

NORTHROP GRUMMAN CORP
Form 10-K/A
March 02, 2001

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K/A

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from
to

Commission file number
1-3229

NORTHROP GRUMMAN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-1055798

(I.R.S. Employer Identification
Number)

1840 Century Park East, Los Angeles, California 90067

www.northgrum.com
(Address of principal executive offices and internet site)

(310) 553-6262

(Registrant's telephone number, including area code)
Securities registered pursuant to section 12(b) of the Act:

Title of each class

Common Stock, \$1 par value

Name of each exchange on which registered

New York Stock Exchange
Pacific Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

As of February 19, 2001, 72,126,289 shares of Common Stock were outstanding, and the aggregate market value of the Common Stock (based upon the closing price of the stock on the New York Stock Exchange) of the Registrant held by nonaffiliates was approximately \$6,449 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2001 Annual Meeting of Stockholders. Part III

This Form 10-K/A corrects an incorrect subtotal on the line item "total revenue" on the consolidated statements of income.

This Form 10-K/A corrects a positional discrepancy in the consolidated financial statements footnote entitled "Income Taxes", by aligning the descriptions in the footnote with the proper numerical amounts.

This Form 10-K/A also modifies the Independent Auditors' Consent by inserting the qualifier "except for subsequent events footnote, as to which the date is March 1, 2001"

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, \$ in millions, except per share

| | 2000 | 1999 | 1998 |
|--|------|------|------|
|--|------|------|------|

Sales and service revenues

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| | | | |
|--|----------|----------|----------|
| Product sales | \$ 6,133 | \$ 6,304 | \$ 6,381 |
| Service revenues | 1,485 | 1,312 | 986 |
| <hr/> | | | |
| Total revenue | 7,618 | 7,616 | 7,367 |
| <hr/> | | | |
| Cost of sales | | | |
| Cost of product sales | 4,160 | 4,491 | 4,737 |
| Cost of service revenues | 1,286 | 1,143 | 867 |
| Administrative and general expenses | 1,074 | 1,028 | 1,011 |
| <hr/> | | | |
| Operating margin | 1,098 | 954 | 752 |
| Other income(deductions) | | | |
| Interest income | 29 | 18 | 11 |
| Merger costs | | | (186) |
| Interest expense | (175) | (224) | (232) |
| Investment loss | | | (30) |
| Other, net | 23 | (1) | (6) |
| <hr/> | | | |
| Income from continuing operations before income taxes and cumulative effect of accounting change | 975 | 747 | 309 |
| Federal and foreign income taxes | 350 | 273 | 116 |
| <hr/> | | | |
| Income from continuing operations before cumulative effect of accounting change | 608 | 474 | 193 |
| Income from discontinued operations, net of federal income tax expense of \$22, \$6 and \$2 in 2000, 1999 and 1998, respectively | 39 | 9 | 1 |
| Loss on disposal of discontinued operations, net of federal income tax expense of \$40 | (56) | | |
| <hr/> | | | |
| Income before cumulative effect of accounting change | 608 | 483 | 194 |
| Cumulative effect of accounting change, net of income tax benefit of \$11 | | (16) | |
| <hr/> | | | |
| Net income | \$ 608 | \$ 467 | \$ 194 |
| <hr/> | | | |
| Weighted average common shares outstanding, in millions | 70.6 | 69.3 | 68.5 |

| | | | |
|---|---------|---------|---------|
| Basic earnings per share | | | |
| Continuing operations | \$ 8.86 | \$ 6.84 | \$ 2.82 |
| Discontinued operations | .55 | .13 | .01 |
| Disposal of discontinued operations | (.80) | | |
| Before cumulative effect of accounting change | 8.61 | 6.97 | 2.83 |
| Accounting change | | (.24) | |
| Basic earnings per share | \$ 8.61 | \$ 6.73 | \$ 2.83 |
| Diluted earnings per share: | | | |
| Continuing operations | \$ 8.82 | \$ 6.80 | \$ 2.78 |
| Discontinued operations | .55 | .13 | .01 |
| Disposal of discontinued operations | (.79) | | |
| Before cumulative effect of accounting change | 8.58 | 6.93 | 2.79 |
| Accounting change | | (.24) | |
| Diluted earnings per share | \$ 8.58 | \$ 6.69 | \$ 2.79 |

The accompanying notes are an integral part of these consolidated financial statements.

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NORTHROP GRUMMAN CORPORATION

INCOME TAXES

Income tax expense, both federal and foreign, was comprised of the following:

| <i>Years ended December 31, \$ in millions</i> | 2000 | 1999 | 1998 |
|--|-------|-------|---------|
| Income taxes on continuing operations: | | | |
| Currently payable | | | |
| Federal income taxes | \$ 96 | \$ 77 | \$ (13) |

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| | | | |
|---|--------|--------|--------|
| Foreign income taxes | 5 | 4 | 5 |
| | 101 | 81 | (8) |
| Change in deferred federal income taxes | 249 | 192 | 124 |
| Total income taxes on continuing operations | \$ 350 | \$ 273 | \$ 116 |

Income tax expense differs from the amount computed by multiplying the statutory federal income tax rate times the income before income taxes due to the following:

| <i>Years ended December 31, \$ in millions</i> | 2000 | 1999 | 1998 |
|---|--------|--------|--------|
| Income tax expense on continuing operations at statutory rate | \$ 341 | \$ 261 | \$ 108 |
| Goodwill amortization | 20 | 15 | 15 |
| Benefit from ESOP dividends | (3) | (3) | (3) |
| Other, net | (8) | | (4) |
| | \$ 350 | \$ 273 | \$ 116 |

Deferred income taxes arise because of differences in the treatment of income and expense items for financial reporting and income tax purposes. The principal type of temporary difference stems from the recognition of income on contracts being reported under different methods for tax purposes than for financial reporting.

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NORTHROP GRUMMAN CORPORATION

The tax effects of significant temporary differences and carryforwards that gave rise to year-end deferred federal and state tax balances, as categorized in the Consolidated Statements of Financial Position, were as follows:

| <i>\$ in millions</i> | 2000 | 1999 |
|----------------------------------|-------|-------|
| Deferred tax assets | | |
| Deductible temporary differences | | |
| Provision for estimated expenses | \$ 21 | \$ 33 |

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| | | |
|---|--------|--------|
| | 21 | 33 |
| Taxable temporary differences | | |
| Income on contracts | | (10) |
| | | (10) |
| | \$ 21 | \$ 23 |
| <hr/> | | |
| Deferred tax liabilities | | |
| Taxable temporary differences | | |
| Income on contracts | \$ 901 | \$ 913 |
| Retiree benefit plan income | 142 | |
| Goodwill amortization | 107 | 95 |
| Purchased intangibles | 63 | 89 |
| Excess tax over book depreciation | 51 | 72 |
| Administrative and general expenses period costed for tax purposes | | 14 |
| Other | 14 | 14 |
| | 1,278 | 1,197 |
| <hr/> | | |
| Deductible temporary differences | | |
| Provision for estimated expenses | (168) | (207) |
| Retiree benefit plan expense | | (197) |
| Administrative and general expenses period costed for tax purposes | (8) | |
| Other | (77) | (50) |
| | (253) | (454) |
| <hr/> | | |
| Tax carryforwards | | |
| Tax credits | (24) | (75) |
| Alternative minimum tax credit | (44) | (54) |
| | (68) | (129) |
| <hr/> | | |
| | \$ 957 | \$ 614 |

Net deferred tax liability

| | | |
|--|----------|----------|
| Total deferred tax liabilities (taxable temporary differences above) | \$ 1,278 | \$ 1,207 |
|--|----------|----------|

| | | |
|---|-----|-----|
| Less total deferred tax assets (deductible temporary differences and tax carryforwards above) | 342 | 616 |
|---|-----|-----|

| | | |
|--|--------|--------|
| | \$ 936 | \$ 591 |
|--|--------|--------|

The tax carryforward benefits are expected to be used in the periods in which net deferred tax liabilities mature. These tax credit carryforwards are in various amounts and expire over the years 2001 through 2007. The alternative minimum tax credit can be carried forward indefinitely.

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NORTHROP GRUMMAN CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of March 2001.

By: Robert B. Spiker
 Robert B. Spiker
 Corporate Vice President and Controller
 (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant this the 2nd day of March 2001, by the following persons and in the capacities indicated.

Signature

Title

| | |
|------------------------|---|
| Kent Kresa* | Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer) |
| Jack R. Borsting* | Director |
| John T. Chain, Jr.* | Director |
| Vic Fazio* | Director |
| Phillip Frost* | Director |
| Lewis W. Coleman | Director |
| Charles R. Larson* | Director |
| Robert A. Lutz* | Director |
| Aulana L. Peters* | Director |
| John E. Robson* | Director |
| Richard R. Rosenberg* | Director |
| John Brooks Slaughter* | Director |
| Richard J. Stegemeier* | Director |
| Richard B. Waugh, Jr.* | Corporate Vice President and Chief Financial Officer (Principal Financial Officer) |

*By John H. Mullan
John H. Mullan
Attorney-in-Fact
pursuant to a power of attorney

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NORTHROP GRUMMAN CORPORATION

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-59815, 33-59853 and 333-68003 of Northrop Grumman Corporation on Form S-8, Registration Statements Nos. 333-78251, 333-85633 and 333-40862 of Northrop Grumman Corporation on Form S-3 and Registration Statement No. 333-54800 of NNG, Inc. on Form S-4 of our report dated January 24, 2001, <R>except for subsequent events footnote, as to which the date is March 1, 2001<R>, appearing in this Annual Report on Form 10-K for the year ended December 31, 2000.

DELOITTE & TOUCHE LLP

Los Angeles, California

March 1, 2001

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