**TRW shareholders are urged to consult their own tax advisers as to specific tax consequences to them of the merger, including the applicability and effect of any state, local or foreign tax laws and of changes in applicable tax laws.**

The obligations of Northrop Grumman and TRW to complete the merger are conditioned upon the delivery of opinions to Northrop Grumman and TRW by Gibson, Dunn & Crutcher LLP and PricewaterhouseCoopers LLP, respectively, in each case in form and substance reasonably satisfactory to the party to whom such closing tax opinion is addressed, that, for federal income tax purposes, (a) the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and (b) each of Northrop Grumman, TRW and Richmond Acquisition Corp. will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code. Based on these opinions, the following material federal income tax consequences will result from the merger:

TRW shareholders will not recognize any gain or loss upon the exchange of their shares of TRW common stock for shares of Northrop Grumman common stock pursuant to the merger, except with respect to any gain or loss attributable to cash received in lieu of fractional shares of Northrop Grumman common stock;

The aggregate tax basis of the shares of Northrop Grumman common stock received in exchange for shares of TRW common stock pursuant to the merger will be the same as the aggregate tax basis of the shares of TRW common stock surrendered in the merger, except that such holder's aggregate tax basis in Northrop Grumman common stock will be reduced by the tax basis allocable to any fractional share interest in Northrop Grumman common stock for which such holder will receive cash;

The holding period for shares of Northrop Grumman common stock received in the merger in exchange for shares of TRW common stock will include the holding period for the TRW common stock surrendered;

Cash payments received by TRW shareholders in lieu of a fractional share of Northrop Grumman common stock will be treated as received in exchange for that fractional share interest, and gain or loss will be recognized for federal income tax purposes on receipt of the cash payment, measured by the difference between the amount of cash received and the portion of the basis of the TRW common stock allocable to the fractional share interest. The gain or loss will be long term capital gain or loss if the TRW common stock is considered to have been held for more than one year at the time of the merger;

If a TRW shareholder perfects dissenter's rights with respect to its TRW common stock, such holder should generally recognize capital gain or loss at the effective time of the merger in an amount equal to the difference between the amount realized and the adjusted tax basis of its TRW common stock. For this purpose, although there is no authority directly on point, the amount realized generally should equal the trading price of TRW common stock at the effective time of the merger. Such holder should also recognize capital gain or loss at the time the appraised fair cash value is received, to the extent such payment exceeds or is less than the amount realized at the effective time of the merger. In addition, a portion of such payment may be characterized as interest income; and

None of Northrop Grumman, Northrop Grumman stockholders, Richmond Acquisition Corp., or TRW will recognize any gain or loss solely as a result of the merger.

Neither Northrop Grumman nor TRW currently intends to waive the condition relating to the receipt of a closing tax opinion. In the unlikely event that either of Northrop Grumman or TRW were to determine to waive such condition, Northrop Grumman or TRW would mail additional information to its stockholders or shareholders describing any changes in the material United States federal income tax consequences that would

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result from the merger and would resolicit proxies if there were any material adverse changes in the United States federal income tax consequences to its stockholders or shareholders, as the case may be.

The opinions of tax advisers to Northrop Grumman and TRW will be given in reliance on factual representations contained in certificates executed by officers of TRW and Northrop Grumman at the date of consummation of the merger. These opinions are not binding on the courts or the Internal Revenue Service, nor do they preclude the Internal Revenue Service from adopting a position contrary to that expressed in the opinions. No assurance can be given that contrary positions will not successfully be asserted by the Internal Revenue Service or adopted by a court if the issues are litigated. Neither TRW nor Northrop Grumman intends to obtain a ruling from the Internal Revenue Service with respect to the federal income tax consequences of the merger.

If the Internal Revenue Service determines successfully that the merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, TRW shareholders would be required to recognize any gain or loss with respect to each share of TRW common stock surrendered in the merger in an amount equal to the difference between the tax basis in that share of stock and the fair market value on the date of the merger of the Northrop Grumman common stock received in exchange therefor. In such event, a TRW shareholder's aggregate tax basis in the Northrop Grumman common stock received in the merger would equal its fair market value on the date of the merger, and the shareholder's holding period for the Northrop Grumman common stock would begin the day after the merger.

**The above discussion of potential tax consequences may not apply to certain categories of stockholders subject to special treatment under the Internal Revenue Code. TRW shareholders are urged to consult their own tax advisers to determine the specific tax consequences of the merger, including any federal, state, local, foreign or other tax consequences of the merger.**

### **Recent Litigation**

On March 4, 2002, Northrop Grumman filed a lawsuit in the United States District Court for the Northern District of Ohio against TRW and certain other persons, seeking declaratory and injunctive relief with respect to Ohio's control share acquisition law, business combination law, and control bid law. The lawsuit alleges that such statutes conflict with the United States Constitution and United States laws governing the conduct of tender offers, and thus are unconstitutional.

On March 4, 2002, TRW filed a lawsuit in the United States District Court for the Southern District of Ohio against Northrop Grumman, the Attorney General of Ohio, the Director of Ohio's Department of Commerce and the Commissioner of Ohio's Division of Securities. The lawsuit sought a judgment that the control share acquisition law, business combination law and control bid law are constitutional.

Both of these lawsuits have been dismissed with prejudice as agreed by Northrop Grumman and TRW in the merger agreement. The lawsuit filed by Northrop Grumman in the United States District Court for the Northern District of Ohio was dismissed on July 15, 2002 and a dismissal for the lawsuit filed by TRW in the United States District Court for the Southern District of Ohio was filed on July 12, 2002.

### **Dissenters' Appraisal Rights of TRW Shareholders**

In the merger, Richmond Acquisition Corp., an Ohio corporation and a wholly-owned subsidiary of Northrop Grumman, will be merged with and into TRW, with TRW as the corporation surviving the merger. Each outstanding share of TRW common stock (except for treasury shares of TRW and shares beneficially owned directly or indirectly by Northrop Grumman for its own account) will be converted into the right to receive shares of Northrop Grumman common stock based on the exchange ratio described herein, subject to dissenters' rights under Ohio law.

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If the merger is completed, TRW shareholders will have certain rights under the Ohio Revised Code to dissent and demand dissenters' rights and to receive payment in cash of the fair cash value of their TRW shares. TRW shareholders who vote in favor of the merger will not be entitled to relief as dissenting shareholders. In order to qualify for rights as a dissenting shareholder, a TRW shareholder must deliver to TRW a written demand for payment of the fair cash value of the shares for which relief is sought within the time period prescribed by Sections 1701.84 and 1701.85 of the Ohio Revised Code. If TRW then sends a dissenting shareholder a request for the certificates representing the TRW shares for which relief is sought, the dissenting shareholder must return the certificates requested to TRW so that they may be endorsed with a legend stating that a demand for the fair cash value of such TRW shares has been made. A dissenting shareholder's failure to deliver such certificates within a prescribed time period terminates his or her rights as a dissenting shareholder under Ohio law. Unless TRW and the dissenting shareholder come to an agreement as to the fair cash value per share of the TRW shares for which such dissenting shareholder seeks relief, either the dissenting shareholder or TRW may file a complaint in court. Other dissenting shareholders may join as plaintiffs or defendants in the resulting proceeding at that time.

If the shareholder complies with the statutory procedures for exercising or perfecting dissenters' rights in accordance with Sections 1701.84 and 1701.85 of the Ohio Revised Code, then a judicial determination will be made as to the fair cash value required to be paid to the objecting shareholder for such holder's TRW shares. Any such judicial determination of the fair cash value will be based on the amount that a willing seller, under no compulsion to sell, would be willing to accept, and a willing buyer, under no compulsion to purchase, would be willing to pay. In determining the fair cash value of the TRW shares, a court is required to take into account all relevant factors, excluding any appreciation or depreciation in market value resulting from the proposal of the merger. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the TRW shares, including, among other things, asset values and earning capacity. The value so determined may be more or less than the price per TRW share to be paid in the merger but in no event can the value so determined exceed the amount specified in the demand of a particular shareholder.

From the time written demand for payment of the fair cash value is given until either the termination of the rights and obligations arising from such demand or the purchase of the shares related thereto, all rights accruing to the dissenting shareholder, including voting and dividend or distribution rights, will be suspended. If any dividend or distribution is paid in money on TRW shares during the suspension or if any dividend, distribution or interest is paid in money upon any securities issued in extinguishment of or in substitution for such shares, an amount equal to the dividend, distribution or interest that would have been payable on the shares, but for such suspension, shall be paid to the holder of record of the shares as a credit against the fair cash value of the shares. If the right to receive the fair cash value is terminated other than by the purchase of the shares, all rights will be restored to the objecting shareholder and any distribution that would have been made to the holder of record of the shares, but for the suspension, will be made at the time of such termination.

The foregoing summary of the rights of dissenting shareholders under Ohio law does not purport to be a complete statement of the procedures to be followed by shareholders desiring to exercise any available dissenters' rights and is qualified in its entirety by reference to the full text of Section 1701.84 and Section 1701.85 of the Ohio Revised Code attached as Annex H and incorporated herein by this reference. The preservation and exercise of dissenters' rights are conditioned on strict adherence to the applicable provisions of the Ohio Revised Code.

### **Plans for TRW After the Merger**

After the merger, Northrop Grumman currently anticipates that TRW will continue its current operations, except that it would cease to be publicly owned and would instead be a wholly-owned subsidiary of Northrop Grumman. Northrop Grumman expects to divest TRW's Automotive business after the merger either by selling that business to a third party or parties or by spinning it off to Northrop Grumman stockholders (including the former TRW shareholders), or by a combination of a sale and spin off.

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### **Certain Relationships with Northrop Grumman or TRW**

Except as set forth in this joint proxy statement/prospectus, neither Northrop Grumman nor TRW, nor to their respective best knowledge, any of their respective directors, executive officers or other affiliates has any contract, arrangement, understanding or relationship with any other person with respect to any securities of TRW (with respect to Northrop Grumman or its directors, officers or affiliates) or Northrop Grumman (with respect to TRW or its directors, officers or affiliates), including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as described in this joint proxy statement/prospectus, there have been no contacts, negotiations or transactions since January 1, 1999, between Northrop Grumman or, to the best of Northrop Grumman's knowledge, any of Northrop Grumman's directors, executive officers or other affiliates on the one hand, and TRW or its affiliates, on the other hand, or between TRW or, to the best of TRW's knowledge, any of TRW's directors, executive officers or affiliates, on the one hand, and Northrop Grumman, on the other hand, concerning a merger, consolidation or acquisition, a tender offer to exchange or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets. In the normal course of their businesses, Northrop Grumman and TRW are parties to transactions and agreements. Neither Northrop Grumman, nor, to the best of Northrop Grumman's knowledge, any of its directors, executive officers or other affiliates has since January 1, 1999 had any transaction with TRW or any of its directors, executive officers, or affiliates that would require disclosure under the rules and regulations of the SEC applicable to this joint proxy statement/prospectus. Neither TRW nor, to the best of TRW's knowledge, any of its directors, executive officers or other affiliates has since January 1, 1999 had any transaction with Northrop Grumman or any of its directors, executive officers or other affiliates that would require disclosure under the rules and regulations of the SEC applicable to this joint proxy statement/prospectus.

As of the date of this joint proxy statement/prospectus, Northrop Grumman beneficially owns for its own account four shares of TRW common stock. In addition, Dr. Ronald D. Sugar, President and Chief Operating Officer and a director of Northrop Grumman, owns 21,475 shares of TRW common stock as trustee of the Ronald D. Sugar Revocable Trust dated as of October 20, 1995. Dr. Sugar was employed by TRW through June 2000. In accordance with the terms of his employment with TRW, Dr. Sugar continues to receive annual payments from TRW relating to the TRW nonqualified 401(k) excess plan. To the best of Northrop Grumman's knowledge, no other officers or directors of Northrop Grumman own TRW capital stock or have interests in TRW.

### **Fees and Expenses**

Northrop Grumman has retained D.F. King & Co., Inc. as its proxy solicitor and information agent in connection with the merger. D.F. King may contact holders of TRW shares by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee stockholders to forward material relating to the merger to beneficial owners of TRW shares. Northrop Grumman will pay D.F. King approximately \$20,000 for these services, in addition to reimbursing D.F. King for its reasonable out-of-pocket expenses. Northrop Grumman also has agreed to indemnify D.F. King against various liabilities and expenses in connection with the merger, including various liabilities under United States federal securities laws.

Northrop Grumman has retained EquiServe Trust Company as the exchange agent for the merger. Northrop Grumman will pay the exchange agent reasonable and customary compensation for its services in connection with the merger, will reimburse the exchange agent for its reasonable out-of-pocket expenses and has agreed to indemnify the exchange agent against various liabilities and expenses, including various liabilities under United States federal securities laws.

The fees and expenses payable by Northrop Grumman to its financial advisers Salomon Smith Barney and Stephens Financial Group are described in the section entitled "THE MERGER Opinions of Financial Advisers Northrop Grumman's Advisers" on pages 57 and 66, respectively.

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### *TRW Advisers*

TRW has retained Georgeson Shareholder Services as its proxy solicitor and information agent in connection with the merger. Georgeson may contact holders of TRW shares by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee shareholders to forward material relating to the merger to beneficial owners of TRW shares. TRW will pay Georgeson approximately \$75,000 for these services, in addition to reimbursing Georgeson for its reasonable out-of-pocket expenses. TRW also has agreed to indemnify Georgeson against various liabilities and expenses in connection with the merger, including various liabilities under United States federal securities laws.

The fees and expenses payable by TRW to its financial advisers, Goldman Sachs and Credit Suisse First Boston, are described in the section entitled "THE MERGER - Opinions of Financial Advisers - TRW's Advisers" beginning on page 66.

### *Other Expenses*

Except as specifically discussed in the preceding paragraphs, all costs and expenses incurred in connection with the solicitation of proxies will be paid by the party incurring such costs or expenses. However, filing fees in connection with the filing of this joint proxy statement/prospectus, all printing, mailing and related expenses incurred in connection with printing and mailing this joint proxy statement/prospectus and all other expenses not directly attributable to any one of the parties will be shared equally by Northrop Grumman and TRW.

### **Accounting Treatment**

Northrop Grumman will account for the merger under the purchase method of accounting under United States generally accepted accounting principles, which means that TRW's results of operations will be included with those of Northrop Grumman from the closing date of the merger and the combined companies' consolidated assets and liabilities will be recorded at their fair values at the same date.

### **Delisting and Deregistration of TRW Common Stock**

TRW common stock currently is listed on the New York Stock Exchange, the Pacific Exchange, the Chicago Stock Exchange and the Philadelphia Stock Exchange under the symbol "TRW", the London Stock Exchange under the symbol "TIN" and the Frankfurt Stock Exchange under the symbol "TRWA". Upon the consummation of the merger, TRW common stock will be delisted from those exchanges and deregistered under the Securities Exchange Act of 1934, as amended.

### **Listing of Northrop Grumman Common Stock**

Northrop Grumman common stock currently is listed on the New York Stock Exchange and the Pacific Exchange under the symbol "NOC". Northrop Grumman has agreed to cause the shares of Northrop Grumman common stock to be issued pursuant to the merger to be approved for listing on the New York Stock Exchange upon official notice of issuance.

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### **THE MERGER AGREEMENT**

The following summary describes some of the material terms and conditions of the merger agreement, but is not intended to be an exhaustive discussion of the merger agreement. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement, and not this summary or any other information contained in, or incorporated by reference into, this joint proxy statement/prospectus. This summary is qualified in its entirety by reference to the merger agreement, and Northrop Grumman stockholders and TRW shareholders are encouraged to read the entire merger agreement as well as this joint proxy statement/prospectus before making any decisions regarding the merger or the other transactions described herein. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by this reference.

#### **The Merger**

The merger agreement provides that Richmond Acquisition Corp., a wholly-owned subsidiary of Northrop Grumman, will merge with and into TRW at the time the merger becomes effective. TRW will be the corporation surviving the merger as a wholly-owned subsidiary of Northrop Grumman.

#### **Closing of the Merger**

The closing of the merger will take place (a) as soon as practicable, but in any event within three business days after the day all conditions to the merger set forth in the merger agreement are fulfilled or validly waived or (b) at such other time as Northrop Grumman and TRW may agree in writing. A certificate of merger will be filed with the Secretary of State of the State of Ohio as soon as practicable after satisfaction or waiver of all conditions to the merger, at which time the merger will become effective. Northrop Grumman and TRW currently expect to complete the merger during the fourth quarter of 2002.

#### **Consideration to be Received in the Merger**

At the effective time of the merger, each share of TRW common stock (other than shares held by dissenting shareholders and shares held by Northrop Grumman or TRW) automatically will be converted into the right to receive a number of shares of Northrop Grumman common stock equal to the exchange ratio. The exchange ratio will be determined by dividing \$60.00 by the average reported closing sales prices of Northrop Grumman common stock on the New York Stock Exchange as reported in the Wall Street Journal for the five consecutive trading days ending on (and including) the second trading day prior to the closing date of the merger. However, in no event will the exchange ratio be greater than 0.5357 (\$60.00/\$112.00) or less than 0.4348 (\$60.00/\$138.00).

If the average Northrop Grumman common stock closing sale price, calculated as described above, is greater than \$138.00, TRW's common shareholders will receive 0.4348 shares of Northrop Grumman common stock for each share of TRW common stock. If the average Northrop Grumman common stock closing sale price, calculated as described above, is less than \$112.00, TRW's common shareholders will receive 0.5357 shares of Northrop Grumman common stock for each share of TRW common stock.

Holders of TRW common stock will have the right under Ohio law to dissent from the merger and receive the fair value of their shares in cash, as described in THE MERGER Dissenters Appraisal Rights of TRW Shareholders on page 84.

#### **Treatment of Fractional Shares**

No fractional shares of Northrop Grumman common stock will be issued pursuant to the merger. Holders of TRW common stock will be paid cash instead of any fractional shares of Northrop Grumman common stock that the holder otherwise would have received in the merger. The amount of cash paid will be equal to the fractional share interest of Northrop Grumman common stock to which the holder otherwise would be entitled (after taking into account all shares of TRW common stock held at the effective time by the holder), multiplied by the average of the closing sale prices for a share of Northrop Grumman common stock used to calculate the exchange ratio for the merger.

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### **Preferred Stock of TRW**

Pursuant to the merger agreement, each outstanding share of TRW Cumulative Serial Preference Stock II, \$4.40 Convertible Series 1 and each outstanding share of TRW Cumulative Serial Preference Stock II, \$4.50 Convertible Series 3, was redeemed for cash by TRW on August 30, 2002, which was prior to the record date for the TRW Meeting. Therefore, the former holders of such securities are not entitled to notice of, or to vote at, the TRW Meeting, and the approval of such former TRW shareholders will not be required to adopt the merger agreement.

### **Procedures for Exchanging TRW Common Stock**

At or prior to the effective time of the merger, Northrop Grumman will deposit with the exchange agent certificates representing the shares of Northrop Grumman common stock to be issued to TRW's shareholders in connection with the merger. A form of letter of transmittal will be sent to TRW shareholders promptly after closing which will include detailed instructions regarding how TRW shareholders may exchange their TRW common stock for the consideration they are entitled to receive in connection with the merger. After the closing, the exchange agent will send new certificates representing Northrop Grumman common stock to former TRW shareholders who have delivered properly completed letters of transmittal to the exchange agent with their TRW share certificates, and a check for the fractional share interests or dividends or distributions that each such TRW shareholder is entitled to receive pursuant to the merger agreement. No interest will be paid on any cash paid in connection with the merger, other than as may be required with respect to dissenters' rights under Ohio law.

Any merger consideration that remains unclaimed one year after the effective time of the merger shall be returned to Northrop Grumman. Any TRW shareholder who has not exchanged such holder's shares of TRW common stock for shares of Northrop Grumman common stock by that date shall thereafter look only to Northrop Grumman for delivery of the merger consideration to which they are entitled.

### **Treatment of TRW Stock Options and Other Equity Awards**

The merger agreement provides that each holder of TRW stock options, TRW restricted stock and TRW restricted stock units will be entitled to elect to have those securities canceled by TRW in exchange for cash as described in the merger agreement, unless either Northrop Grumman or TRW reasonably determines that there is an undue risk that such an election could be deemed to be a tender offer for TRW common stock by TRW. Each holder of options to acquire TRW common stock will be entitled to exercise such cash election right prior to the effective time of the merger, but holders of TRW restricted stock and restricted stock units will not be entitled to exercise such a cash election right. Any cash elections made by TRW option holders are conditioned upon the completion of the merger, and will be ineffective if the merger does not occur. At the effective time of the merger:

to the extent that a holder of TRW options does not exercise the cash election right, all unvested TRW stock options will vest and all outstanding TRW options will be deemed assumed by Northrop Grumman. The number of shares of Northrop Grumman common stock issuable upon exercise of each assumed TRW option will be equal to (a) the number of shares of TRW common stock issuable upon exercise of the TRW option prior to the effective time of the merger multiplied by (b) the exchange ratio used in exchanging shares of TRW common stock for shares of Northrop Grumman common stock in the merger. The exercise price for such assumed TRW options will be equal to (i) the exercise price in effect for the TRW options prior to the effective time of the merger divided by (ii) the exchange ratio used in exchanging shares of TRW common stock for shares of Northrop Grumman common stock in the merger.

each share of TRW restricted stock and each TRW restricted stock unit award will vest and all restrictions on those securities will lapse as of the effective time of the merger, and the holder thereof will be entitled to receive the same number of shares of Northrop Grumman common stock to which the holder would have been entitled had the holder held unrestricted shares of TRW common stock at the effective time.

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In addition, at the effective time of the merger:

each outstanding TRW stock appreciation right will accelerate and automatically be converted into the right to receive cash in the amount by which the value of the shares of TRW common stock subject to the stock appreciation right, calculated as the average of the closing sale prices for a share of TRW common stock on the New York Stock Exchange for the five consecutive trading days ending on (and including) the second trading day before the closing date of the merger, exceeds the exercise price for the shares of TRW common stock subject to the stock appreciation right;

each outstanding TRW critical skills stock unit grant will be amended or converted into a similar instrument of Northrop Grumman, with such adjustments to the terms and conditions of the grant as are appropriate to preserve the value inherent in the awards; and

each outstanding TRW strategic incentive program grant will be cancelled in exchange for a lump sum cash payment equal to the value of the grant, assuming maximum performance of all performance goals, except that 2001-2002 strategic incentive program grants will be paid at 50% of the maximum value of such grants, assuming all performance goals had been reached.

Any cash amounts paid in cancellation of these TRW securities will be paid by TRW at or prior to the effective time of the merger out of funds provided by TRW and will be net of any amounts required to be withheld for tax withholding obligations.

### **Registration and Listing of Northrop Grumman Common Stock**

Northrop Grumman and TRW have agreed to use their reasonable best efforts to register the shares of Northrop Grumman common stock to be issued as consideration in the merger under the Securities Act, and Northrop Grumman has agreed to cause those shares to be listed on the New York Stock Exchange, upon official notice of issuance. The registration and listing of the Northrop Grumman common stock are conditions to the obligations of Northrop Grumman and TRW to consummate the merger.

### **Representations and Warranties**

Northrop Grumman and TRW have made certain customary representations and warranties to each other in the merger agreement, including those as to:

|                                                  |                                             |
|--------------------------------------------------|---------------------------------------------|
| corporate existence and power;                   | litigation matters;                         |
| corporate authorization;                         | tax matters;                                |
| governmental authorizations;                     | employee benefit matters;                   |
| non-contravention;                               | compliance with laws;                       |
| capitalization;                                  | environmental matters;                      |
| subsidiary matters;                              | Ohio anti-takeover statutes;                |
| financial statements;                            | intellectual property and software matters; |
| the absence of certain material changes;         | government contracts; and                   |
| the absence of undisclosed material liabilities; | problems with customers and suppliers.      |

Certain of the representations and warranties are qualified by a material adverse effect standard. A material adverse effect, with respect to both Northrop Grumman and TRW, means any event, circumstance or change that:

materially adversely affects the ability of Northrop Grumman and TRW, as the case may be, and their respective subsidiaries, taken as a whole, to perform the obligations set forth in the merger agreement or to consummate the transactions contemplated by the merger agreement; or

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is materially adverse to the business, assets, financial condition or results of operations of Northrop Grumman and TRW, as the case may be, and their respective subsidiaries, taken as a whole.

However, events, circumstances or changes, alone or in combination, that arise out of or result from the following are not deemed to have a material adverse effect:

general legal, regulatory, political, business, economic, capital market or financial market conditions or conditions otherwise generally affecting industries in which Northrop Grumman or TRW and their respective subsidiaries, taken as a whole, generally operate, except to the extent Northrop Grumman or TRW, as the case may be, is materially and adversely affected in a disproportionate manner as compared to other comparable participants in such industries;

the negotiation, execution, announcement or consummation of the merger agreement and the transactions contemplated by the merger agreement, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees;

the sale of TRW's Aeronautical Systems business; and

subject to the absence of an objection by Northrop Grumman, any actions required by or permitted under the merger agreement to be taken in connection with the spin off of the TRW Automotive business or another transaction involving the separation of TRW's Automotive business substantially in accordance with the documents previously filed by TRW with the Internal Revenue Service and the SEC.

The representations and warranties contained in the merger agreement do not survive beyond the effective time of the merger.

### **Conduct of Business Before the Merger**

TRW has agreed to conduct its businesses, and to cause its subsidiaries to conduct their businesses, from June 30, 2002 to the effective time of the merger, in the ordinary course consistent with past practice and to use their reasonable best efforts to preserve intact their business organizations and relationships with third parties.

Northrop Grumman has agreed that it and its subsidiaries will conduct their business in compliance in all material respects with all applicable laws and regulations and to use their reasonable best efforts to preserve intact their business organizations and relationships with third parties.

Each of Northrop Grumman and TRW also has agreed that it will, with certain limited exceptions, among other things:

use its reasonable best efforts to take all actions to consummate and make the merger and the other transactions contemplated by the merger agreement effective as soon as possible;

use its reasonable best efforts to avoid the entry of, or to vacate, any judgment that would prevent or delay the closing of the merger;

use its reasonable best efforts to avoid or eliminate every impediment to the merger under any antitrust law that may be asserted, including:

with respect to Northrop Grumman, taking all actions such as:

proposing, negotiating, committing to and effecting, the sale, divestiture or disposition of assets or businesses of Northrop Grumman or any of its subsidiaries; or

otherwise taking or committing to take actions that limit Northrop Grumman or its subsidiaries' freedom of action with respect to, or ability to retain, one or more of its or its subsidiaries' businesses, product lines or assets;

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in each case as required to avoid the entry of, or to effect the dissolution of, any injunction or order which would prevent or materially delay the merger, unless doing so would, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, assets, long term earning capacity or financial condition of Northrop Grumman and its subsidiaries taken as a whole; and

with respect to TRW, taking such of the foregoing actions as Northrop Grumman may request, provided that any such action by TRW that is not an express condition to the merger may be conditioned on the completion of the merger;

keep each other reasonably apprised of the status of the transactions contemplated by the merger agreement and reasonably cooperate in obtaining all required approvals or consents of any governmental authority;

cooperate in preparing a joint proxy statement/prospectus relating to the merger and use reasonable best efforts to mail the joint proxy statement/prospectus to Northrop Grumman stockholders and TRW shareholders;

call a meeting of Northrop Grumman stockholders and TRW shareholders for the purpose of obtaining any stockholder approvals required to consummate the merger;

cooperate in determining whether any action, consent or approval of any governmental authority is required and seek to obtain any such required actions, consents, approvals or waivers;

provide the other party certain access to offices, properties, books and records and to its counsel, financial advisers, auditors and other authorized representatives;

not take any action which would prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

notify one another of communications from any third party alleging that a consent is required in connection with transactions contemplated by the merger agreement or from governmental authorities; and

if any anti-takeover or similar statute or regulation is applicable or becomes applicable to the merger, use reasonable best efforts to take all reasonable and legally permissible actions so that the merger may be consummated.

Northrop Grumman has agreed, with certain limited exceptions, that it will not:

adopt or propose any changes in its certificate of incorporation, bylaws or similar organization or governing documents;

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

issue, sell, transfer, pledge, dispose of or encumber any shares of its capital stock;

split, combine, subdivide or reclassify its outstanding shares of capital stock or declare, set aside or pay any dividend; and

sell, lease, license or otherwise dispose of any material amount of assets or property.

Northrop Grumman also has agreed, among other things, to:

take all actions necessary to cause Richmond Acquisition Corp. to perform its obligations under the merger agreement;

indemnify, and cause TRW after the merger to indemnify, the officers and directors of TRW to the fullest extent permitted under applicable law with respect to all acts or omissions made prior to the effective time of the merger;

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cause the articles of incorporation and regulations of TRW after the merger to contain provisions no less favorable with respect to limitation of certain liabilities of directors, officers, employees and agents and indemnification than those set forth in such articles of incorporation and regulations as of the date of the merger agreement;

cooperate in the defense of any action involving a TRW indemnitee;

cause TRW after the merger to maintain TRW's current directors' and officers' liability insurance, or an equivalent policy, for six years;

cause the shares of Northrop Grumman common stock to be issued pursuant to the merger (including shares issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement) to be approved for listing on the New York Stock Exchange;

cause TRW after the merger to honor TRW's employee plans;

provide each TRW employee as of the effective time, for two years after the merger (provided that the employee remains employed by Northrop Grumman or any of its subsidiaries during that time), benefits which in the aggregate and regardless of the form of such benefits, are at least as favorable as the benefits provided pursuant to TRW's employee benefit plans or arrangements prior to the merger and not to amend or terminate TRW's severance policies during that two-year period;

give, or cause TRW after the merger to give, such TRW employees full credit for their service with TRW, solely for purposes of eligibility and vesting under severance benefit, vacation and other employee benefit plans or arrangements maintained by Northrop Grumman or any subsidiary of Northrop Grumman to the same extent recognized by TRW for similar TRW benefit plans or arrangements;

waive or cause to be waived certain preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to such TRW employees under any welfare benefit plans of Northrop Grumman; and

not acquire or agree to acquire any person or entity if such acquisition will delay obtaining consents for the merger, increase the risk of a governmental authority prohibiting the consummation of the merger or materially delay the consummation of the merger.

TRW has agreed, with certain limited exceptions, not to take, nor permit any of its subsidiaries to take, any of the following actions, among others:

adopt or propose any changes in its articles of incorporation, regulations or similar organization or governing documents;

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

issue, sell, transfer, pledge, dispose of or encumber any shares of its capital stock;

split, combine, subdivide or reclassify its outstanding shares of its capital stock or declare, set aside or pay any dividend;

redeem, purchase or acquire any shares of TRW's capital stock except for repurchases, redemptions or acquisitions required by the terms of a TRW stock plan or in accordance with dividend reinvestment plans in effect as of the date of the merger agreement;

adopt, amend or terminate any bonus, profit sharing, compensation, stock option or similar plan;

grant severance or termination pay or pension benefits to any director, officer or employee; enter into any employment, retention or deferred compensation agreement; enter into any new, or modify the vesting or payment of, benefits payable under any existing severance or termination pay policies or employment or consulting agreements; or modify or amend any compensation, bonus or other benefits payable to directors, officers, employees or consultants;

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acquire a material amount of assets or property in excess of the amounts specified in the capital expenditure budget attached to the merger agreement;

sell, lease, license or otherwise dispose of any material amount of assets or property;

make or rescind any material tax election, change any material methods of reporting income or deductions for tax purposes, compromise any tax liability or issue a waiver to extend the period of limitation for the payment or assessment of tax;

alter, or permit to be altered, through merger, liquidation, reorganization, restructuring or any other fashion the corporate structure or ownership of any of its subsidiaries;

incur or assume debt or issue any debt securities; assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any other person; make any loans, advances or capital contributions; pledge or otherwise encumber shares of capital stock or mortgage or pledge any of its material assets;

change any accounting principles;

revalue in any material respect any of its assets, including writing down the value of inventory or writing-off notes or accounts receivable; and

settle or compromise any pending or threatened suit, action or claim that the settlement or compromise of which could have a material adverse effect on TRW and its subsidiaries, taken as a whole.

TRW also has agreed, among other things:

to redeem all outstanding shares of TRW Cumulative Serial Preference Stock II, \$4.40 Convertible Series 1 and all shares of TRW Cumulative Serial Preference Stock II, \$4.50 Convertible Series 3 prior to the record date for the TRW Meeting (which redemption occurred on August 30, 2002);

not to withdraw the ruling request previously submitted by TRW to the Internal Revenue Service with respect to TRW's previously proposed spin off of its Automotive business or file any amendments or supplements to such ruling;

to reasonably assist Northrop Grumman in preparing for, and make TRW's officers and employees reasonably available for, presentations to prospective purchasers, investors or other parties regarding any transaction involving or relating to TRW's Automotive business;

to maintain the existence of TRW Automotive Inc. as a Delaware corporation and wholly-owned subsidiary of TRW; and

to prepare unaudited financial statements for TRW's Automotive business as may be required by the rules of the SEC, as well as any other financial statements reasonably requested by Northrop Grumman in connection with a proposed transaction involving TRW's Automotive business.

## **Conditions to the Completion of the Merger**

The obligations of Northrop Grumman, TRW and Richmond Acquisition Corp. are subject to the satisfaction or valid waiver of the following conditions, among others:

the approval by the Northrop Grumman stockholders of the issuance of the shares of Northrop Grumman common stock in connection with the merger and the adoption by the TRW shareholders of the merger agreement;

the expiration or termination of the waiting periods under the HSR Act (which expiration occurred on October 15, 2002, although the Department of Justice is still reviewing the transaction);

the approval of the merger by the European Commission (which approval was announced on October 16, 2002);

the absence of any injunction or other legal restraint to the merger agreement or the merger;

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the registration statement of which this joint proxy statement/prospectus is a part being declared effective under the Securities Act, and no stop order suspending its effectiveness being in effect;

the shares of Northrop Grumman common stock to be issued pursuant to the merger (including those issued upon exercise of TRW options deemed assumed by Northrop Grumman, or issued upon conversion of TRW restricted stock or restricted stock units, pursuant to the merger agreement) being approved for listing on the New York Stock Exchange, subject to official notice of issuance; and

all material governmental approvals of the merger being received.

The obligations of Northrop Grumman and Richmond Acquisition Corp. are subject to the satisfaction or valid waiver of the following conditions:

TRW having performed in all material respects all of its covenants and obligations under the merger agreement to be performed by it at or prior to the effective time of the merger;

all representations and warranties made by TRW in the merger agreement and in any certificate or other writing delivered by TRW pursuant to the merger agreement:

if subject to any limitations as to materiality or material adverse effect, (as further described in under the heading Representations and Warranties on page 90) being true and correct at and as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and

if not subject to any limitations as to materiality or material adverse effect, being true and correct at and as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on TRW; and

Northrop Grumman having received from Gibson, Dunn & Crutcher LLP opinions stating that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that each of Northrop Grumman, TRW and Richmond Acquisition Corp. will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code, and such opinions having not been withdrawn.

The obligations of TRW are subject to the satisfaction or valid waiver of the following conditions, among others:

Northrop Grumman having performed in all of material respects all its covenants and obligations under the merger agreement to be performed by it at or prior to the effective time of the merger;

all representations and warranties made by Northrop Grumman and Richmond Acquisition Corp. in the merger agreement and in any certificate or other writing delivered by Northrop Grumman or Richmond Acquisition Corp. pursuant to the merger agreement:

if subject to any limitations as to materiality or material adverse effect (as further described in under the heading Representations and Warranties on page 90) being true and correct at and as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and

if not subject to any limitations as to materiality or material adverse effect, being true and correct as of the effective time of the merger as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Northrop Grumman; and

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TRW having received from PricewaterhouseCoopers LLP an opinion stating that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that each of Northrop Grumman, TRW and Richmond Acquisition Corp. will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code, and such opinions having not been withdrawn.

### **Termination of the Merger Agreement**

The merger agreement may be terminated by the mutual written consent of Northrop Grumman and TRW at any time prior to the merger.

The merger agreement may be terminated by either Northrop Grumman or TRW if:

the merger is not consummated by December 31, 2002 (or March 31, 2003, if the only unsatisfied conditions relate to antitrust and governmental approvals or the existence of a provision of law or a regulation, judgment, injunction, order or decree making the merger illegal or otherwise prohibiting the consummation of the merger);

the Northrop Grumman stockholders do not approve the issuance of the Northrop Grumman common stock in connection with the merger at the Northrop Meeting or any adjournment thereof;

the TRW shareholders do not adopt the merger agreement at the TRW Meeting or any adjournment thereof;

any law or regulation makes the merger illegal or otherwise prohibits the merger or if any judgment, injunction, order or decree enjoining Northrop Grumman, TRW or Richmond Acquisition Corp. from consummating the merger becomes final and unappealable; or

the other party breaches a representation, warranty, covenant or obligation contained in the merger agreement, and such breach:

results in a failure of the condition that the other party was required to perform its obligations under the merger agreement in all material respects or that the other party's representations and warranties be true and correct unless the failure to be true and correct is not material or would not result in a material adverse effect on the other party and its subsidiaries taken together; and

is not susceptible to cure or, if susceptible to cure, is not cured within 30 days after written notice of the breach.

The merger agreement may be terminated by Northrop Grumman if:

TRW's board of directors changes its recommendation to TRW's shareholders to adopt the merger agreement (whether or not permitted by the merger agreement);

TRW fails to call the TRW Meeting; or

TRW's board of directors recommends a proposal other than the merger to the TRW shareholders.

The merger agreement may be terminated by TRW if:

Northrop Grumman's board of directors changes its recommendation to Northrop Grumman's stockholders to approve the issuance of the shares of Northrop Grumman common stock pursuant to the merger (whether or not permitted by the merger agreement);

Northrop Grumman fails to call the Northrop Meeting; or

TRW's board of directors in good faith determines by a majority vote, after consultation with outside legal counsel, that to fulfill its fiduciary obligations it may be required to withdraw its recommendation

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regarding the merger, or approve or recommend, or cause TRW to enter into an agreement regarding a proposal that TRW's board of directors believes is more favorable to TRW's shareholders than the merger, and:

TRW gives notice to Northrop Grumman of the competing proposal, including the material terms of the proposal and the identity of the party making the competing proposal;

Northrop Grumman does not make an offer that TRW's board of directors by a majority vote determines in good faith (based on the advice of TRW's financial advisers) is as favorable to TRW's shareholders as the competing proposal within five days after receiving notice from TRW of the competing proposal; and

prior to or concurrently with signing any agreement regarding the competing proposal, TRW must terminate the merger agreement and pay Northrop Grumman the termination fee described below.

### **Termination Fee**

TRW must pay Northrop Grumman a termination fee of \$275 million if the merger agreement is terminated:

by Northrop Grumman, because TRW's board of directors changes its recommendation to TRW's shareholders to adopt the merger agreement (whether or not permitted by the merger agreement);

by Northrop Grumman, because TRW fails to call the TRW Meeting as required by the merger agreement;

by Northrop Grumman, because TRW's board of directors recommends a proposal other than the merger to the TRW shareholders;

by TRW, after complying with its obligations under the non-solicitation provisions of the merger agreement referred to below. See No Solicitation on the following page.

TRW also must pay Northrop Grumman the \$275 million termination fee if the merger agreement is terminated by Northrop Grumman because:

the TRW shareholders fail to adopt the merger agreement at the TRW Meeting and, at the time of the TRW Meeting, there is outstanding, or TRW is considering, or there has been a public announcement of, a plan or proposal (referred to as an acquisition proposal) for the direct or indirect acquisition of 30% or more of either the equity interests in TRW or the assets or business of TRW or its subsidiaries that constitute 30% or more of the net revenues, net income or net assets of TRW and its subsidiaries (taken as a whole), and within twelve months thereafter:

TRW enters into an agreement with respect to such an acquisition proposal; or

a transaction occurs involving the conveyance of 50% or more of either the equity interests in TRW or the assets or business of TRW or its subsidiaries that constitute 50% or more of the net revenues, net income or net assets of TRW and its subsidiaries (taken as a whole), in each case involving any party or an affiliate thereof:

with whom TRW or its agents had negotiations regarding an acquisition proposal;

to whom TRW or its agents provided information in connection with an acquisition proposal; or

who had submitted an acquisition proposal to TRW after the date of the merger agreement and before the date the merger agreement is terminated; or

TRW has breached a representation, warranty, covenant or obligation contained in the merger agreement, and such breach:

results in a failure of the condition that TRW shall have performed in all material respects its covenants and obligations under the merger agreement, that TRW's representations and warranties

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shall be true and correct unless the failure to be true and correct is not material or would not result in a material adverse effect on TRW and its subsidiaries taken together; and

is not susceptible to cure or, if susceptible to cure, is not cured within 30 days after written notice of the breach and, within twelve months thereafter:

TRW enters into an agreement for the direct or indirect acquisition of 30% or more of either the equity interests in TRW or the assets or business of TRW or its subsidiaries that constitute 30% or more of the net revenues, net income or net assets of TRW and its subsidiaries (taken as a whole); or

a transaction occurs involving the conveyance of 50% or more of either the equity interests in TRW or the assets or business of TRW or its subsidiaries that constitute 50% or more of the net revenues, net income or net assets of TRW and its subsidiaries (taken as a whole), in each case involving any party or affiliate thereof:

with whom TRW or its agents had negotiations regarding an acquisition proposal after the date of the merger agreement and before the date the merger agreement is terminated;

to whom TRW or its agents provided information in connection with an acquisition proposal after the date of the merger agreement and before the date the merger agreement is terminated; or

who had submitted an acquisition proposal to TRW after the date of the merger agreement and before the date the merger agreement is terminated.

## **Expense Reimbursement**

Northrop Grumman must reimburse TRW for up to \$50 million of documented expenses if the merger agreement is terminated by TRW because Northrop Grumman's board of directors changes its recommendation to Northrop Grumman's stockholders to authorize the issuance of shares of Northrop Grumman common stock pursuant to the merger or fails to call the Northrop Meeting.

## **No Solicitation**

The merger agreement contains a non-solicitation covenant which prohibits TRW from continuing discussions or negotiations regarding any acquisition proposal (as defined in the merger agreement) after the date of the merger agreement. However, if an acquisition proposal is received, TRW's board of directors may make inquiries or conduct discussions to inform itself for the purpose of exercising its fiduciary duties if:

the acquisition proposal could result in a superior proposal, as described below; and

the acquisition proposal was not solicited after the date of the merger agreement and did not otherwise result from TRW's breach of the non-solicitation covenant.

If TRW's board of directors determines that a competing proposal is reasonably likely to lead to a superior proposal (as described on the following page), TRW and its representatives may conduct additional discussions or provide non-public information to the other party if such other party executes a confidentiality and standstill agreement no less restrictive than the confidentiality agreement between Northrop Grumman and TRW and the confidentiality provisions in the merger agreement.

TRW has agreed to inform Northrop Grumman concerning any unsolicited acquisition proposal which it may receive.

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### **Change of Recommendation**

TRW's board of directors has agreed to recommend the adoption of the merger agreement to TRW shareholders. However, TRW's board of directors is permitted to withdraw or modify its recommendation in a manner adverse to Northrop Grumman, if:

Northrop Grumman changes its recommendation to Northrop Grumman stockholders;

TRW receives an unsolicited competing proposal that TRW's board of directors believes is a superior proposal, as described above, provided:

TRW's board of directors determines in good faith, after consultation with outside legal counsel, that such withdrawal or modification may be required to satisfy its fiduciary duties;

TRW provides written notice to Northrop Grumman of the superior proposal prior to withdrawing or modifying its recommendation; and

Northrop Grumman does not, within five business days of receipt of such notice, make an offer which TRW's board of directors determines in good faith to be as favorable as the superior proposal.

However, TRW may not enter into any agreement with respect to a superior proposal unless the merger agreement has been or concurrently is terminated and TRW first pays Northrop Grumman the \$275 million termination fee described above.

A superior proposal is defined in the merger agreement as a bona fide written proposal or indication of interest from a third party for:

a direct or indirect acquisition, purchase or conveyance of the business or assets of TRW or any of its subsidiaries that constitutes 30% or more of the net revenues, net income or assets of TRW and its subsidiaries, taken as a whole;

a direct or indirect acquisition, purchase or conveyance of 30% or more of any class of equity securities of TRW or any of its subsidiaries whose business constitutes 30% or more of the net revenues, net income or assets of TRW and its subsidiaries, taken as a whole;

a tender offer or exchange offer that, if consummated, would result in anyone beneficially owning 30% or more of any class of equity securities of TRW, or any of its subsidiaries whose business constitutes 30% or more of the net revenues, net income or assets of TRW and its subsidiaries, taken as a whole; or

a merger, consolidation, business combination or similar transaction involving TRW, including a transaction that contemplates the conveyance or other disposition of a portion of the assets or a business of TRW or any of its subsidiaries to a third party and/or the shareholders of TRW prior to the consummation of such transaction, where such transaction, together with such conveyance or other disposition, if any, constitutes 30% or more of the net revenue, net income or assets of TRW and its subsidiaries, taken as a whole;

in each case, which the TRW board of directors determines in its good faith judgment, after consultation with a financial adviser of nationally recognized reputation, is more favorable to TRW shareholders than the merger.

### **Amendment or Waiver of the Merger Agreement**

The parties may amend or waive any provision of the merger agreement before the effective time of the merger and before TRW shareholders have adopted the merger agreement and Northrop Grumman stockholders have approved the issuance of the shares of Northrop Grumman common stock to be issued pursuant to the merger. After the receipt of either stockholder approval, if any such amendment or waiver shall by law or in accordance with the rules and regulations of any relevant securities exchange require further approval of Northrop Grumman stockholders or TRW shareholders, the effectiveness of the amendment or waiver will be subject to the necessary stockholder approval.

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### **NORTHROP GRUMMAN AFTER THE MERGER**

#### **Management**

##### *Directors*

After the merger, Northrop Grumman will retain its current board of directors. More information about each of the members of Northrop Grumman's board of directors is included in Annex F to this joint proxy statement/prospectus.

Following the merger, the directors of Richmond Acquisition Corp. on the closing date will become the directors of TRW, the corporation surviving the merger. These directors are Albert F. Myers and John H. Mullan. More information about these directors is included in Annex F to this joint proxy statement/prospectus.

##### *Executive Officers*

The composition of Northrop Grumman's management is not expected to change materially as a result of the merger. More information about each of Northrop Grumman's executive officers is included in Annex F to this joint proxy statement/prospectus. Northrop Grumman may enter into retention or other arrangements with TRW officers who remain employed by TRW following the merger.

Until successors are elected or duly appointed and qualified or until an officer resigns, the officers of TRW at the effective time will be the officers of TRW after the merger. More information about TRW's executive officers is included in Annex G to this joint proxy statement/prospectus.

#### **Proposed Sale or Spin Off of TRW's Automotive Business**

##### *General Information*

Northrop Grumman currently anticipates that TRW will continue its current business and operations after the merger as a wholly-owned subsidiary of Northrop Grumman, except that as a result of the sale to Goodrich Corporation on October 1, 2002 TRW no longer operates its Aeronautical Systems business and after completion of the merger Northrop Grumman plans to sell TRW's Automotive business to a third party or parties or spin off the business to Northrop Grumman stockholders (including former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off). At this time, neither TRW nor Northrop Grumman has entered into any agreement to sell or spin off the Automotive business and there can be no assurance that a sale or spin off will be consummated, although TRW has taken certain actions described below intended to prepare for or facilitate a spin off of the Automotive business.

##### *Possible Sale Transaction*

Northrop Grumman is actively exploring the possibility of selling the Automotive business to a third party or parties. Such a transaction could generate substantial proceeds which could be used to retire indebtedness. The desirability and feasibility of such a sale will depend upon whether a buyer or group of buyers can be identified who have the financial capacity and desire to acquire the Automotive business on terms that are attractive to Northrop Grumman and are determined to be reasonably likely to produce the maximum benefit and value for Northrop Grumman's stockholders.

##### *Incorporation of TRW Automotive Inc. and Registration of Stock*

On June 3, 2002, TRW organized a wholly-owned subsidiary named TRW Automotive Inc. under the laws of the State of Delaware. On June 4, 2002, this subsidiary filed a registration statement on Form S-1 with

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the SEC to register shares of common stock of the subsidiary to be issued to TRW's shareholders in connection with a spin off of TRW's Automotive business to TRW's shareholders, as described in the subsidiary's registration statement. The following section describes the general structure proposed by TRW to accomplish the spin off of the Automotive business to TRW's shareholders, as described in TRW Automotive Inc.'s registration statement. Such registration statement has been, and will be, amended from time to time. If Northrop Grumman determines to divest TRW's Automotive business by a spin off to Northrop Grumman's stockholders (including former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off) rather than by a sale, Northrop Grumman expects that the transaction will be completed in a manner substantially similar to that contemplated by TRW, as described below, except that any spin off completed after the merger would result in a distribution of the stock of TRW Automotive Inc. to Northrop Grumman's stockholders (including such former TRW shareholders).

### *Description of Proposed Spin Off*

*Transfer of Assets and Liabilities.* In preparation for a spin off of TRW's Automotive business, TRW stated that it would engage in a series of restructuring transactions designed to transfer to TRW Automotive Inc. all of the assets and liabilities associated with TRW's Automotive business and any equity or similar interests held by TRW in subsidiaries and other entities that conduct the Automotive business. In addition, all liabilities associated with the Automotive business would be assumed by TRW Automotive Inc., such that after giving effect to the restructuring transactions, TRW's Automotive business will reside, directly or indirectly, in TRW Automotive Inc. and its subsidiaries and affiliates. TRW would retain all of the assets and liabilities associated with its non-Automotive businesses after the spin off.

*Registration and Listing of TRW Automotive Inc. Stock.* The distribution of shares of common stock of TRW Automotive Inc. in a spin off would be registered pursuant to TRW Automotive Inc.'s registration statement filed on June 4, 2002, as amended or supplemented from time to time, and applications would be made to the New York Stock Exchange to list those shares upon official notice of issuance.

*Third Party Equity Sale.* In preparation for the spin off, TRW stated that shares of convertible preferred stock representing up to 20% of the outstanding shares of common stock of TRW Automotive Inc. (assuming the conversion of such shares of convertible preferred stock) may be sold to a third party investor or investors in a private placement transaction, subject to reasonable and customary terms and conditions.

*Debt Financing Transaction.* Upon completing the restructuring transactions, TRW anticipates that TRW Automotive Inc. would have approximately \$2.8 billion of gross funding (debt plus securitized receivables). This level of gross funding is considered by TRW to be a reasonable amount for TRW Automotive Inc. to obtain and maintain an investment grade rating. The debt could be created through the issuance of debt securities by TRW Automotive Inc., through the assumption of existing TRW indebtedness or through a combination of these approaches.

*Spin Off of Automotive Business.* If Northrop Grumman elects to do the spin off after the merger, it currently is anticipated that Northrop Grumman's stockholders (including former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off) would receive a special dividend paid in the form of registered, listed stock of TRW Automotive Inc. As a result of this dividend, Northrop Grumman's stockholders (including such former TRW shareholders) would own all of the outstanding capital stock of TRW Automotive Inc., other than any portion owned by a third party purchaser of convertible preferred stock as described above. As a result of this special dividend, TRW Automotive Inc. would be a stand-alone corporation, with stock registered under the Securities Act and with shares listed and traded separately on the New York Stock Exchange.

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### *Certain Federal Income Tax Consequences of the Disposition of the TRW Automotive Business*

A sale of the TRW Automotive business will likely be a taxable transaction to Northrop Grumman. In the event that Northrop Grumman proceeds with a spin off of the TRW Automotive business, Northrop Grumman will attempt to structure the spin off as a transaction that is tax-free to its shareholders (including the former TRW shareholders) under Section 355(a) of the Internal Revenue Code. There can be no assurance, however, that the spin off can be structured, or will qualify, as a tax-free transaction. If the spin off does qualify as a tax-free transaction to the Northrop Grumman stockholders, such stockholders will not recognize any income, gain or loss as a result of the receipt of the stock of the spun off company, except for any gain or loss attributable to the receipt of cash in lieu of a fractional share. In addition, the tax basis of a Northrop Grumman stockholder in the stock of the spun-off company and in the stock of Northrop Grumman will be determined by allocating the stockholder's basis in its Northrop Grumman stock immediately before the spin off between the Northrop Grumman stock held by the stockholder and the stock of the spun off company that is distributed to the stockholder in proportion to their relative fair market values in accordance with applicable United States Treasury regulations. If the spin off does not qualify as a tax-free transaction to the Northrop Grumman stockholders, each Northrop Grumman stockholder who receives stock of the spun off company will be treated as receiving a taxable dividend distribution in an amount equal to the fair market value of such stock on the date of the spin off. In addition, each such stockholder's basis in the stock of the spun off company will be equal to the fair market value of that stock on the date of the spin off. Notwithstanding the treatment of the spin off for Northrop Grumman stockholders, the spin off will be taxable to Northrop Grumman as a result of Section 355(e) of the Internal Revenue Code if it is deemed to be undertaken as part of the same plan as a transaction (the merger) in which more than a 50% change in ownership of TRW occurred. However, Northrop Grumman does not expect any tax imposed on Northrop Grumman or its subsidiaries as a result of either a sale or the spin off of the TRW Automotive business to be material.

### *Comparison of Spin Off and Sale Alternatives*

If a spin off of TRW's Automotive business were to be completed:

TRW Automotive Inc. would be owned by Northrop Grumman's stockholders (including former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off) and any purchaser of convertible preferred stock of TRW Automotive Inc.;

TRW Automotive Inc. would be a stand alone corporation, with its own revenues, expenses, liabilities and commitments and would have no connection to TRW's remaining operations or Northrop Grumman, other than certain contractual arrangements that would be entered into in connection with the spin off of the Automotive business;

TRW Automotive Inc. would receive no financial benefit if Northrop Grumman experienced successes, and generally would bear no liabilities or experience any detriments should Northrop Grumman become unsuccessful;

Northrop Grumman would receive no financial benefit if TRW Automotive Inc. experienced successes, and generally would bear no liabilities or experience any detriments should TRW Automotive Inc. become unsuccessful; and

Northrop Grumman's level of indebtedness (including any indebtedness attributable to TRW and the merger) would be reduced to the extent that indebtedness is assumed by TRW Automotive Inc. or the proceeds from any debt or equity financing of TRW Automotive Inc. are applied to pay down debt of Northrop Grumman or TRW.

If a sale of TRW's entire Automotive business were to be completed:

Neither Northrop Grumman's nor TRW's former shareholders would have any ownership interest in TRW's Automotive business after the sale by virtue of their ownership of Northrop Grumman stock;

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None of Northrop Grumman's stockholders (including former TRW shareholders who hold Northrop Grumman common stock as of the record date for the spin off) would receive any financial benefit or incur any detriment from the operating results of TRW's Automotive business after the sale, although it is possible that any sale transaction will contain customary representations, warranties and indemnities by Northrop Grumman that may survive the closing of the transaction; and

Northrop Grumman's level of indebtedness (including any indebtedness attributable to TRW and the merger) likely would be reduced to a greater extent than any reduction in indebtedness relating to a spin off, assuming most or all of the net proceeds from a sale were applied to reduce indebtedness.

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### **UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The pro forma financial data presented below are derived from the historical consolidated financial statements of Northrop Grumman, Litton, Newport News and TRW, and have been adjusted to give effect to Northrop Grumman's acquisitions of Litton, Newport News and TRW. The pro forma statements contained herein use the purchase method of accounting, with Northrop Grumman treated as the acquirer and as if the Litton, Newport News and TRW acquisitions had been completed on January 1, 2001 (for statement of operations purposes) and on June 30, 2002 (for balance sheet purposes).

The pro forma amounts presented also give effect to (a) the sale by TRW of its Aeronautical Systems business on October 1, 2002 for a gross purchase price of \$1.5 billion in cash and (b) an assumed divestiture of TRW's Automotive business upon the completion of the merger in a sale transaction generating cash proceeds of \$5.0 billion.

If the divestiture of TRW's Automotive business is accomplished as a spin off rather than a sale, the pro forma effect of the divestiture will differ from that presented below in the following respects:

cash proceeds from the sale would be eliminated;

a portion of TRW's existing indebtedness, currently estimated as approximately \$2.8 billion, will be replaced by indebtedness of TRW Automotive Inc. and eliminated as indebtedness of TRW; and

interest costs associated with such replaced indebtedness will be eliminated.

The pro forma financial data presented below and in **SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA** beginning on page 19 reflect preliminary estimates of:

the fair market value of the Newport News assets acquired by Northrop Grumman;

the fair market value of the Newport News liabilities assumed by Northrop Grumman;

the related allocations of purchase price for the Newport News acquisition; and

preliminary estimates of adjustments necessary to conform Newport News' accounting policies to Northrop Grumman's accounting policies.

Northrop Grumman is currently reviewing preliminary accounting conformance adjustments and preliminary estimates of the fair market value of the Newport News assets acquired and liabilities assumed, including valuations associated with certain contracts, legal contingencies, and property, plant and equipment, as well as valuation studies of Newport News' retiree benefits assets and liabilities. The final determination of the fair market value of the assets acquired and liabilities assumed and the final allocation of the purchase price are expected to be finalized within one year of the date of the Newport News acquisition and will be reflected in future filings. The final determinations may result in amounts which are materially different from the amounts reflected in the pro forma data presented herein and are subject to adjustment pending such final determinations.

As of the date of this joint proxy statement/prospectus, Northrop Grumman has not performed the valuation studies necessary to estimate the fair market value of TRW assets to be acquired and liabilities to be assumed and the related allocations of purchase price, nor has Northrop Grumman identified the adjustments, if any, necessary to conform the TRW data to Northrop Grumman's accounting policies. Accordingly, Northrop Grumman has used the historical book values of the assets and liabilities of TRW and has used the historical revenue recognition policies of TRW to prepare the unaudited pro forma financial data contained in this joint proxy statement/prospectus, with the excess of the purchase price over the historical net assets of TRW recorded as goodwill and other purchased intangibles. Once Northrop Grumman has determined the final purchase price for

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TRW and has completed the valuation studies necessary to finalize the required purchase price allocations and identified any necessary conforming changes for TRW, such pro forma financial statements will be subject to adjustment. Such adjustments will likely result in changes to the pro forma statements of financial position to reflect the final allocations of the purchase price and the pro forma statements of income, and there can be no assurance that such adjustments will not be material. Upon consummation of the merger, Northrop Grumman intends to sell or spin off TRW's Automotive business. There currently is no agreement for a sale of the Automotive business and there can be no assurance that a sale or spin off will be consummated or with respect to the terms of any such sale or spin off. If such a sale or spin off transaction does not conform to the assumptions regarding a sale of the Automotive business on which the pro forma information provided herein is based, such a transaction would materially change such pro forma information.

The pro forma amounts presented herein and in the section entitled "SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA" beginning on page 19 have been developed from (i) the audited consolidated financial statements of Northrop Grumman contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2001, (ii) the unaudited consolidated financial statements contained in Litton's Quarterly Report on Form 10-Q for the period ended January 31, 2001, (iii) the unaudited consolidated financial statements of Newport News contained in its quarterly report on Form 10-Q for the period ended September 16, 2001, (iv) the audited consolidated financial statements of TRW for the fiscal year ended December 31, 2001 which are contained in its Form 8-K filed on September 3, 2002 (which contains restated financial statements of TRW for the fiscal year ended December 31, 2001 to give effect to the sale of the Aeronautical Systems business to Goodrich Corporation and the reporting of that business as a discontinued operation), (v) Northrop Grumman's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 and (vi) TRW's Quarterly Report on Form 10-Q for the period ended June 30, 2002, each of which is incorporated by this reference in this joint proxy statement/prospectus.

The acquisitions of Newport News and TRW by Northrop Grumman, the sale of TRW's Aeronautical Systems business to Goodrich Corporation on October 1, 2002 and the proposed sale or spin off of the Automotive business after the merger are collectively referred to in these pro forma financial statements and the related notes as the "pro forma transactions." The unaudited pro forma financial statements and data contained herein 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 pro forma transactions occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or financial position. The pro forma financial statements and data contained herein do not reflect the realization of any cost savings from operating efficiencies, synergies or other restructurings resulting from the pro forma transactions, and should be read in conjunction with the separate historical consolidated financial statements and accompanying notes of Northrop Grumman and TRW which are incorporated by reference in this joint proxy statement/prospectus.

**Table of Contents****Unaudited Pro Forma Condensed Combined  
Statement of Financial Position***June 30, 2002**(\$ in millions)*

The following pro forma financial information should be read in conjunction with the applicable notes referenced therein, which start on page 110.

|                                                            | <b>Pro Forma Northrop Grumman/TRW<br/>Including TRW Automotive</b> |                  |                   |                  | <b>Pro Forma Northrop Grumman/TRW<br/>With Assumed TRW Automotive Sale</b> |                   |                  |
|------------------------------------------------------------|--------------------------------------------------------------------|------------------|-------------------|------------------|----------------------------------------------------------------------------|-------------------|------------------|
|                                                            | <b>Northrop<br/>Grumman</b>                                        | <b>TRW</b>       | <b>Adjustment</b> | <b>Combined</b>  | <b>Automotive<br/>Sale</b>                                                 | <b>Adjustment</b> | <b>Combined</b>  |
| <b>Assets:</b>                                             |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Current assets                                             |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Cash and cash equivalents                                  | \$ 196                                                             | \$ 259           | \$ 1,429(n)       | \$ 1,884         | \$ (147)                                                                   | \$ 5,000(p)       | \$ 6,737         |
| Accounts receivable                                        | 2,696                                                              | 1,875            |                   | 4,571            | (1,183)                                                                    |                   | 3,388            |
| Interest in securitized receivables                        |                                                                    | 182              |                   | 182              | (182)                                                                      |                   |                  |
| Inventoried costs                                          | 1,163                                                              | 615              |                   | 1,778            | (587)                                                                      |                   | 1,191            |
| Deferred income taxes                                      | 57                                                                 | 274              |                   | 331              | (143)                                                                      |                   | 188              |
| Prepaid expenses and other current assets                  | 141                                                                | 175              |                   | 316              | (93)                                                                       |                   | 223              |
| Assets of business held for sale                           |                                                                    | 1,644            | (1,644)(n)        |                  |                                                                            |                   |                  |
| <b>Total current assets</b>                                | <b>4,253</b>                                                       | <b>5,024</b>     | <b>(215)</b>      | <b>9,062</b>     | <b>(2,335)</b>                                                             | <b>5,000</b>      | <b>11,727</b>    |
| Property, plant and equipment                              |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Property, plant and equipment                              | 4,356                                                              | 8,224            |                   | 12,580           | (6,115)                                                                    |                   | 6,465            |
| Accumulated depreciation                                   | (1,356)                                                            | (4,983)          |                   | (6,339)          | 3,559                                                                      |                   | (2,780)          |
| <b>Property, plant and equipment, net</b>                  | <b>3,000</b>                                                       | <b>3,241</b>     |                   | <b>6,241</b>     | <b>(2,556)</b>                                                             |                   | <b>3,685</b>     |
| Other assets                                               |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Goodwill, net                                              | 8,840                                                              | 2,639            | 5,453(a)(n)       | 16,932           | (2,397)                                                                    | (174)(o)          | 14,361           |
| Purchased intangibles, net                                 | 1,661                                                              | 255              | 2,443(a)(n)       | 4,359            | (176)                                                                      | (681)(o)          | 3,502            |
| Prepaid retiree benefits cost and intangible pension asset | 3,175                                                              | 2,882            | (2,280)(n)        | 3,777            | (2,862)                                                                    | 1,746(o)          | 2,661            |
| Other assets                                               | 455                                                                | 598              |                   | 1,053            | (421)                                                                      |                   | 632              |
|                                                            | <b>14,131</b>                                                      | <b>6,374</b>     | <b>5,616</b>      | <b>26,121</b>    | <b>(5,856)</b>                                                             | <b>891</b>        | <b>21,156</b>    |
|                                                            | <b>\$ 21,384</b>                                                   | <b>\$ 14,639</b> | <b>\$ 5,401</b>   | <b>\$ 41,424</b> | <b>\$ (10,747)</b>                                                         | <b>\$ 5,891</b>   | <b>\$ 36,568</b> |
| <b>Liabilities and Shareholders' Equity:</b>               |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Current liabilities                                        |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Notes payable and current portion of long term debt        | \$ 250                                                             | \$ 733           | \$                | \$ 983           | \$ (214)                                                                   | \$ 15(o)          | \$ 784           |
| Accounts payable                                           | 867                                                                | 1,883            |                   | 2,750            | (1,552)                                                                    |                   | 1,198            |
| Accrued employees' compensation                            | 669                                                                |                  |                   | 669              |                                                                            |                   | 669              |
| Contract loss provision                                    | 888                                                                |                  |                   | 888              |                                                                            |                   | 888              |
| Advances on contracts                                      | 540                                                                |                  |                   | 540              |                                                                            |                   | 540              |
| Income taxes                                               | 722                                                                |                  |                   | 722              |                                                                            |                   | 722              |
| Liabilities of business held for sale                      |                                                                    | 468              | (468)(n)          |                  |                                                                            |                   |                  |
| Other current liabilities                                  | 847                                                                | 2,105            | 109(n)            | 3,061            | (1,221)                                                                    |                   | 1,840            |
| <b>Total current liabilities</b>                           | <b>4,783</b>                                                       | <b>5,189</b>     | <b>(359)</b>      | <b>9,613</b>     | <b>(2,987)</b>                                                             | <b>15</b>         | <b>6,641</b>     |
| Debt allocated from TRW                                    |                                                                    |                  |                   |                  |                                                                            |                   |                  |
| Long-term debt                                             | 4,915                                                              | 4,807            |                   | 9,722            | (301)                                                                      | 301(o)            | 9,722            |
| Accrued retiree benefits                                   | 2,237                                                              |                  | 1,069(s)          | 3,306            | (748)                                                                      |                   | 2,558            |

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|                                               |                  |                  |                 |                  |                    |                 |                  |
|-----------------------------------------------|------------------|------------------|-----------------|------------------|--------------------|-----------------|------------------|
| Minority interest                             | 17               | 84               |                 | 101              | (81)               |                 | 20               |
| Deferred tax and other long-term liabilities  | 1,060            | 2,564            | (1,069)(s)      | 2,555            | (1,055)            |                 | 1,500            |
| Redeemable preferred stock                    | 350              |                  |                 | 350              |                    |                 | 350              |
| Shareholders' equity                          |                  |                  |                 |                  |                    |                 |                  |
| Paid in capital                               | 4,834            | 570              | 7,185(a)        | 12,589           |                    |                 | 12,589           |
| Retained earnings                             | 3,240            | 1,964            | (1,964)(a)      | 3,240            |                    |                 | 3,240            |
| Accumulated other comprehensive loss          | (52)             | (268)            | 268(a)          | (52)             | 271                | (271)(o)        | (52)             |
| Parent company investment                     |                  |                  |                 |                  | (2,216)            | 2,216(o)        |                  |
| Treasury Shares - cost in excess of par value |                  | (271)            | 271(a)          |                  |                    |                 |                  |
|                                               | <u>8,022</u>     | <u>1,995</u>     | <u>5,760</u>    | <u>15,777</u>    | <u>(1,945)</u>     | <u>1,945</u>    | <u>15,777</u>    |
|                                               | <u>\$ 21,384</u> | <u>\$ 14,639</u> | <u>\$ 5,401</u> | <u>\$ 41,424</u> | <u>\$ (10,747)</u> | <u>\$ 5,891</u> | <u>\$ 36,568</u> |

**Table of Contents****Unaudited Pro Forma Condensed Combined  
Statement of Income**

*Six Months Ended June 30, 2002*  
*(\$ in millions, except per share data)*

The following pro forma financial information should be read in conjunction with the applicable notes referenced therein, which start on page 110.

|                                                       | <b>Pro Forma Northrop Grumman/TRW Including TRW Automotive</b> |            |                    |                 | <b>Pro Forma Northrop Grumman/TRW with Assumed TRW Automotive Sale</b> |                    |                 |
|-------------------------------------------------------|----------------------------------------------------------------|------------|--------------------|-----------------|------------------------------------------------------------------------|--------------------|-----------------|
|                                                       | <b>Northrop Grumman</b>                                        | <b>TRW</b> | <b>Adjustments</b> | <b>Combined</b> | <b>Automotive Sale</b>                                                 | <b>Adjustments</b> | <b>Combined</b> |
| Sales and service revenues                            | \$ 8,482                                                       | \$ 8,119   | \$ (9)(b)          | \$ 16,592       | \$ (5,411)                                                             | \$                 | \$ 11,181       |
| Cost of sales                                         |                                                                |            |                    |                 |                                                                        |                    |                 |
| Operating Costs                                       | 6,973                                                          | 7,200      | 118(b)(m)          | 14,291          | (4,780)                                                                | (34)(q)            | 9,477           |
| Administrative and general expenses                   | 840                                                            | 426        |                    | 1,266           | (263)                                                                  |                    | 1,003           |
| Operating margin                                      | 669                                                            | 493        | (127)              | 1,035           | (368)                                                                  | 34                 | 701             |
| Interest expense                                      | (214)                                                          | (205)      |                    | (419)           | 147                                                                    |                    | (272)           |
| Other, net                                            | 25                                                             | 18         |                    | 43              | 14                                                                     |                    | 57              |
| Income from continuing operations before income taxes | 480                                                            | 306        | (127)              | 659             | (207)                                                                  | 34                 | 486             |
| Federal and foreign income taxes                      | 149                                                            | 104        | (44)(f)            | 209             | (69)                                                                   | 4(f)               | 152             |
| Income from continuing operations                     | \$ 331                                                         | \$ 202     | \$ (83)            | \$ 450          | \$ (138)                                                               | \$ 22              | \$ 334          |
| Less, dividends paid to preferred shareholders        | (12)                                                           |            |                    | (12)            |                                                                        |                    | (12)            |
| Income available to common shareholders               | \$ 319                                                         | \$ 202     | \$ (83)            | \$ 438          | \$ (138)                                                               | \$ 22              | \$ 322          |
| Average shares basic                                  | 112.12                                                         |            |                    | 181.18          |                                                                        |                    | 181.18(k)       |
| Average shares diluted                                | 113.79                                                         |            |                    | 182.85          |                                                                        |                    | 182.85(k)       |
| Basic earnings per share:                             |                                                                |            |                    |                 |                                                                        |                    |                 |
| Continuing operations                                 | \$ 2.85                                                        |            |                    | \$ 2.42         |                                                                        |                    | \$ 1.78(k)      |
| Diluted earnings per share:                           |                                                                |            |                    |                 |                                                                        |                    |                 |
| Continuing operations                                 | \$ 2.80(r)                                                     |            |                    | \$ 2.40(r)      |                                                                        |                    | \$ 1.76(k)(r)   |

**Table of Contents****Unaudited Pro Forma Condensed Combined  
Statement of Income***Twelve Months Ended December 31, 2001**(\$ in millions, except per share data)*

The following pro forma financial information should be read in conjunction with the applicable notes referenced therein, which start on page 110.

This pro forma financial information gives effect to Northrop Grumman's acquisitions of Litton and Newport News. The pro forma combined amounts in the last column to the right are carried over to the first column on the following page.

|                                                       | Pro Forma Northrop Grumman/Litton |          |               |            | Pro Forma Northrop Grumman/<br>Litton/Newport News |                  |            |
|-------------------------------------------------------|-----------------------------------|----------|---------------|------------|----------------------------------------------------|------------------|------------|
|                                                       | Northrop<br>Grumman               | Litton   | Adjustments   | Combined   | Newport<br>News                                    | Adjustments      | Combined   |
| Sales and service revenues                            | \$ 13,558                         | \$ 1,345 | \$ (18)(b)    | \$ 14,885  | \$ 2,024                                           | \$ (57)(b)       | \$ 16,852  |
| Cost of sales                                         |                                   |          |               |            |                                                    |                  |            |
| Operating Costs                                       | 11,219(l)                         | 1,120    | (19)(b)(c)(d) | 12,320(l)  | 1,640                                              | (27)(b)(d)(h)(j) | 13,933(l)  |
| Administrative and general expenses                   | 1,335                             | 121      |               | 1,456      | 189                                                |                  | 1,645      |
| Operating margin                                      | 1,004                             | 104      | 1             | 1,109      | 195                                                | (30)             | 1,274      |
| Interest expense                                      | (373)                             | (27)     | (41)(e)       | (441)      | (46)                                               | (30)(i)          | (517)      |
| Other, net                                            | 68                                | 3        |               | 71         |                                                    |                  | 71         |
| Income from continuing operations before income taxes | 699                               | 80       | (40)          | 739        | 149                                                | (60)             | 828        |
| Federal and foreign income taxes                      | 272                               | 30       | (14)(f)       | 288        | 59                                                 | (26)(f)(j)       | 321        |
| Income from continuing operations                     | \$ 427                            | \$ 50    | \$ (26)       | \$ 451     | \$ 90                                              | \$ (34)          | \$ 507     |
| Less, dividends paid to preferred shareholders        | (18)                              |          | (7)(g)        | (25)       |                                                    |                  | (25)       |
| Income available to common shareholders               | \$ 409                            | \$ 50    | \$ (33)       | \$ 426     | \$ 90                                              | \$ (34)          | \$ 482     |
| Average shares basic                                  | 84.46                             |          |               | 86.60      |                                                    |                  | 103.24     |
| Average shares diluted                                | 85.26                             |          |               | 87.50      |                                                    |                  | 104.14     |
| Basic earnings per share                              |                                   |          |               |            |                                                    |                  |            |
| Continuing operations                                 | \$ 4.84                           |          |               | \$ 4.92    |                                                    |                  | \$ 4.67    |
| Diluted earnings per share                            |                                   |          |               |            |                                                    |                  |            |
| Continuing operations                                 | \$ 4.80(r)                        |          |               | \$ 4.87(r) |                                                    |                  | \$ 4.63(r) |

**Table of Contents****Unaudited Pro Forma Condensed Combined  
Statement of Income***Twelve Months Ended December 31, 2001**(\$ in millions, except per share data)*

The following pro forma financial information should be read in conjunction with the applicable notes referenced therein, which start on page 110.

The pro forma combined amounts in the first column are brought forward from the last column of the previous page.

|                                                       | <b>Pro Forma Northrop Grumman/Litton/<br/>Newport News/TRW Including TRW Automotive</b> |            |                    |                 | <b>Pro Forma Northrop<br/>Grumman/Litton/Newport News/TRW<br/>with<br/>Assumed TRW Automotive Sale</b> |                    |                 |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------|------------|--------------------|-----------------|--------------------------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                       | <b>Pro Forma<br/>Combined</b>                                                           | <b>TRW</b> | <b>Adjustments</b> | <b>Combined</b> | <b>Automotive<br/>Sale</b>                                                                             | <b>Adjustments</b> | <b>Combined</b> |
| Sales and service revenues                            | \$ 16,852                                                                               | \$ 15,282  | \$ (31)(b)         | \$ 32,103       | \$ (10,091)                                                                                            | \$                 | \$ 22,012(l)    |
| Cost of sales                                         |                                                                                         |            |                    |                 |                                                                                                        |                    |                 |
| Operating Costs                                       | 13,933(l)                                                                               | 13,804     | 191(b)(m)(j)       | 27,928(l)       | (9,198)                                                                                                | (68)(q)            | 18,622(l)       |
| Administrative and general expenses                   | 1,645                                                                                   | 947        |                    | 2,592           | (597)                                                                                                  |                    | 1,995           |
| Operating margin                                      | 1,274                                                                                   | 531        | (222)              | 1,583           | (296)                                                                                                  | 68                 | 1,335           |
| Interest expense                                      | (517)                                                                                   | (477)      |                    | (994)           | 371                                                                                                    |                    | (623)           |
| Other, net                                            | 71                                                                                      | 8          |                    | 79              | (9)                                                                                                    |                    | 70              |
| Income from continuing operations before income taxes | 828                                                                                     | 62         | (222)              | 668             | 66                                                                                                     | 68                 | 802             |
| Federal and foreign income taxes                      | 321                                                                                     | 44         | (67)(f)(j)         | 298             | 30                                                                                                     | 24(f)              | 352             |
| Income from continuing operations                     | \$ 507                                                                                  | \$ 18      | \$ (155)           | \$ 370          | \$ 36                                                                                                  | \$ 44              | \$ 450          |
| Less, dividends paid to preferred shareholders        | (25)                                                                                    |            |                    | (25)            |                                                                                                        |                    | (25)            |
| Income available to common shareholders               | \$ 482                                                                                  | \$ 18      | \$ (155)           | \$ 345          | \$ 36                                                                                                  | \$ 44              | \$ 425          |
| Average shares basic                                  | 103.24                                                                                  |            |                    | 172.30          |                                                                                                        |                    | 172.30(k)       |
| Average shares diluted                                | 104.14                                                                                  |            |                    | 173.20          |                                                                                                        |                    | 173.20(k)       |
| Basic earnings per share                              |                                                                                         |            |                    |                 |                                                                                                        |                    |                 |
| Continuing operations                                 | \$ 4.67                                                                                 |            |                    | \$ 2.00         |                                                                                                        |                    | \$ 2.47(k)      |
| Diluted earnings per share                            |                                                                                         |            |                    |                 |                                                                                                        |                    |                 |
| Continuing operations                                 | \$ 4.63(r)                                                                              |            |                    | \$ 1.99(r)      |                                                                                                        |                    | \$ 2.45(k)(r)   |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED  
FINANCIAL STATEMENTS**

- (a) Adjustments to (i) eliminate the equity of TRW, (ii) record issuance of Northrop Grumman stock, and (iii) record goodwill and other purchased intangibles arising from the acquisition of TRW.

The amount of purchase price allocated to goodwill and other purchased intangibles is subject to change and is calculated based on the assumption that Northrop Grumman has acquired all of the TRW common stock and has issued 69,063,364 shares of Northrop Grumman common stock, determined using the maximum exchange ratio of 0.5357.

The value ascribed to the Northrop Grumman common stock exchanged in the TRW acquisition is \$111.56, which represents the 5-day average of the Northrop Grumman closing stock prices from July 10, 2002 through July 16, 2002.

These pro forma financial statements do not reflect the acceleration and conversion of TRW stock options to Northrop Grumman stock options, due to the limited amount of data available to Northrop Grumman to determine the value of such options. These amounts ultimately will be included as an element of the purchase price. Assuming the exchange ratio and stock price noted above, a maximum of approximately 7.5 million Northrop Grumman options could be issued which would increase the TRW purchase price by \$162.6 million.

- (b) Adjustment to eliminate intercompany sales and cost of sales transactions between Northrop Grumman and Litton, between Northrop Grumman and Newport News, and between Northrop Grumman and TRW, as applicable.
- (c) Adjustment to amortize the preliminary estimate of goodwill and other purchased intangible assets arising out of the acquisition of Litton over an estimated weighted average life of 26 years on a straight line basis.
- (d) Adjustment to record depreciation of property, plant and equipment and amortization of capitalized software arising from fair market value adjustments for the Newport News acquisition.
- (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 6.5 percent for the year ended December 31, 2001.
- (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 shareholders using \$7 per share dividend rate for redeemable preferred stock issued in the acquisition of Litton.
- (h) Adjustment to amortize estimated purchased intangible assets arising out of the Newport News acquisition over an estimated life of 47 years on a straight line basis. Goodwill arising from the Newport News acquisition has not been amortized in accordance with the provisions of SFAS No. 142: *Goodwill and Other Intangible Assets*.
- (i) Adjustment to record interest on debt financing for the Newport News acquisition at a weighted average rate of 4.8 percent for the year ended December 31, 2001.
- (j) Adjustments to reclassify state income tax expense from federal and foreign income taxes to operating costs to conform Newport News and TRW data to classifications utilized by Northrop Grumman.
- (k) Calculated based on the assumption that Northrop Grumman has acquired all of the TRW common stock and has issued 69,063,364 shares of Northrop Grumman common stock, determined using the maximum exchange ratio of 0.5357. Using the minimum exchange ratio of 0.4348 would result in the issuance of approximately 56.05 million Northrop Grumman shares and pro forma basic earnings per share and diluted earnings per share for the six months ended June 30, 2002, of \$1.91 and \$1.90, respectively and the year ended December 31, 2001, of \$2.67 and \$2.65, respectively.
- (l) Goodwill amortization of \$240 million for Northrop Grumman is included in cost of sales in the pro forma statement of income for the year ended December 31, 2001, due to the adoption of SFAS No. 142: *Goodwill and Other Intangible Assets*, as of the beginning of the fiscal year 2002.

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- (m) Adjustment to amortize estimated purchased intangible assets arising out of the TRW acquisition and the sale of TRW's Aeronautical Systems business over an estimated life of 10 years on a straight line basis. Goodwill arising from the TRW acquisition and the sale of TRW's Aeronautical Systems business has not been amortized in accordance with the provisions of SFAS No. 142: *Goodwill and Other Intangible Assets*.
- (n) Adjustments to (i) record TRW's sale of its Aeronautical Systems business to Goodrich Corporation for a gross purchase price of \$1.5 billion in cash, less cash payouts for transaction related costs, (ii) adjust fair value for prepaid pension costs and (iii) record an increase in goodwill and purchase intangibles arising from the sale of the Aeronautical Systems business due to the difference between the carrying amount of the Aeronautical Systems business and the proceeds from the sale, resulting in a reallocation of the purchase price of TRW Inc. pursuant to EITF 87-11. The proceeds from the sale of TRW's Aeronautical Systems business have not been applied to a particular use for purposes of the pro forma data.
- (o) Adjustments to (i) eliminate the equity of TRW Automotive Inc. from the TRW Automotive Inc. stand alone presentation, (ii) retain and classify TRW Automotive Inc.'s debt as an element of Northrop Grumman debt due to the assumption that Northrop Grumman and not the buyer of TRW Automotive Inc. will assume the direct and allocated debt of TRW Automotive Inc. as part of the sales transaction, (iii) reflect the assumed \$5.0 billion cash proceeds from the sale of TRW's Automotive business based on the minimum point of the range of fully-distributed enterprise values for TRW's Automotive business referenced in note (p) of these pro forma financial statements and (iv) record a decrease in goodwill and a decrease in purchase intangibles arising from the sale of TRW's Automotive business due to the difference between the carrying amount of TRW Automotive Inc. and the proceeds of the sale, resulting in a reallocation of the purchase price of TRW Inc. pursuant to EITF 87-11.
- (p) As a result of the ongoing volatility in the stock market, Northrop Grumman requested that its financial adviser, Salomon Smith Barney, update automotive segment market multiples and recalculate potential, fully-distributed enterprise values for TRW's Automotive business. This update was performed as of August 7, 2002 and was based upon analysis of EBITDA multiples for eight peer companies in the automotive industry, including ArvinMeritor, Inc., Autoliv, Inc., BorgWarner Inc., Dana Corporation (excluding Dana Credit Corp.), Delphi Corporation, Lear Corporation, Magna International Inc. and Visteon Corporation. This analysis was prepared for the minimum value range based upon 2002 and 2003 estimated EBITDA and EBITDAP.

The following table presents the results of this analysis:

**Fully-Distributed Automotive**

|                                          | <b>\$5,000</b> | <b>\$5,250</b> |
|------------------------------------------|----------------|----------------|
| <b>Enterprise Value (\$ in millions)</b> |                |                |
| 2002 EBITDA                              | 4.1x           | 4.3x           |
| 2003 EBITDA                              | 4.0            | 4.2            |
| 2002 EBITDAP                             | 4.6            | 4.8            |
| 2003 EBITDAP                             | 4.4            | 4.6            |

The decline in value from previous valuation estimates has been ascribed to uncertainties and volatility in the market. Such fluctuations are subject to change based upon market conditions. EBITDA and EBITDAP amounts can be calculated by dividing Enterprise Value by the respective multiplier.

The above amounts represent calculated Enterprise Values based upon market conditions. The assumed sale presented in the pro forma information contained herein may or may not be representative of the actual sales prices that would occur in the event that a private placement transaction was completed.

- (q) Adjustment to amortize estimated purchased intangible assets arising out of the sale of TRW's Automotive business over an estimated weighted average life of 10 years on a straight line basis. Goodwill arising from the sale of TRW's Automotive business has not been amortized in accordance with the provisions of SFAS No. 142: *Goodwill and Other Intangible Assets*.
- (r) Calculated by dividing income available to common shareholders by average shares diluted, which is calculated assuming preferred shares are not converted to common shares, resulting in the most dilutive effect.
- (s) Adjustment to reclassify accrued retiree benefits from deferred tax and other long-term liabilities to conform TRW to classification utilized by Northrop Grumman.



**Table of Contents****BENEFICIAL OWNERSHIP OF NORTHROP GRUMMAN COMMON STOCK**

Set forth below is information regarding Northrop Grumman common stock owned by (i) those persons owning more than 5% of the outstanding Northrop Grumman common stock and (ii) directors and executive officers of Northrop Grumman as a group.

**Security Ownership of Certain Beneficial Owners**

| <b>Name and Address of Beneficial Owner</b>                                          | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class(a)</b> |
|--------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------|
| Wellington Management Company, LLP(b)<br>75 State Street<br>Boston, MA 02109         | 12,007,765 shares                                | 10.61%                     |
| Unitrin, Inc.(c)<br>One East Wacker Drive<br>Chicago, IL 60601                       | 7,665,281 shares                                 | 6.78%                      |
| U.S. Trust Company, N.A.(d)(e)<br>515 So. Flower St., #2800<br>Los Angeles, CA 90071 | 8,346,653 shares                                 | 7.38%                      |
| State Street Bank and Trust Company(f)<br>225 Franklin St.<br>Boston, MA 02110       | 6,296,094 shares                                 | 5.57%                      |
| FMR Corp.(g)<br>82 Devonshire St.<br>Boston, MA 02109                                | 5,705,463 shares                                 | 5.04%                      |

- (a) Percent of class was calculated based on the number of outstanding shares of Northrop Grumman common stock as of October 21, 2002 (113,133,263) and the most recent publicly available information in documents filed by or on behalf of such beneficial owners with the SEC.
- (b) This information was obtained from a Schedule 13F filed by Wellington Management Company, LLP with the SEC on August 14, 2002.
- (c) This information was obtained from a Schedule 13F filed by Unitrin, Inc. with the SEC on August 9, 2002. According to Unitrin, as of June 30, 2002, Unitrin had sole voting and dispositive power over all 7,665,281 shares.
- (d) This information was obtained from a Schedule 13F filed by U.S. Trust Company, N.A. with the SEC on July 18, 2002. U.S. Trust Company is an Investment Manager (the "Investment Manager") for the Northrop Grumman Pension Plan and the pension plans for certain divisions of Northrop Grumman (the "Pension Plans"); Northrop Grumman has established a Master Trust with State Street Bank and Trust Company as Trustee ("Trustee"). Under the Master Trust, the Investment Manager has responsibility for the management and control of the Northrop Grumman shares held in the Master Trust as assets of the Pension Plans. According to the Investment Manager, the Investment Manager has sole voting power over 4,233,996 shares, shared voting power over 4,109,231 shares and no voting power over 3,426 shares.
- (e) These shares are held for the account of (but not beneficially owned by) the Trustee. The Investment Manager has voting power over these shares, except in the event of a contested election of directors or in connection with a tender offer. In such cases, the shares are voted in accordance with instructions received from eligible participants in the Pension Plans and undirected shares are voted in the same proportion as shares for which instructions are received.
- (f) This information was provided by State Street Bank and Trust Company ("State Street") in a Schedule 13G filed with the SEC on February 6, 2002. According to State Street, as of December 31, 2001, State Street had sole voting power over 1,948,208 shares, shared voting power over 4,157,591 shares, sole dispositive

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power over 6,291,218 and shared dispositive power over 4,876 shares. This total includes 4,032,315 shares held for the account of employee participants in the Employee Stock Ownership Plan portion of the Northrop Grumman Savings and Investment Plan for which State Street acts as a trustee.

- (g) This information was obtained from a Schedule 13F filed by FMR Corp. ( Fidelity ) with the SEC on August 14, 2002. According to Fidelity, as of June 30, 2002, Fidelity had sole voting power over 834,909 shares and no voting power over 4,870,554 shares.

**Security Ownership of Northrop Grumman Management**

The following table shows beneficial ownership (as defined by applicable rules for proxy statement reporting purposes) of the Northrop Grumman common stock as of October 21, 2002 by each director and nominee, by the Chief Executive Officer and the other four most highly compensated executive officers (collectively, the Named Executive Officers ) and all directors and executive officers as a group. Together these individuals own less than 1% of the outstanding Common Stock. Unless otherwise indicated, each individual has sole investment power and sole voting power with respect to the shares owned by such person. No family relationship exists between any of the directors or executive officers of the Northrop Grumman.

|                                                             | <b>Number of Shares<br/>Beneficially Owned</b> | <b>Options Exercisable<br/>Within 60 Days</b> | <b>Share<br/>Equivalents(1)</b> |
|-------------------------------------------------------------|------------------------------------------------|-----------------------------------------------|---------------------------------|
| <b>Directors:</b>                                           |                                                |                                               |                                 |
| John T. Chain, Jr.                                          | 2,083                                          | 10,000                                        | 0                               |
| Lewis W. Coleman                                            | 2,608                                          | 3,000                                         | 0                               |
| Vic Fazio                                                   | 792                                            | 4,500                                         | 0                               |
| Phillip Frost                                               | 11,764                                         | 9,500                                         | 1,204                           |
| Jay H. Nussbaum                                             | 52                                             | 1,500                                         | 0                               |
| Aulana L. Peters                                            | 3,840                                          | 10,000                                        | 2,762                           |
| John Brooks Slaughter                                       | 1,083                                          | 10,000                                        | 0                               |
| <b>Named Executive Officers:</b>                            |                                                |                                               |                                 |
| Kent Kresa(2)                                               | 467,118(5)                                     | 291,229                                       | 5,430                           |
| Ronald D. Sugar(3)                                          | 14,795(6)                                      | 12,500                                        | 0                               |
| Richard B. Waugh, Jr.                                       | 65,952(7)                                      | 30,687                                        | 3,549                           |
| Herbert W. Anderson                                         | 6,789                                          | 65,750                                        | 1,477                           |
| Ralph D. Crosby, Jr.(4)                                     | 7,500                                          | 0                                             | 0                               |
| Directors and Executive Officers as<br>a Group (24 persons) | 659,461                                        | 624,065                                       | 19,465                          |

- (1) Share equivalents for directors represent non-voting deferred stock units acquired under the 1993 Stock Plan for Non-Employee Directors which are paid out in shares of Common Stock at the conclusion of a director-specified deferral period. The Named Executive Officers hold share equivalents with pass-through voting rights in the Northrop Grumman Savings and Investment Plan.
- (2) Mr. Kresa also serves as Chairman of the Board.
- (3) Dr. Sugar is also a director of Northrop Grumman.
- (4) Mr. Crosby terminated employment with Northrop Grumman on January 11, 2002.
- (5) These shares are held in the Kresa Family Trust of which Mr. Kresa is trustee.
- (6) 1,000 of these shares are held in the Ronald D. Sugar Revocable Trust dated as of October 20, 1995 of which Dr. Sugar is trustee.
- (7) These shares are held in the Waugh Family Trust of which Mr. Waugh and his wife are trustees.

**Table of Contents****BENEFICIAL OWNERSHIP OF TRW COMMON STOCK****Security Ownership of Certain Beneficial Owners**

To TRW's knowledge, except as set forth below, no person beneficially owns more than five percent of the outstanding shares of TRW common stock. The following table presents information derived from Statements of Beneficial Interest on Schedule 13G filed with the SEC by persons beneficially owning more than five percent of the outstanding shares of TRW common stock:

| <b>Name and Address of Beneficial Owner</b>                                                      | <b>Number of Shares and<br/>Nature of<br/>Beneficial Ownership(a)</b> | <b>Percent of Class(b)</b> |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------|
| The TRW Employee Stock Ownership and Savings Plan<br>1900 Richmond Road<br>Cleveland, Ohio 44124 | 21,687,649(c)                                                         | 16.81%                     |

- (a) The beneficial owner listed in the table certified in its Schedule 13G filed with the SEC that, to the best of its knowledge and belief, the TRW common stock beneficially owned by it was acquired in the ordinary course of business and not for the purpose of changing or influencing control of TRW.
- (b) Percent of class was calculated based on the number of outstanding shares of TRW common stock as of October 21, 2002 (129,514,296) and the most recent information provided by the beneficial owner in documents filed with the SEC.
- (c) Putnam Fiduciary Trust Company, One Post Office Square, Boston, Massachusetts 02109, served as trustee of The TRW Employee Stock Ownership and Savings Plan during 2001. According to The TRW Employee Stock Ownership and Savings Plan's Statement of Beneficial Interest on Schedule 13G filed with the SEC, Putnam Fiduciary Trust Company disclaims beneficial ownership of the shares, as it does not retain discretionary authority to buy, sell or vote the securities and the TRW Employee Stock Ownership and Savings Plan reported shared voting and dispositive power over all the shares beneficially owned. As of October 21, 2002, The TRW Employee Stock Ownership and Savings Plan beneficially owned 18,312,116 shares, or approximately 14.1 percent of the outstanding TRW common stock.

**Table of Contents****Security Ownership of TRW Management**

The following table sets forth information regarding the beneficial ownership of TRW common stock as of October 21, 2002 by (1) each of the persons who currently serves as a director of TRW; (2) each of the executive officers listed on the Summary Compensation Table included in TRW's 2002 annual meeting proxy statement; and (3) all TRW directors and executive officers as a group. Unless there is a footnote to the contrary, sole voting and investment power in the shares owned are held either by the named individual alone or by the named individual and his or her spouse.

| Name                                                             | Number of Shares of TRW Common Stock |                        |                         | Percent of Shares Outstanding |
|------------------------------------------------------------------|--------------------------------------|------------------------|-------------------------|-------------------------------|
|                                                                  | Shares Beneficially Owned(1)         | Exercisable Options(2) | Deferred Share Units(3) |                               |
| M. H. Armacost                                                   | 6,916                                | 9,500                  | 2,333                   | *                             |
| A. E. Baratz                                                     | 741                                  | 0                      | 660                     | *                             |
| D. M. Cote(4)                                                    | 0                                    | 0                      | 0                       | *                             |
| M. Feldstein                                                     | 7,688                                | 8,000                  | 0                       | *                             |
| K. W. Freeman                                                    | 1,375                                | 2,500                  | 0                       | *                             |
| R. M. Gates                                                      | 6,100                                | 9,500                  | 0                       | *                             |
| J. T. Gorman(4)                                                  | 22,303                               | 915,000                | 0                       | *                             |
| T. W. Hannemann                                                  | 42,778                               | 240,333                | 45,409                  | *                             |
| G. H. Heilmeier                                                  | 8,468                                | 9,500                  | 0                       | *                             |
| C. R. Hollick                                                    | 2,592                                | 5,000                  | 0                       | *                             |
| K. N. Horn                                                       | 7,316                                | 9,500(5)               | 0                       | *                             |
| H. V. Knicely                                                    | 23,282                               | 220,333                | 0                       | *                             |
| D. B. Lewis                                                      | 6,093                                | 9,500                  | 0                       | *                             |
| L. M. Martin                                                     | 6,816                                | 9,500                  | 2,274                   | *                             |
| P. A. Odeen                                                      | 10,620                               | 125,000                | 2,532                   | *                             |
| J. C. Plant                                                      | 26,000                               | 96,666                 | 10,096                  | *                             |
| G. L. Summe                                                      | 741                                  | 0                      | 0                       | *                             |
| All directors and executive officers as a group (23 persons) (4) | 311,876                              | 2,122,563              | 92,899                  | 1.8%                          |

\* Less than 1 percent.

- (1) Includes TRW common stock held in The TRW Employee Stock Ownership and Savings Plan, shares of TRW common stock that have been automatically deferred under the deferred compensation plan for non-employee directors and shares of TRW restricted stock awarded to certain TRW executive officers.
- (2) In accordance with the rules of the SEC, this column shows the number of shares of TRW common stock that may be acquired within 60 days of October 21, 2002, upon exercise of TRW stock options.
- (3) This column shows phantom units of TRW common stock that have been credited under deferred compensation plans and certain other nonqualified benefit plans. The phantom units are settled in cash and are not included for the purpose of calculating the percent of TRW common stock outstanding.
- (4) The number of shares of TRW common stock beneficially owned by all directors and executive officers as a group includes shares of TRW common stock owned by Messrs. Cote and Gorman, both of whom are no longer directors or executive officers of TRW. The information reported for Mr. Cote is, to the best knowledge of TRW, based on shares of TRW common stock owned of record by Mr. Cote.
- (5) This figure includes an option for 1,500 shares of TRW common stock, which Mrs. Horn has transferred to her child.

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### **DESCRIPTION OF NORTHROP GRUMMAN COMMON STOCK**

The following description of the terms of the Northrop Grumman common stock is not meant to be complete and is qualified in its entirety by reference to Northrop Grumman's Certificate of Incorporation, which is incorporated into this joint proxy statement/prospectus by this reference. See **ADDITIONAL INFORMATION** beginning on page 126.

Northrop Grumman is authorized to issue 800,000,000 shares of common stock, par value \$1.00 per share and 10,000,000 shares of preferred stock per value \$1.00 per share. As of October 21, 2002, 113,133,263 shares of Northrop Grumman common stock were outstanding and 7,616,192 shares were subject to outstanding options to purchase Northrop Grumman common stock.

***Dividends.*** Dividends are paid on the Northrop Grumman common stock and on any class or series of stock entitled to participate with the Northrop Grumman common stock as to dividends, when and as declared by Northrop Grumman's board of directors.

***Voting Rights.*** Each holder of Northrop Grumman common stock is entitled to one vote per share on all matters submitted to a vote of Northrop Grumman stockholders. Holders of Northrop Grumman common stock are not entitled to cumulative voting rights.

***Liquidation.*** If Northrop Grumman is liquidated, holders of Northrop Grumman common stock are entitled to receive all remaining assets available for distribution to stockholders after satisfaction of Northrop Grumman's liabilities and the preferential rights of any preferred stock that may be outstanding at that time.

***Preemptive Rights.*** The holders of Northrop Grumman common stock do not have any preemptive, conversion or redemption rights by virtue of their ownership of Northrop Grumman common stock.

***Registrar and Transfer Agent.*** The registrar and transfer agent for Northrop Grumman common stock is EquiServe Trust Company.

***Rights Plan.*** Northrop Grumman has adopted a rights plan pursuant to which a preferred share purchase right is attached to each share of Northrop Grumman common stock that is or becomes outstanding prior to October 31, 2008, including any shares to be issued to TRW shareholders in connection with the merger. This rights plan is described in the section entitled **COMPARISON OF RIGHTS OF HOLDERS OF NORTHROP GRUMMAN COMMON STOCK AND TRW COMMON STOCK** beginning on page 118.

***Equity Security Units.*** In November 2001, Northrop Grumman issued 9,200,000 shares of common stock and 6,900,000 equity security units, generating cash proceeds of \$1.45 billion. The proceeds were used to reduce existing debt and for general corporate purposes. Each equity security unit, issued at \$100.00 per unit, initially consists of a contract to purchase shares of Northrop Grumman common stock on November 16, 2004, and a \$100.00 senior note due 2006. The senior notes due 2006 are reported as long-term debt. The senior notes initially bear interest at 5.25% per annum, and each equity security unit also pays a contract adjustment payment of 2.0% per annum, for a combined yield on the equity security unit of 7.25% per annum. Each purchase contract, which is part of the equity security units, will obligate the holder thereof to purchase, for \$100.00, the following number of shares of the company's common stock based on the average closing price of the Northrop Grumman common stock over the 20 day trading period ending on the third trading day immediately preceding November 16, 2004: (i) 0.9262 shares if the average closing price equals or exceeds \$107.97, (ii) a number of shares having a value equal to \$100.00 if the average closing price is less than \$107.97 but greater than \$88.50 and (iii) 1.1299 shares if the average closing price is less than or equal to \$88.50. Prior to November 16, 2004, holders of equity security units have the opportunity to participate in a remarketing of the senior note component. Interest expense on the Equity Security Units amounts to \$36,225,000 annually. In the event that the Equity Security Units are converted to Northrop Grumman common stock at the end of their three year term and the

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common stock price is equal to the redemption price of \$100.00, an additional 6,900,000 shares will be issued at that time. Based upon the pro forma information contained on pages 104 through 111 in this joint proxy statement/prospectus, the earnings per share effect of the issuance would increase outstanding shares from 181.19 million to 188.09 million, reducing basic earnings per share from \$1.79 to \$1.73. The ultimate number of shares issued will be based upon the trading price of Northrop Grumman common stock at the end of the redemption period. If the above circumstances were to occur, interest expense would decrease by approximately \$36.2 million, resulting in an equivalent increase in income before taxes.

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**COMPARISON OF RIGHTS OF HOLDERS OF  
NORTHROP GRUMMAN COMMON STOCK  
AND TRW COMMON STOCK**

Upon completion of the merger, TRW shareholders will become stockholders of Northrop Grumman, rather than shareholders of TRW. Since Northrop Grumman is a Delaware corporation, the rights of Northrop Grumman stockholders are governed by the applicable laws of the State of Delaware, including the Delaware General Corporation Law, and by Northrop Grumman's charter and bylaws. Since TRW is an Ohio corporation, the rights of TRW shareholders are governed by the applicable laws of the State of Ohio, including the Ohio Revised Code, and by TRW's amended articles of incorporation and regulations.

The following summary discusses and compares:

some of the material differences between the current rights of Northrop Grumman stockholders and TRW shareholders under the Delaware General Corporation Law and Ohio Revised Code; and

under the charter and bylaws of Northrop Grumman and the amended articles of incorporation and regulations of TRW, but is not intended to be an exhaustive discussion or comparison of such rights.

The statements in this section are qualified in their entirety by reference to, and are subject to, the detailed provisions of the Delaware General Corporation Law, the Ohio Revised Code, Northrop Grumman's charter, Northrop Grumman's bylaws, TRW's amended articles of incorporation and TRW's regulations, as applicable. Copies of Northrop Grumman's charter and bylaws and TRW's amended articles of incorporation and regulations are incorporated by reference herein and will be sent to TRW shareholders, upon request. See **QUESTIONS AND ANSWERS ABOUT THE MERGER** **Whom Should I Contact if I Have Questions?** on page 2.

**Corporate Governance**

*Northrop Grumman.* The rights of Northrop Grumman stockholders are governed by Delaware corporate law and the charter and the bylaws of Northrop Grumman.

*TRW.* The rights of TRW shareholders are governed by the Ohio Revised Code and the amended articles of incorporation and regulations of TRW.

**Authorized Capital Stock**

*Northrop Grumman.* The authorized capital stock of Northrop Grumman currently consists of 810,000,000 shares of capital stock consisting of (i) 800,000,000 shares of common stock, par value \$1.00 per share and (ii) 10,000,000 shares of preferred stock, par value \$1.00 per share.

*TRW.* The authorized capital stock of TRW currently consists of 505,099,536 shares of capital stock consisting of (i) 500,000,000 shares of common stock, \$0.625 par value per share, (ii) 99,536 shares of Serial Preference Stock, no par value per share and (iii) 5,000,000 shares of Serial Preference Stock II, no par value per share.

**Number, Classification and Election of Board of Directors**

*Northrop Grumman.* The Northrop Grumman charter provides that Northrop Grumman's board of directors is to be divided into three classes of directors, each as nearly equal in number as possible, with each director elected for a term expiring at the third succeeding annual meeting of stockholders after such director's election. The bylaws of Northrop Grumman provide that the number of directors will be fixed by resolution of the board of directors, but will be no less than three members. As of October 23, 2002, the Northrop Grumman board consisted of 9 directors.

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Neither the Northrop Grumman charter nor the Northrop Grumman bylaws permits cumulative voting for the election of directors.

*TRW.* TRW's regulations provide that the board of directors is to be divided into three classes of directors with each director elected for a term expiring at the third succeeding annual meeting of shareholders after such director's election. The number of directors will be fixed by action of the board of directors, but will be no less than 12 members and no more than 18 members. As of October 23, 2002, the TRW board consisted of 13 directors, with five directors in the class of directors whose term expires in 2003 and four directors in the classes of directors whose terms expire in 2004 and 2005.

The Ohio Revised Code provides that any shareholder may give written notice requesting that cumulative voting be used for the election of directors. The notice must be given to the President, a Vice-President or the Secretary of a corporation, generally not less than 48 hours before the time fixed for holding a meeting of shareholders for the purpose of electing directors. Furthermore, an announcement of the giving of such notice must be made upon the convening of the meeting by the Chairman or Secretary or by or on behalf of such shareholder.

### **Removal of Directors**

*Northrop Grumman.* The Northrop Grumman charter provides that directors may be removed only for cause and only by the affirmative vote of the holders of not less than 80% of all outstanding shares of capital stock of Northrop Grumman having general voting power entitled to vote in connection with the election of a director, regardless of class and voting together as a single voting class; provided, however, that where the removal is approved by a majority of the Continuing Directors (as defined in Northrop Grumman's charter), the affirmative vote of a majority of the voting power of all outstanding shares of voting stock entitled to vote in connection with the election of that director, regardless of class and voting together as a single voting class, is required for approval of removal.

*TRW.* Under TRW's regulations and the Ohio Revised Code, directors may be removed only for cause and only by the affirmative vote of the holders of not less than two-thirds of all outstanding shares of capital stock of TRW.

### **Newly Created Directorships and Vacancies**

*Northrop Grumman.* The charter and bylaws of Northrop Grumman provide that any vacancies on the board or newly created directorships may be filled solely by the affirmative vote of a majority of the remaining directors, although less than a quorum. However, the Delaware General Corporation Law also provides that if the directors then in office constitute less than a majority of the board of directors, then, upon application by stockholders representing at least 10% of the outstanding shares entitled to vote for those directors, the Court of Chancery may order a stockholder election of directors to be held.

*TRW.* TRW's regulations and the Ohio Revised Code provide that any vacancies on the board and newly created directorships may be filled by the affirmative vote of a majority of the directors then in office or by the affirmative vote of the holders of a plurality of the shares voting in the election of directors at a meeting of TRW shareholders.

### **Quorum of Directors**

*Northrop Grumman.* Northrop Grumman's bylaws provide that a quorum is a majority of the board of directors, except that when the board of directors consists of one director, then the one director will constitute a quorum.

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*TRW.* The regulations of TRW provide that a quorum of the board of directors is the lesser of a majority of the board of directors then in office or five directors.

### **Annual Meetings**

*Northrop Grumman.* The bylaws of Northrop Grumman provide that the annual meeting of stockholders will be held between May 1 and July 1 of each year on such date and time fixed by the board of directors.

*TRW.* TRW's regulations provide that the annual meeting of shareholders will be held on the last Wednesday in April of each year, unless such day is a legal holiday, in which case the annual meeting will be held on the next day that is not a legal holiday.

### **Special Meetings**

*Northrop Grumman.* Under the charter and bylaws of Northrop Grumman, special meetings of the stockholders may be called at any time by a majority of the board of directors, the Chairman of the board of directors or by the President and Chief Executive Officer.

*TRW.* TRW's regulations provide that special meetings of the shareholders may be called at any time by (i) the Chairman of the board of directors, (ii) the President, (iii) a Vice President, (iv) the board of directors acting at a meeting, (v) a majority of the board of directors acting without a meeting or (vi) holders of not less than 35% of all of the outstanding shares entitled to vote at such meeting.

### **Quorum of Stockholders/Shareholders**

*Northrop Grumman.* Northrop Grumman's bylaws provide that the presence in person or by proxy of the holders of a majority of the shares entitled to vote at a meeting constitutes a quorum for that meeting, except as otherwise provided by the Delaware General Corporation Law.

*TRW.* TRW's regulations provide that the presence in person or by proxy of the holders of not less than 35% of the shares entitled to vote at the meeting with respect to a purpose stated in the notice of such meeting constitutes a quorum for that meeting.

### **Certain Voting Requirements**

*Northrop Grumman.* Under the Northrop Grumman bylaws, except as otherwise provided by the Northrop Grumman charter or by applicable law, action by Northrop Grumman stockholders generally is taken by the affirmative vote, at a meeting at which a quorum is present, of a majority of the votes cast on that action, including certain extraordinary actions, such as mergers, consolidations and amendments to the Northrop Grumman charter. However, the Northrop Grumman charter requires the affirmative vote of the holders of not less than 80% of the outstanding shares of voting stock to approve an amendment of certain articles in the charter.

Each share of Northrop Grumman common stock entitles the holder to one vote on each matter upon which stockholders have the right to vote.

*TRW.* Under TRW's regulations, except as otherwise provided by the TRW amended articles of incorporation or by applicable law, action by TRW shareholders generally is taken by the affirmative vote, at a meeting at which a quorum is present, of a majority of the votes cast on that action. Under the Ohio Revised Code, the affirmative vote of two-thirds of the voting power of the corporation is required to approve certain

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major corporate transactions, including the sale of all or substantially all of TRW's assets, certain mergers, and certain combinations and majority share acquisitions.

Each share of TRW common stock entitles the holder to one vote on each matter upon which TRW shareholders have the right to vote.

### **Action by Written Consent**

*Northrop Grumman.* Under Northrop Grumman's charter and bylaws, any action required or permitted to be taken by the stockholders must be effected at a duly called annual meeting or at special meeting of stockholders, unless such action requiring or permitting stockholder approval is approved by a majority of the Continuing Directors (as defined in Northrop Grumman's charter), in which case that action may be authorized or taken by the written consent of the holders of outstanding shares of voting stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted, provided, all other requirements of applicable law and Northrop Grumman's charter have been satisfied.

*TRW.* The Ohio Revised Code provides that shareholder action may be taken without a meeting upon the written consent of the holders of all the outstanding shares entitled to vote. Shareholder action to amend TRW's regulations may be taken without a meeting upon the written consent of the holders of two-thirds of the outstanding shares entitled to vote.

### **Business Conducted at Stockholders/Shareholders Meetings**

*Northrop Grumman.* Northrop Grumman's bylaws provide that with respect to any Northrop Grumman stockholder meeting, nominations of persons election to the board and the proposal of business to be considered by stockholders may be made only (i) by or at the direction of the board of directors, (ii) by a stockholder of record who is entitled to vote and who has complied with the advance notice procedures set forth in Northrop Grumman's bylaws or (iii) pursuant to Northrop Grumman's notice with respect to that meeting.

*TRW.* Under the Ohio Revised Code and TRW's regulations, TRW shareholders must be given written notice of the time, place and purpose or purposes of every shareholder meeting, except as otherwise provided in the Ohio Revised Code.

### **Amendments of Charter or Articles of Incorporation**

*Northrop Grumman.* Under the Delaware General Corporation Law, the affirmative vote of the holders of a majority of the outstanding shares entitled to vote is required to amend Northrop Grumman's charter. In addition, amendments that make changes relating to the capital stock by increasing or decreasing the par value or the aggregate number of authorized shares of a class or otherwise adversely affecting the rights of that class, must be approved by the majority vote of each class of stock affected, unless, in the case of an increase in the number of shares, the certificate of incorporation takes away that right, and provided that, if the amendment affects some series of securities, then only holders of those series of securities have such vote. Northrop Grumman's charter provides that specified articles may be adopted, repealed, rescinded, altered or amended only by the affirmative vote of the holders of not less than 80% of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single voting class, and where that action is proposed by an interested stockholder (as defined in Northrop Grumman's charter) or an associate or affiliate (each as defined in Northrop Grumman's charter) of an interested stockholder, by the majority of the voting power of all of the outstanding shares of voting stock, voting together as a single class, other than shares held by the interested person; provided, however, that where the action is approved by a majority of the continuing directors (as defined in Northrop Grumman's charter), the affirmative vote of a majority of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single voting class shall be required for approval of that action.

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*TRW.* Under the Ohio Revised Code, TRW's amended articles of incorporation may be amended by the affirmative vote of two-thirds of the voting power of the corporation, unless otherwise specified in the corporation's articles of incorporation.

### **Amendments of Bylaws or Regulations**

*Northrop Grumman.* Under Northrop Grumman's charter and bylaws, the bylaws may be adopted, repealed, rescinded, altered or amended by stockholders, but only by the affirmative vote of the holders of not less than 80% of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single voting class and, where such action is proposed by an interested stockholder or by any associate or affiliate of an interested stockholder, by a majority of the voting power of all outstanding shares or voting stock, regardless of class and voting together as a single class, other than the shares held by such interested stockholders; provided, however, that where such action is approved by a majority of the continuing directors, the affirmative vote of the holders of a majority of the voting power of all outstanding shares of voting stock, regardless of class and voting together as a single voting class shall be required for approval of that action.

*TRW.* TRW's regulations may be amended at a meeting of the shareholders by the affirmative vote of the holders of not less than two-thirds of all outstanding shares of capital stock of TRW having the general voting power entitled to vote on such amendment.

### **Business Combinations**

*Northrop Grumman.* Under the Delaware General Corporation Law, a majority of the outstanding shares of voting stock is required to adopt and approve a plan of merger or consolidation. The Delaware General Corporation Law prohibits a Delaware corporation which has a class of stock which is listed on a national stock exchange or which has 2,000 or more stockholders of record from engaging in a business combination with an interested stockholder (generally, the beneficial owner of 15% or more of the corporation's outstanding voting stock) for three years following the time the stockholder became an interested stockholder, unless, prior to that time, the corporation's board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, or if at least two-thirds of the outstanding shares not owned by that interested stockholder approve the business combination, or if, upon becoming an interested stockholder, that stockholder owned at least 85% of the outstanding shares (excluding those held by officers, directors and some employee stock plans). In addition to the requirements of the Delaware General Corporation Law, Northrop Grumman's charter provides that, subject to various exceptions, any business combination between Northrop Grumman or any subsidiary and an interested stockholder (as defined in the Northrop Grumman Charter) must be approved by the holders of at least 80% of the voting power of all outstanding voting stock, regardless of class and voting together as a single class, and a majority of the voting power of all outstanding shares of voting stock, other than the shares held by any interested stockholder which is a party to such business combination or by any affiliate or associates of such interested stockholder, regardless of class and voting together as single voting class.

*TRW.* Under the Ohio Revised Code, the affirmative vote of two-thirds of the outstanding shares of voting stock is required to adopt a plan of merger or consolidation. The Ohio Revised Code prohibits an Ohio corporation which has 50 or more shareholders of record and that has its principal place of business, its principal executive offices, assets having substantial value or a substantial percentage of its assets within Ohio from engaging in a business combination with an interested shareholder (a shareholder that can exercise, directly or indirectly, 10% of the voting power of the corporation) for three years following the time the shareholder became an interested shareholder, unless (a) the directors of the corporation have approved the transactions or the interested shareholder's acquisition of shares of the corporation prior to the date such shareholder became an interested shareholder of the corporation, or (b) the holders of at least two-thirds of the voting power of the corporation, prior to the date such shareholder became an interested shareholder of the corporation, adopt an amendment to its charter specifying that Chapter 1704 of the Ohio Revised Code shall not be applicable to the

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corporation. This prohibition also applies to a person or entity, whether or not an interested shareholder, that is or after the business combination would be, an affiliate or associate of an interested shareholder. The Ohio Revised Code further provides that the business combination may still be prohibited after the three-year period unless either certain fair-price provisions are complied with or the transaction is approved by certain super-majority shareholder votes.

Under Chapter 1704 of the Ohio Revised Code, an interested shareholder includes a person who is the beneficial owner of a sufficient number of shares of a corporation that such person can exercise directly or indirectly 10% of the voting power of the corporation.

Under Section 1701.831 of the Ohio Revised Code, unless the charter or regulations of a corporation otherwise provide, any control share acquisition of an issuing public corporation can only be made with the prior approval of the corporation's shareholders. A control share acquisition is defined as any acquisition of shares of a corporation that, when added to all other shares of that corporation that the acquiring person may exercise or direct the exercise of the voting power of, would enable that person to exercise or direct the exercise of levels of voting power in any of the following ranges: at least 20% but less than 33 1/3%; at least 33 1/3% but less than 50%; or 50% or more.

## **Rights Plan**

*Northrop Grumman.* Northrop Grumman entered into a Rights Agreement, dated January 31, 2001, between Northrop Grumman and EquiServe Trust Company, N.A., pursuant to which a preferred share purchase right is attached to each share of Northrop Grumman common stock that is or becomes outstanding prior to October 31, 2008, including the shares to be issued to TRW shareholders pursuant to the merger. The rights become exercisable 10 days after the public announcement that any person or group has (a) acquired 15% or more of the outstanding shares of Northrop Grumman common stock or (b) initiated a tender offer for shares of Northrop Grumman common stock which, if consummated, would result in any person or group acquiring 15% or more of the outstanding shares of Northrop Grumman common stock. Once exercisable, each right will entitle the holder to purchase one one-thousandth of a share of Northrop Grumman Series A junior participating preferred stock, par value \$1.00 per share, at a price of \$250.00 per one one-thousandth of a share, subject to adjustment. Alternatively, under certain circumstances involving an acquisition of 15% or more of the Northrop Grumman common stock outstanding, each right will entitle its holder to purchase, at a fifty percent discount, a number of shares of Northrop Grumman common stock having a market value of two times the exercise price of the right. Northrop Grumman may (i) exchange the rights at an exchange ratio of one share of Northrop Grumman common stock per right and (ii) redeem the rights, at a price of \$0.01 per right, at any time prior to an acquisition of 15% or more of the outstanding shares of Northrop Grumman common stock by any person or group.

These purchase rights become exercisable 10 days after the public announcement that any person or group has (a) acquired 15% or more of the outstanding shares of Northrop Grumman common stock or (b) initiated a tender offer for shares of Northrop Grumman common stock which, if consummated, would result in any person or group acquiring 15% or more of the outstanding shares of Northrop Grumman common stock. Once exercisable, each right will entitle the holder to purchase one one-thousandth of a share of Northrop Grumman Series A junior participating preferred stock, par value \$1.00 per share, at a price of \$250.00 per one one-thousandth of a share, subject to adjustment. Alternatively, under certain circumstances involving an acquisition of 15% or more of the outstanding Northrop Grumman common stock, each right will entitle its holder to purchase, at a 50% discount, a number of shares of Northrop Grumman common stock having a market value of two times the exercise price of the right. Northrop Grumman may (i) exchange the rights at an exchange ratio of one share of Northrop Grumman common stock per right or (ii) redeem the rights, at a price of \$0.01 per right, at any time prior to an acquisition of 15% or more of the outstanding shares of Northrop Grumman common stock by any person or group.

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These rights have certain anti-takeover effects and are intended to cause substantial dilution to any person or group that attempts to acquire control of Northrop Grumman on terms not approved by Northrop Grumman's board of directors.

*TRW.* TRW does not have a shareholders' rights plan.

### **Dissenter's Rights**

*Northrop Grumman.* Under Delaware law, a dissenting stockholder may seek dissenter's rights in connection with statutory mergers or consolidations in certain specific situations. Dissenter's rights are not available to a Delaware corporation's stockholders under Delaware law, however, with respect to shares of common stock that, at the applicable record date, (a) were listed on a national securities exchange or designated as a national market system security on an inter dealer quotation system by NASD or (b) were held of record by more than 2,000 stockholders, unless the stockholders are required by the terms of the merger or consolidation to accept any consideration other than:

- shares of the surviving corporation;
- shares of stock of another listed corporation which are the kind described in clause (a) or (b) above;
- cash in lieu of fractional shares; or
- any combination of the consideration described in the first three bullet points.

*TRW.* Under Ohio law, upon compliance with certain requirements and procedures, a dissenting shareholder has the right to receive the fair cash value for his or her shares (so-called dissenter's rights) if the shareholder objects to, among other things:

- certain specified amendments to the articles of incorporation;
- the sale, lease, exchange, transfer or other disposition of substantially all the assets; or
- specified mergers and consolidations.

In a merger, upon compliance with specified requirements and procedures, the dissenting shareholders of an Ohio corporation that is being merged into another corporation and the shareholders of an Ohio surviving corporation whose adoption of the merger agreement is required are entitled to dissenters' rights. A shareholder entitled to dissenters' rights may exercise these rights if:

- the merger requires adoption of the merger agreement by the shareholders;
- the dissenting shareholder holds shares of the corporation as of the record date for the shareholder meeting at which the merger agreement is submitted;
- the dissenting shareholder does not vote his or her shares in favor of the merger agreement; and
- not more than ten days after the date of the meeting at which the stockholder vote was taken, the dissenting shareholder delivers to the corporation a written demand for payment to him or her of the fair cash value of his or her shares. The demand must state the dissenting shareholder's address, the number and class of dissenting shares and the amount claimed by the dissenting shareholder as the fair cash value of the shares.

### **Profit Recapture Provision**

Section 1707.043 of the Ohio Revised Code applies to TRW. This section provides that:

- if a shareholder disposes of an Ohio company's stock for a profit of more than \$250,000 within 18 months after announcing an intention to make a proposal to acquire control of the company;

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then, the company may recover the profit unless the shareholder proves in court that:

its sole purpose in making the proposal was to acquire control of the company and it had reasonable grounds to believe it would succeed;

it did not make the proposal for the purpose of manipulating the market, increasing its profit or decreasing its loss; and

the proposal did not have a material adverse effect on the price or trading volume of the shares of the Ohio corporation.

Delaware law does not have a comparable provision.

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**STOCKHOLDER OR SHAREHOLDER PROPOSALS FOR ANNUAL MEETINGS**

**Northrop Grumman**

Northrop Grumman stockholders who intend to present proposals at Northrop Grumman's 2003 annual meeting of stockholders must deliver the proposal to Northrop Grumman's Corporate Secretary at 1840 Century Park East, Los Angeles, California 90067:

not later than December 6, 2002, if the proposal is submitted for inclusion in Northrop Grumman's proxy materials for Northrop Grumman's 2003 annual meeting of stockholders pursuant to Rule 14a-8 under the Exchange Act; or

not earlier than January 16, 2003 and not later than February 15, 2003, if the proposal is submitted pursuant to Northrop Grumman's bylaws, in which case Northrop Grumman is not required to include the proposal or any advice on the proposal in Northrop Grumman's proxy materials.

A copy of Northrop Grumman's bylaws is available on request from the Corporate Secretary of Northrop Grumman at 1840 Century Park East, Los Angeles, California 90067.

**TRW**

**TRW will not have an annual meeting in 2003 if the merger is completed.**

TRW shareholders who intend to present proposals at TRW's 2003 annual meeting of shareholders must deliver written proposals to TRW's Corporate Secretary at 1900 Richmond Road, Cleveland, Ohio 44124:

not later than November 4, 2002, if the proposal is submitted for inclusion in TRW's proxy materials for TRW's 2003 annual meeting of shareholders pursuant to Rule 14a-8 under the Exchange Act; or

not later than January 18, 2003, if the proposal is submitted other than pursuant to Rule 14a-8 under the Exchange Act, otherwise TRW management will have discretionary voting authority with respect to such proposal without providing any advice on the nature of the matter in TRW's proxy statement for TRW's 2003 annual meeting of shareholders.

A copy of TRW's regulations is available on request from the Corporate Secretary of TRW at 1900 Richmond Road, Cleveland, Ohio 44124.

**ADDITIONAL INFORMATION**

Northrop Grumman and TRW file annual, quarterly and special reports, proxy statements and other information with the SEC. Stockholders may read and copy this information at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (800) SEC-0330. Shareholders also may obtain copies of this information by mail from the Public Reference Room at the address set forth above, at prescribed rates.

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

Northrop Grumman filed a registration statement on Form S-4 with the SEC under the Securities Act to register the Northrop Grumman common stock to be issued pursuant to the merger. This joint proxy statement/prospectus is a part of that registration statement. As allowed by SEC rules, this joint proxy statement/prospectus

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does not contain all the information that TRW shareholders and Northrop Grumman stockholders can find in the registration statement or the exhibits to the registration statement. TRW shareholders and Northrop Grumman stockholders may obtain copies of the Form S-4, and any amendments thereto, in the manner described above.

The SEC allows Northrop Grumman and TRW to incorporate by reference information into this joint proxy statement/prospectus, which means that Northrop Grumman and TRW can disclose important information to shareholders by referring shareholders to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this joint proxy statement/prospectus, except for any information superseded by information contained directly in this joint proxy statement/prospectus.

This joint proxy statement/prospectus incorporates by reference the documents listed below that Northrop Grumman and TRW have previously filed with the SEC. These documents contain important information about Northrop Grumman and TRW and their respective business, financial condition and results of operations.

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

Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed on March 22, 2002;

Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed on July 30, 2002;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, as filed on May 10, 2002;

Current Reports on Form 8-K, as filed on December 14, 2001 (as amended on January 12, 2002 and February 1, 2002) and as filed on October 17, 2002;

The description of Northrop Grumman's common stock set forth in Northrop Grumman's registration statement on Form S-3 filed by Northrop Grumman pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating the description as filed on January 18, 2002; and

The description of Northrop Grumman's preferred share purchase rights, contained in the Form 8-A12B filed by Northrop Grumman on March 28, 2001, and any amendment or report filed with the SEC for purposes of updating that description.

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

Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed on March 4, 2002 and amended on April 1, 2002;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, as filed on May 3, 2002;

Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, as filed on August 13, 2002;

Current Reports on Form 8-K, as filed on January 31, 2002, February 20, 2002, February 22, 2002, February 27, 2002, March 4, 2002 (2 reports), March 13, 2002 (2 reports), March 25, 2002, April 15, 2002, April 17, 2002, May 17, 2002, July 1, 2002, September 3, 2002, October 1, 2002 and October 16, 2002; and

The description of TRW's common stock set forth in TRW's registration statement on Form S-3 filed by TRW pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating the description, as filed on October 15, 1999.

Northrop Grumman and TRW also incorporate by reference into this document each document that they may file with the SEC from the date of this document to the dates of their respective special meetings. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

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Documents filed by Northrop Grumman and incorporated into this joint proxy statement/prospectus by reference are available from Northrop Grumman without charge upon request to Northrop Grumman's information agent, D.F. King & Co., Inc., 77 Water Street, New York, New York 10005, toll-free at (800) 549-6746. D.F. King will mail any such documents to shareholders by first class mail, or another equally prompt means, within three business days after receiving a request.

Documents filed by TRW and incorporated into this joint proxy statement/prospectus by reference, other than exhibits to those documents that are not specifically incorporated by reference to the documents, are available from TRW by calling the TRW Literature number (216) 291-7755 or by writing to Financial Services, TRW Inc. at 1900 Richmond Road, Cleveland, Ohio, 44124-3760. TRW will mail any such documents to shareholders by first class mail, or another equally prompt means, within three business days after receiving a request.

Any information contained in a document incorporated by reference will be deemed to be modified or superseded for purposes of this document to the extent that information contained in this document or in any other subsequently filed incorporated document modifies or supersedes such information. Any information that is modified or superseded will not be deemed, except as modified or superseded, to constitute a part of this document.

**You should rely only on the information contained or incorporated by reference in this document in determining how to vote. Neither Northrop Grumman nor TRW has authorized anyone to provide you with information that is different from the information contained in, attached to, or incorporated by reference into, this document. This document is dated October 23, 2002. You should not assume that the information contained in this document is accurate as of any date other than that date, and neither the mailing of this document to Northrop Grumman stockholders or TRW shareholders nor the issuance of shares of Northrop Grumman common stock in connection with the merger shall create any implication to the contrary.**

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### **LEGAL MATTERS**

Gibson, Dunn & Crutcher LLP, counsel to Northrop Grumman, and PricewaterhouseCoopers LLP, special tax counsel to TRW, will deliver opinions concerning the federal income tax consequences of the merger.

The legality of the Northrop Grumman common stock offered by this joint proxy statement/prospectus will be passed upon by John H. Mullan, Corporate Vice President and Secretary of Northrop Grumman. Mr. Mullan is paid a salary by Northrop Grumman, is a participant in various employee benefit plans offered to employees of Northrop Grumman generally and owns and has options to purchase shares of Northrop Grumman common stock.

### **EXPERTS**

#### *Northrop Grumman*

The consolidated financial statements and related financial statement schedule incorporated in this joint proxy statement/prospectus by reference from Northrop Grumman's Annual Report on Form 10-K for the year ended December 31, 2001 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited consolidated interim financial information of Northrop Grumman for the periods ended March 31, 2002 and June 30, 2002, incorporated by reference in the joint proxy statement/prospectus, Deloitte & Touche LLP have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their reports included in Northrop Grumman's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited interim financial information because those reports are not reports or a part of the registration statement of which this joint proxy statement prospectus is a part prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

Arthur Andersen LLP, independent auditors, have audited the consolidated financial statements of Newport News Shipbuilding Inc., at December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, as set forth in their report. We have incorporated by reference the financial statements of Newport News Shipbuilding Inc. in this joint proxy statement/prospectus in reliance on Arthur Andersen LLP's report. We have not been able to obtain, after reasonable efforts, the written consent of Arthur Andersen LLP to our naming it as an expert and as having audited the consolidated financial statements of Newport New Shipbuilding Inc. at December 31, 2000 and 1999 and for the three years ended December 31, 2000, and including its audit report in this joint proxy statement/prospectus. This limits your ability to recover damages from Arthur Andersen LLP under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP or any omissions to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

#### *TRW*

The consolidated financial statements of TRW Inc. appearing in TRW's Current Report on Form 8-K dated September 3, 2002, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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With respect to the unaudited consolidated interim financial information of TRW for the three-month periods ended March 31, 2002 and March 31, 2001 and the six-month periods ended June 30, 2002 and June 30, 2001, incorporated by reference in this registration statement, of which this joint proxy statement/prospectus is a part, Ernst & Young LLP have reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports, included in TRW's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002 and March 31, 2002, and incorporated herein by reference, state that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted considering the limited nature of the review procedures applied. The independent auditors are not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited consolidated interim financial information because those reports are not a report or a part of the registration statement of which this joint proxy statement/prospectus is a part, prepared or certified by the auditors within the meaning of Sections 7 and 11 of the Securities Act.

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ANNEX A

**AGREEMENT AND PLAN OF MERGER**  
**dated as of**  
**June 30, 2002**  
**BY AND AMONG**  
**TRW INC.,**  
**NORTHROP GRUMMAN CORPORATION**  
**and**  
**RICHMOND ACQUISITION CORP.**

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