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TRW INC
Form 425
April 18, 2002

FILING PURSUANT TO RULE 425 OF THE
SECURITIES ACT OF 1933, AS AMENDED

FILER: NORTHROP GRUMMAN CORPORATION

SUBJECT COMPANY: TRW INC. (NO 1-2384)

FILING: REGISTRATION STATEMENT ON FORM S-4
(REGISTRATION NO. 333-83672)

Northrop Grumman filed a registration statement on Form S-4 (File No. 333-83672) and a tender offer statement on Schedule TO with the SEC on March 4, 2002 with respect to its offer to exchange all outstanding shares of TRW capital stock for Northrop Grumman stock. These documents contain important information. TRW shareholders should read these documents and any amendments or supplements thereto before making any decision regarding the offer to exchange. Copies of such documents may be obtained without charge at the SEC's website at www.sec.gov or from D.F. King & Co., Inc. the information agent for the offer to exchange, at 800-755-7250.

The directors, certain executive officers and other employees and representatives of Northrop Grumman may be deemed to be participants in the solicitation of proxies of TRW shareholders in connection with shareholder proposals relating to the 2002 Annual Meeting of TRW Shareholders and a Special Meeting of TRW Shareholders to be held on April 24, 2002 and April 22, 2002, respectively. Northrop Grumman has filed proxy materials for these shareholder meetings which contain information regarding such potential participants. Northrop Grumman's proxy materials contain important information and should be read by TRW shareholders. These proxy materials and any amendments thereto may be obtained at no charge at the SEC's website at www.sec.gov as they become available.

The following press release was issued by Northrop Grumman on April 17, 2002.

NEWS
NORTHROP GRUMMAN

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For Immediate Release

NORTHROP GRUMMAN REPORTS

FIRST QUARTER 2002 RESULTS

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Sales Up 106 Percent

Segment Operating Margin Increases 81 Percent
Confirms 2002 Guidance of \$6.60 - \$7.10 EEPS

LOS ANGELES -- April 17, 2002 -- Northrop Grumman Corporation (NYSE: NOC) today reported first quarter 2002 net income of \$149 million, or \$1.27 per share, compared with net income of \$132 million, or \$1.81 per share, for the same period of 2001, adjusted for SFAS No. 142 - Goodwill and Other Intangible Assets. The comparable per share decline reflects a substantial decrease in pension income and increases in interest expense and in the number of shares outstanding. On an economic earnings basis, the company reported increased earnings of \$170 million, or \$1.45 per share, compared with \$101 million, or \$1.39 per share, for the same period of 2001. First quarter 2002 earnings per share are based on average diluted shares outstanding of 112.8 million versus 72.8 million for the first quarter of 2001.

"We are very pleased with our first quarter results which reflect the contributions of last year's three strategic acquisitions, coupled with strong organic growth and

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FIRST QUARTER 2002 RESULTS

earnings," stated Kent Kresa, Northrop Grumman chairman and chief executive officer. "Northrop Grumman is now the nation's third-largest defense contractor, with a powerful portfolio of industry-leading businesses and key technologies. With the strength and diversity of this portfolio, we expect to continue to benefit from the nation's highest defense budget in recent years. We are reaffirming our 2002 financial guidance targets and our expectations for double-digit revenue and economic earnings growth in 2003."

Kresa added, "We are excited about our proposed acquisition of TRW. Its space and satellite business perfectly complements our defense capabilities. Based on our demonstrated ability to successfully integrate acquired companies, we expect a completed transaction will lead to enhanced value for our shareholders."

Dr. Ronald D. Sugar, Northrop Grumman president and chief operating officer, commented, "Our team has again demonstrated its expertise in seamlessly integrating new businesses into Northrop Grumman. With our April 1 announcement of the completion of the integration of Newport News Shipbuilding, all three of the company's 2001 acquisitions have been successfully completed. With this behind us, we are in an excellent position to focus our attention on the integration of TRW later this year, should our offer be successful.

"We remain focused on execution in all of our businesses. Our first quarter results reflect strong operating performance from five of our six sectors. Component Technologies, our smallest sector, continues to be negatively affected by the downturn in the telecommunications market," Sugar added.

Effective Jan. 1, 2002, the company adopted the provisions of SFAS No.142 eliminating the amortization of goodwill. As a result, all 2001 and 2002 discussions of operating results exclude goodwill amortization. Further details are contained in the Additional Financial Information section. The company is

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evaluating and analyzing other provisions of SFAS No. 142 and expects to complete these reviews during 2002.

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The 2002 first quarter results include the operations of Litton Industries, Inc. (Litton), acquired in the second quarter of 2001 and Newport News Shipbuilding, Inc. (Newport News) and the Electronics and Information Systems Group of Aerojet General (EIS), both acquired in the fourth quarter of 2001. These acquisitions are important components of the increase in sales, operating margin and net income for the 2002 first quarter compared with the first quarter of 2001.

Sales for the first quarter more than doubled to \$4.1 billion from \$2.0 billion reported for the first quarter of 2001. Northrop Grumman's operating margin for the quarter increased 39 percent to \$313 million from an adjusted \$225 million in the same period a year ago. The 2002 first quarter operating margin included \$24 million of pension income, significantly lower than the \$69 million reported in the first quarter of 2001. The company said that pension income for 2002 is expected to total \$95 million compared with \$337 million reported for 2001.

Sales at Electronics Systems in the 2002 first quarter increased 76 percent to \$1.2 billion from \$701 million for the same period of 2001, including a 16 percent increase in organic sales. Operating margin for the quarter was \$99 million compared to 2001 first quarter adjusted operating margin of \$53 million. The sales and margin increases reflect the contributions by Litton's electronics businesses and EIS.

Ships, which includes the financial results of the Newport News and Ship Systems sectors, generated sales of \$1.1 billion and operating margin of \$79 million for the first quarter of 2002. Although Newport News is now operating as a separate Northrop Grumman sector, the company has aggregated Newport News and Ship Systems results for financial reporting purposes.

Information Technology reported sales of \$929 million in the quarter ended March 31, 2002, an increase of 58 percent over the same period a year ago. The sales

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FIRST QUARTER 2002 RESULTS

growth was driven by businesses added in the Litton acquisition. Operating margin was \$50 million in the quarter, up from an adjusted \$34 million in the first quarter of 2001.

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Sales for Integrated Systems increased 10 percent to \$807 million for the 2002 first quarter compared with \$733 million for the same period a year ago, reflecting higher B-2 and unmanned vehicle sales. Operating margin for the 2002 first quarter increased 6 percent to \$93 million from an adjusted \$88 million in the comparable year ago period.

Component Technologies reported 2002 first quarter sales of \$125 million and an operating loss of \$4 million. Component Technologies' operating margin continued to be adversely impacted by the downturn in the telecommunications industry. Looking ahead, the sector remains well positioned to capitalize on a market turnaround. Component Technologies continues to generate solid performance in its non-telecommunications business.

Contract acquisitions increased to \$5.8 billion for the first three months of 2002 from \$2.2 billion reported for the same period a year ago. For the first quarter 2002, the company's Electronics Systems segment reported contract acquisitions of \$1.5 billion reflecting the inclusion of Litton and EIS businesses and higher F-22 funding in the combat avionics business area. Ships reported contract acquisitions of \$1.8 billion resulting from the funding of Virginia-class submarines and refueling and overhaul of the carrier USS Enterprise. Information Technology reported contract acquisitions of \$1.1 billion, principally in the government information technology business area. Integrated Systems reported \$1.3 billion in contract acquisitions, reflecting higher F/A-18E/F and unmanned vehicle systems funding. Component Technologies reported \$129 million in contract acquisitions. The company's business backlog at March 31, 2002, was \$22.4 billion, more than double the \$10.3 billion reported a year earlier.

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FIRST QUARTER 2002 RESULTS

In the first quarter of 2002 the company used cash from operations of \$99 million compared with a use of \$33 million for the same period last year.

Northrop Grumman's net debt at March 31, 2002, was \$5.4 billion, up from the \$5.0 billion reported at Dec. 31, 2001, reflecting in part cash expenditures to complete the Newport News acquisition. Interest expense for the first quarter increased to \$109 million from \$47 million reported in the 2001 first quarter, as a result of the company's financing activities related to the acquisitions of Litton, Newport News and EIS. Debt to total capital was 40 percent at the end of the first quarter.

As previously announced, the company has issued an exchange offer to purchase all of the outstanding stock of TRW.

There can be no assurance that such a transaction will be completed.

Northrop Grumman Corporation is an \$18 billion, global aerospace and defense company with its worldwide headquarters in Los Angeles. Northrop Grumman provides technologically advanced, innovative products, services and solutions in defense and commercial electronics, systems integration, information technology and nuclear and non-nuclear shipbuilding and systems. With 100,000 employees and operations in 44 states and 25 countries, Northrop Grumman serves U.S. and international military, government and commercial customers.

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Note: Certain statements and assumptions in this release contain or are based on "forward-looking" information (that the company believes to be within the definition in the Private Securities Litigation Reform Act of 1995) and involve risks and uncertainties. Such "forward-looking" information includes the statements above as to future impacts on revenues and earnings. Such statements are subject to numerous assumptions and uncertainties, many of which are outside the company's control. These include the company's ability to successfully integrate its acquisitions, assumptions with respect to future revenues, expected program performance and cash flows, the outcome of contingencies including litigation, environmental remediation, acquisitions and divestitures of businesses, and anticipated costs of capital investments. The company's operations are subject to various additional risks and uncertainties resulting from its position as a supplier, either directly or as subcontractor or team member, to the U.S. Government and its agencies as well as to foreign governments and agencies; actual outcomes are dependent upon factors, including, without limitation, the company's successful performance of internal plans; government customers' budgetary restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; continued development and acceptance of new products; performance issues with key

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suppliers and subcontractors; government import and export policies; acquisition or termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and domestic and global needs for ships, military aircraft, military and civilian electronic systems and support, information technology and other products; as well as other economic, political and technological risks and uncertainties and other risk factors set out in the company's filings from time to time with the Securities and Exchange Commission, including, without limitation, the company's reports on Form 10-K and Form 10-Q.

Northrop Grumman filed a registration statement on Form S-4 (File No. 333-83672) and a tender offer statement on Schedule TO with the Securities and Exchange Commission on March 4, 2002 with respect to its offer to exchange all outstanding shares of TRW Inc. stock for Northrop Grumman common stock. These documents, and any amendments or supplements thereto, contain important information which should be read by TRW Inc. shareholders before making any decision regarding the offer to exchange.

The directors, certain executive officers and other employees and representatives of Northrop Grumman may be deemed to be participants in the solicitation of proxies for the Special Meeting of TRW Inc. Shareholders to be held on April 22, 2002 and the 2002 Annual Meeting of TRW Inc. Shareholders to be held on April 24, 2002. Northrop Grumman's proxy materials contain important information regarding such potential participants and other matters and should be read by TRW Inc. shareholders.

Copies of any of the foregoing documents may be obtained without charge at the Securities and Exchange Commission's website at www.sec.gov or upon request from D.F. King & Co., Inc., the information agent for Northrop Grumman's offer to

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exchange, at 800-755-7250.

Northrop Grumman will webcast its security analyst conference call at 2 p.m. EDT on April 17, 2002. A live audio broadcast of the conference call will be available on the Investor Relations page of the company's Web site at <http://www.northropgrumman.com>.

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

	FIRST QUARTER	
	2002	
FINANCIAL METRICS (Other Data)		
Economic earnings (See reconciliation below)	\$ 170	\$
Economic earnings per share	\$ 1.45	\$
Net cash used in operating activities	\$ (99)	\$
EBITDAP (See reconciliation below)	\$ 439	\$
EBITDAP per share	\$ 3.89	\$
	MAR. 31	D
	2002	2
BALANCE SHEET DATA		
Cash and cash equivalents	\$ 115	\$
Accounts receivable	2,877	
Inventoried costs	1,225	
Property, plant and equipment, net	2,941	
Total debt	5,485	
Net debt/1/	5,370	
Mandatorily redeemable preferred stock	350	
Shareholders' equity	7,854	
Total assets	21,457	
Debt to capitalization ratio/2/	40%	

FIRST QUARTER

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	2002	
RECONCILIATIONS FROM GAAP TO FINANCIAL METRICS		
Calculation of Economic earnings		
Income before taxes	\$ 216	\$
Amortization of goodwill	-	
Amortization of purchased intangibles	55	
Pension income	(24)	
Income tax	(77)	
Economic earnings	170	
Preferred dividend	(6)	
Economic earnings available to common shareholders	\$ 164	\$
Diluted weighted average common shares outstanding	112.76	
Calculation of EBITDAP		
Income before taxes	\$ 216	\$
Net interest expense	107	
Depreciation	85	
Amortization of goodwill	-	
Amortization of purchased intangibles	55	
Pension income	(24)	
EBITDAP	\$ 439	\$
1 Total debt less cash and cash equivalents		
2 Total debt divided by the sum of shareholders' equity, mandatorily redeemable preferred stock and total debt		
3 Certain prior year amounts have been reclassified to conform to the 2002 presentation		

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

	CONTRACT ACQUISITIONS		FUNDED ORDER BACKLOG	
	FIRST QUARTER		MARCH 31	
	2002	2001	2002	2001
Electronic Systems	\$ 1,470	\$ 987	\$ 6,263	\$ 5,265
Ships	1,847	-	10,542	-
Information Technology	1,073	636	1,580	990
Integrated Systems	1,310	615	4,026	4,173
Component Technologies	129	-	222	-

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Intersegment Eliminations	(53)	(38)	(212)	(108)
	-----	-----	-----	-----
Total Segments	\$ 5,776	\$ 2,200	\$ 22,421	\$ 10,320
	=====	=====	=====	=====

	NET SALES		OPERATING MARGIN (LOSS)	
	FIRST QUARTER		FIRST QUARTER	
	2002	2001	2002	2001
	-----	-----	-----	-----
Electronic Systems	\$ 1,238	\$ 701	\$ 99	\$ 36
Ships	1,077	-	79	-
Information Technology	929	589	50	24
Integrated Systems	807	733	93	80
Component Technologies	125	-	(4)	-
Intersegment Eliminations	(90)	(37)	-	-
	-----	-----	-----	-----
Total Segments	\$ 4,086	\$ 1,986	317	140
	=====	=====	=====	=====

Reconciliation to operating margin		
Royalty income reclassification	(6)	-
Unallocated corporate expenses	(20)	(9)
Unallocated state tax provision	(2)	(10)
Pension income	24	69
	-----	-----
Operating margin	313	190
Other income, net	12	17
Interest expense	(109)	(47)
	-----	-----
Income before taxes	216	160
Federal and foreign income taxes	67	57
	-----	-----
Net income	\$ 149	\$ 103
	-----	-----
Diluted earnings per share	\$ 1.27	\$ 1.42
	=====	=====

Note: Operating Results for 2001 are as reported. See "Additional Financial Information" for the effects of SFAS No. 142 - Goodwill and Other Intangible Assets

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

SALES BY BUSINESS AREA WITHIN SEGMENT

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	FIRST QUARTER	
	2002	2001 *
Electronic Systems		
Aerospace Electronic Systems	\$ 310	\$ 263
C/4/ISR&N	286	200
Defensive Electronic Systems	205	83
Navigation Systems	177	-
Space Systems	116	62
Other	144	93
	<u>\$ 1,238</u>	<u>\$ 701</u>
	=====	=====
Ships		
Aircraft Carriers	\$ 473	\$ -
Surface Combatants	189	-
Amphibious & Auxiliary	161	-
Submarines	130	-
Commercial & International	70	-
Services & Other	73	-
Intrasegment Eliminations	(19)	-
	<u>\$ 1,077</u>	<u>\$ -</u>
	=====	=====
Information Technology		
Government Information Technology	\$ 580	\$ 267
Enterprise Information Technology	138	141
Technology Services	152	127
Commercial Information Technology	59	54
	<u>\$ 929</u>	<u>\$ 589</u>
	=====	=====
Integrated Systems		
Air Combat Systems	\$ 485	\$ 406
Airborne Early Warning/Electronic Warfare	168	166
Airborne Ground Surveillance/Battle		
Management	152	165
Intrasegment Eliminations	2	(4)
	<u>\$ 807</u>	<u>\$ 733</u>
	=====	=====
Component Technologies	\$ 125	\$ -
	=====	=====

* Certain prior year amounts have been reclassified to conform to the 2002 presentation

AMORTIZATION OF PURCHASED INTANGIBLES

Electronic Systems	\$ 23	\$ 17
Ships	20	-
Information Technology	5	1

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Integrated Systems
Component Technologies

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\$ 55	\$ 22
=====	=====

NORTHROP GRUMMAN CORPORATION ADDITIONAL FINANCIAL INFORMATION (in millions, except per share)

	FIRST QUARTER	
	2002	2001
	-----	-----
OPERATING MARGIN AND EARNINGS SUMMARIES		
Operating Margin (Loss)		
Electronic Systems - as reported	\$ 99	\$ 36
Add back goodwill amortization	-	17
	-----	-----
Electronic Systems - comparable	99	53
	-----	-----
Ships	79	-
	-----	-----
Information Technology - as reported	50	24
Add back goodwill amortization	-	10
	-----	-----
Information Technology - comparable	50	34
	-----	-----
Integrated Systems - as reported	93	80
Add back goodwill amortization	-	8
	-----	-----
Integrated Systems - comparable	93	88
	-----	-----
Component Technologies	(4)	-
	-----	-----
Segment Operating Margin - as reported	317	140
Add back goodwill amortization	-	35
	-----	-----
Segment Operating Margin - comparable	\$ 317	\$ 175
	=====	=====
Total Operating Margin - as reported	\$ 313	\$ 190
Add back goodwill amortization	-	35
	-----	-----
Total Operating Margin - comparable	\$ 313	\$ 225
	=====	=====
Net Income		
As reported	\$ 149	\$ 103
Add back goodwill amortization, net of tax	-	29

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Comparable	----- \$ 149 =====	----- \$ 132 =====
Diluted Earnings Per Share		
As reported	\$ 1.27	\$ 1.42
Add back goodwill amortization, net of tax	-	.39
Comparable	----- \$ 1.27 =====	----- \$ 1.81 =====
Weighted average shares outstanding for diluted EPS	112.76 =====	72.76 =====