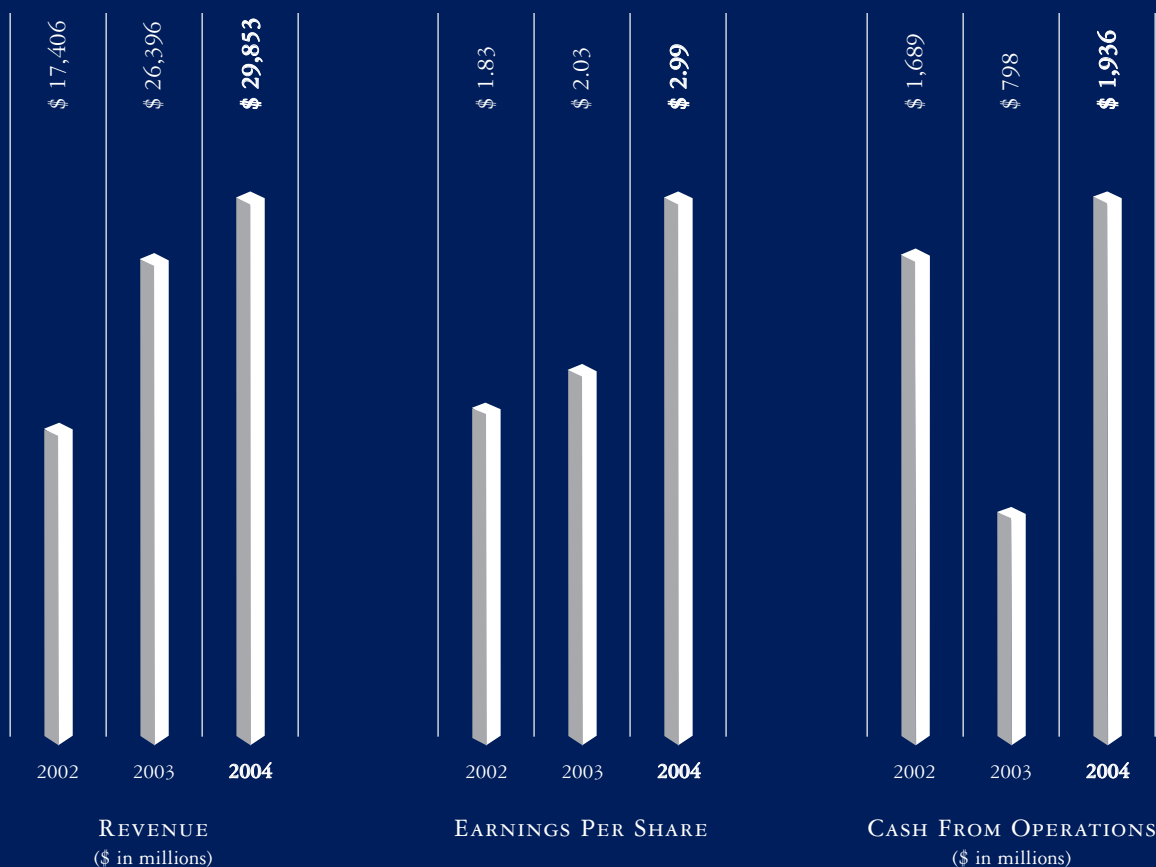


SELECTED FINANCIAL HIGHLIGHTS

\$ in millions, except per share	2004	2003	2002
Revenue	\$ 29,853	\$ 26,396	\$ 17,406
Operating margin as a percentage of revenue	6.7%	5.6%	6.4%
Income from continuing operations before cumulative effect of accounting change	1,093	758	455
Diluted earnings per share from continuing operations before cumulative effect of accounting change	2.99	2.03	1.83
Cash from operations	1,936	798	1,689
Net debt	3,928	5,597	8,260



DEAR FELLOW SHAREHOLDERS:

I AM VERY PLEASED TO REPORT on Northrop Grumman's progress in 2004—progress that continues to validate the direction of our company's transformation. As one of the world's top defense companies and a leader in the application of high technology to military transformation, we are demonstrating our commitment to the security of our nation and its allies, while generating increased value for our shareholders.

Excellent Financial Results Our 2004 financial results were outstanding by every measure and allowed us to invest for the future, strengthen our balance sheet and return more cash to shareholders. In a year without any major acquisitions, we achieved nearly \$30 billion in revenue, a 13 percent increase over the previous year and among the highest rates of annual sales growth in our peer group. Operating margin increased 37 percent due to higher sales, improved operating performance, and lower pension expense. Net income from continuing operations increased by 44 percent to \$1.1 billion, or \$2.99 per diluted share, driven by the positive trends in operating margin, as well as lower interest expense and a decrease in average diluted shares outstanding.

Growth Across the Enterprise Our growth was reflected in every Northrop Grumman business segment. Four of our reporting segments increased sales by solid double digits, and Information Technology and Electronic Systems increased sales by nine and six percent, respectively. Integrated Systems sales rose 23 percent; Mission Systems sales increased by 19 percent; Space Technology generated a 16 percent sales increase; and Ships sales rose 15 percent. All of the reporting segments reported higher operating margin in 2004 as compared to 2003 and in most cases improved their rate of profitability on sales.



RONALD D. SUGAR
Chairman, Chief Executive Officer and President

Some of the major programs driving 2004 revenue growth were the F-35 Joint Strike Fighter; unmanned aerial systems; the E-2 Advanced Hawkeye; the EA-18; DD(X), the Navy's future transformational surface combatant; the E-10A Multi-sensor Command and Control Aircraft (MC2A); the James Webb Space Telescope (JWST); and the National Polar-orbiting Operational Environmental Satellite System (NPOESS). Also in 2004 we continued to benefit from the collaboration efforts across our sectors on programs such as J-UCAS, BMC2, NETCENTS and Prometheus.

Strong Backlog for the Future Just as important as 2004's double-digit sales growth is the fact that we closed the year with a strong backlog of future business. Contract acquisitions were up in every reporting segment, and we concluded the year with a total backlog of \$58 billion, of which \$28 billion is firm and funded.

This backlog of programs demonstrates our success in utilizing the entire company to capture leading edge defense and intelligence community opportunities. In addition to a solid base of existing programs, Northrop Grumman is now competing for important new programs including America's Shield, a comprehensive, integrated border security system; Commercial LAIRCM, for protection of commercial aircraft against surface-to-air missiles; the Joint National Integration Center (JNIC), for ballistic missile defense; Broad Area Maritime Surveillance (BAMS); the Extended-Range Multi-Purpose UAV, the Army's long-endurance surveillance unmanned aerial vehicle; Space Radar, a satellite constellation to provide global situational awareness; the Transformational Communications System, that

Strong Cash Flow Benefits Shareholders Cash generation was also very strong in 2004 and allowed us to take actions to distribute more of our cash flow to our shareholders. Cash provided by operating activities totaled \$1.9 billion in 2004, which allowed us to increase shareholder return through share repurchases and increased cash dividends. Cash provided by financing activities included \$690 million from the issuance of 13.2 million shares in settlement of the stock purchase contracts related to the equity security units issued following the Litton acquisition. We received \$494 million for the early redemption of the TRW Auto "payment-in-kind" note and net of the settlement of other contractual issues.

We are demonstrating our commitment to the security of our nation and its allies, while generating increased value for our shareholders.

will link satellites and ground-based communications networks; and NASA's Crew Exploration Vehicle and other elements of Project Constellation, a planned architecture of human and robotic space systems that will allow astronauts to travel to and explore the moon, Mars and beyond.

As we pursue these new programs, Northrop Grumman continues as the premier supplier of advanced radar and electronic warfare systems, the world's largest military shipbuilder, and a leading systems integrator. We are a leader in the market for unmanned aerial vehicles, one of the three major contractors in military space and a leader and top-tier systems integrator for missile defense. And, according to several outside sources, in 2004 we became the top provider of information technology services to the U.S. government.

Due to our strong cash generation we were able to invest \$672 million in capital spending, retire \$600 million of high-coupon fixed-rate debt, pre-fund \$250 million of our pension plan obligations, increase our dividend for the first time in more than a decade, and complete the \$700 million share repurchase program announced in August 2003. Our demonstrated ability to generate cash allowed us to initiate a new \$1 billion share repurchase program that we plan to complete in the next 12 months. All of this was accomplished while we continued to strengthen our credit profile. And on March 24, 2005 we announced a 13 percent increase in our quarterly cash dividend to \$0.26 per share up from \$0.23 per share. Going forward, we expect to have the resources to continue to execute a balanced cash deployment strategy that includes distributing cash to shareholders and investing for growth.

Talent and Technology Our strategy continues to be to aggressively apply Northrop Grumman’s formidable talent and technology to spur the revolutionary advances that are redefining what is possible on the battlefield, in our nation’s war on terror, and in the urgent task of ensuring the safety and security of our communities here at home—all while creating value for our shareholders and maintaining the highest standards of integrity.

Allow me a moment to talk about our talent—the tremendous human factor that is so vital to the development of superior technologies and ultimately, our company’s sustained success. I believe that Northrop Grumman today comprises one of the most talented, innovative, and dedicated workforces in our industry. We will continue to develop this exceptional talent pool to meet the challenges of tomorrow.

Superior Technology for Soldiers on the Ground

Among today’s challenges, the war on terror in Afghanistan and Iraq underscores the pressing need for information delivery to the soldier on the ground. Northrop Grumman is participating in

delivering that information at every turn—from airborne reconnaissance missions flown by our Global Hawk and Hunter unmanned vehicles to the Blue Force Tracking system in the hands of individual soldiers.

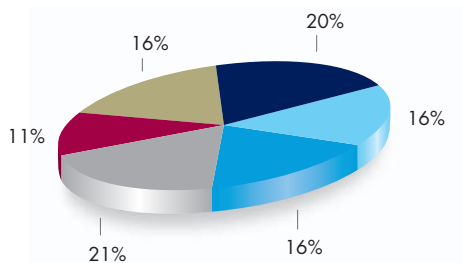
But while the war on terror is validating the need for transformational network-centric warfare capabilities, it is also creating competing funding demands for our nation’s budget. In an environment of budget deficits, our government must fund the transformational network-centric platforms envisioned over the last decade while at the same time support the day-to-day costs of the ongoing conflicts in Afghanistan and Iraq. As a company we have to take a realistic view of where our customer’s future spending priorities will be and position ourselves accordingly.

Defense Budget President Bush’s recently submitted 2006 budget calls for \$147 billion in spending on RDT&E (research, development, test and evaluation) and procurement, unchanged from 2005. This was lower than expected based on the 2005 budget, although the President’s 2006 budget does call for investment accounts to resume annual growth of six

Business Portfolio

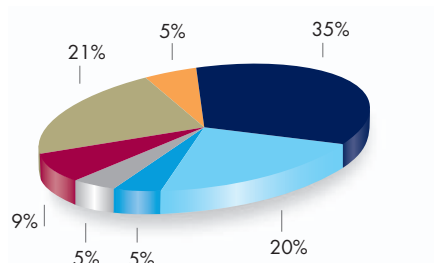
2004 Revenues – \$29.9 Billion

BY SECTOR



- Electronic Systems
- Information Technology
- Integrated Systems
- Ships
- Space Technology
- Mission Systems

BY CUSTOMER



- Navy
- Air Force
- Other Department of Defense
- International
- Other Government
- U.S. Commercial
- Army

Other segment revenue accounts for less than 1% of total 2004 revenue.

Community Involvement: A Top Priority

Northrop Grumman is dedicated to being an outstanding corporate citizen in the communities where we work and live. This commitment is at the heart of the company's philanthropic focus and manifests itself in initiatives that improve education, human services and culture, and those that address diversity. The company supports these initiatives through the Charitable Giving program and the Northrop Grumman Foundation.

Northrop Grumman recognizes the different needs of our communities and, to help address these unique needs, has established the Charitable Giving program, a direct-giving program that partners with innovative organizations. The Boys & Girls Clubs of America, Habitat for Humanity, and People Assisting The Homeless (PATH) are just a few examples of groups receiving volunteer and financial assistance from the company. As part of the program, a growing number of Northrop Grumman employees tutor and mentor students in their communities. The program also aids in recovery from natural disasters; in 2004, for example, the company made considerable contributions to hurricane and tsunami relief efforts.

The Northrop Grumman Foundation is primarily focused on supporting diverse and sustainable programs that improve the educational experience for students, especially in the subjects of literacy, math, science, and technology. This support takes many forms, and includes financial contributions to organizations such as Teach for America, which provides teachers to low-income rural and urban communities, and Discover E, which exposes students to engineering. The company also supports education with the Foundation's matching gift program, through which Northrop Grumman matches employees' financial contributions. In 2004, the company matched more than \$1 million in employee contributions to education.

to seven percent in fiscal years 2007 through 2009. In addition, Congress is considering an \$82 billion supplemental funding bill for the war on terror that includes \$16 billion in procurement funding over and above the 2006 budget request. In general, our programs appear to be well supported in the proposed budget and in Congress. The President's budget includes higher funding for programs in the areas of intelligence, surveillance and reconnaissance (ISR), battle management and space—all strong Northrop Grumman capabilities. And, the outlook for government spending on information systems and technology, which now represents nearly \$10 billion of our \$30 billion in revenue, calls for mid to upper single-digit growth in 2005. We continue to believe that information technology in all its permutations will be central to our efforts to combat the threats our nation faces, here at home and around the world. There also are growing opportunities in the civil sector for our broad range of IT capabilities.

One area of the President's budget receiving considerable scrutiny is the Navy's long-term shipbuilding plan. While the current debate focuses on the appropriate size our Navy should be, Congress will make the ultimate budget decisions in future years. However, one thing is certain: our great nation needs a great navy, and a great navy will need ships made increasingly more capable by cutting-edge technology. In the near term, our shipyards have a significant backlog of orders totaling \$9 billion. One matter that could impact our shipyards is the Navy's consideration of a new winner-take-all competition for the DD(X) program that would replace shared production between Northrop Grumman and General Dynamics.

Overall, we are agile enough to respond to the priorities our customers and Congress set, and we continue to carefully monitor changes in defense spending trends to ensure that we are correctly positioned for the future.

Focus on Operational and Financial Excellence

In 2005 we will continue to focus on excellence in operational and financial performance while investing for growth, increasing shareholder returns and developing our workforce. With regard to operational excellence, we are making important progress toward becoming a more cost-competitive company. We have launched an enterprise-wide effort called Achieving Competitive Excellence (ACE). Through 10 initiatives involving cross-sector teams and sponsorship at the highest levels of management,

Mike Petters, formerly a vice president at Newport News, was elected president of the sector to replace Tom Schievelbein, who retired in 2004. Wes Bush, formerly president of Space Technology, was elected corporate vice president and chief financial officer of Northrop Grumman Corporation upon the departure of Charles Noski, and Alexis Livanos moved from Electronic Systems, where he was a vice president, to succeed Wes Bush. We will continue to prepare our leaders for the new opportunities that occur in a dynamic company of our size and diversity.

I believe that Northrop Grumman today comprises one of the most talented, innovative, and dedicated workforces in our industry.

ACE focuses on three basic goals: driving a more competitive and flexible cost structure, enhancing our business development activities, and enhancing the performance of our portfolio.

Through ACE, we are examining key company practices and processes and developing recommendations aimed at harnessing the power of collaborative, companywide improvements. This is an important effort for our company, and we expect the results generated by ACE to help us maximize our cross-sector strengths, create shareholder value and realize our vision to be the world's premier and most trusted national security enterprise.

Complementing our drive for operational, financial and competitive excellence is our renewed commitment to an ongoing leadership development and succession strategy, ensuring a shared leadership culture across Northrop Grumman and common understanding of our company's strategic priorities.

The importance of this commitment is underscored by the smooth transition of several of our senior leaders in the past year to key new positions:

Outlook Looking ahead, we will continue to strive for flawless execution on existing programs, and at the same time aggressively pursue opportunities for future growth. As we have for more than a decade now, Northrop Grumman will endeavor to anticipate our nation's full range of national security needs and offer our armed forces and homeland security department the best technology and equipment that modern science, industry and a dedicated workforce can provide. And, we will continue to recognize the important role each employee plays in these efforts.

Northrop Grumman's transformation continues to define the future for our customers, our employees and our shareholders. We look forward to great strides in 2005 and beyond.



RONALD D. SUGAR
Chairman, Chief Executive Officer and President
April 1, 2005

VISION, VALUES & BEHAVIORS

OUR *Vision*

Our vision is to be the most trusted provider of systems and technologies that ensure the security and freedom of our nation and its allies. As the technology leader, we will define the future of defense—from undersea to outer space, and in cyberspace.

We will:

- *Conduct ourselves with integrity and live our Company Values*
- *Deliver superior program performance*
- *Foster an internal environment of innovation, collaboration, and trust*
- *In so doing, Northrop Grumman will become our customers' partner of choice, our industry's employer of choice, and our shareholders' investment of choice.*

OUR *Values*

We, the women and men of Northrop Grumman, are guided by the following Values. They describe our company as we want it to be. We want our decisions and actions to demonstrate these Values. We believe that putting our Values into practice creates long-term benefits for shareholders, customers, employees, suppliers, and the communities we serve.

We take responsibility for QUALITY...

Our products and services will be “best in class” in terms of value received for dollars paid. We will deliver excellence, strive for continuous improvement and respond vigorously to change. Each of us is responsible for the quality of whatever we do.

We deliver CUSTOMER satisfaction...

We are dedicated to satisfying our customers. We believe in respecting our customers, listening to their requests and understanding their expectations. We strive to exceed their expectations in affordability, quality and on-time delivery.

We provide LEADERSHIP as a company and as individuals...

Northrop Grumman's leadership is founded on talented employees effectively applying advanced technology, innovative manufacturing and sound business management. We add more value at lower cost with faster response. We each lead through our competence, creativity and teamwork.

We act with INTEGRITY in all we do...

We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work. We fulfill our commitments as responsible citizens and employees. We will consistently treat customers and company resources with the respect they deserve.

We value Northrop Grumman PEOPLE...

We treat one another with respect and take pride in the significant contributions that come from the diversity of individuals and ideas. Our continued success requires us to provide the education and development needed to help our people grow. We are committed to openness and trust in all relationships.

We regard our SUPPLIERS as essential team members...

We owe our suppliers the same type of respect that we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance. We consider our suppliers' needs in conducting all aspects of our business.

OUR *Behaviors*

One: *Live the Company Values*

We all have the company values listed on the back of our badges—Quality, Customer Satisfaction, Leadership, Integrity, People, Suppliers. Integrity must characterize everything we do. We want everyone who comes in contact with us to know that we do things the right way at Northrop Grumman. We don't take short cuts.

Two: *Focus on Operating Excellence*

Northrop Grumman is very well positioned strategically. We must focus on program performance to deliver on the full operating and financial potential of our company.

Three: *Act With Speed*

Northrop Grumman is a much larger company today than we were. With this increased size comes the challenge of operating in a timely fashion. We must avoid bureaucratic delays. We must be agile enough to act faster than our competitors. This "small company" behavior has characterized Northrop Grumman all along and is one we must continue.

Four: *Communicate Openly*

We want good news to travel fast and bad news to travel even faster up the line. We need to be mindful of the importance of honestly communicating problems as well as break throughs. The sooner we communicate a problem, the easier it is for us to marshal our company's resources to solve it.

Five: *Collaborate Across the Company*

Northrop Grumman's power comes from the talented people who make up our company. By cooperating and sharing our knowledge with each other seamlessly across organizations, we can make our company even stronger.

2004 HIGHLIGHTS

Northrop Grumman...

- | | |
|------------------|--|
| JANUARY 26, 2004 | <ul style="list-style-type: none"> > PARTICIPATED IN SUCCESSFUL LANDING OF NASA MARS EXPLORATION ROVERS
Inertial Measurement Units developed by Northrop Grumman were key parts of two Mars Rovers. |
| APRIL 19, 2004 | <ul style="list-style-type: none"> > AWARDED \$220 MILLION SPACE-BASED RADAR CONTRACT
Provide integrated, global, persistent intelligence, surveillance and reconnaissance (ISR) as well as real-time support to the U.S. military and intelligence operations. |
| APRIL 21, 2004 | <ul style="list-style-type: none"> > AWARDED \$337 MILLION TASK ORDER TO DEVELOP HOMELAND SECURE DATA NETWORK
Design, operate and maintain U.S. Department of Homeland Security's classified network infrastructure for its headquarters and directorates nationwide. |
| MAY 3, 2004 | <ul style="list-style-type: none"> > WON \$888 MILLION CONTRACT TO DEVELOP ADVANCED AIRBORNE RADAR
Multi-Platform Radar Technology Insertion Program (MP-RTIP) radar will enhance surveillance and tracking of ground targets and cruise missiles. |
| MAY 21, 2004 | <ul style="list-style-type: none"> > AWARDED \$1.386 BILLION CONTRACT FOR NEW GENERATION AIRCRAFT CARRIER, CVN 21
Contract for construction preparation for CVN-21. |
| JULY 31, 2004 | <ul style="list-style-type: none"> > HOSTED FIRST LADY LAURA BUSH FOR TEXAS SUBMARINE CHRISTENING
Laura Bush christened the submarine Texas (SSN 775) at Newport News shipyard. |
| AUGUST 5, 2004 | <ul style="list-style-type: none"> > SELECTED AS PREFERRED BIDDER FOR U.K. E-3D AWACS SUPPORT CONTRACT
\$1.19 billion contract to provide aircraft maintenance and design engineering support services to improve availability and reduce through-life ownership costs for the United Kingdom's Royal Air Force. |
| AUGUST 5, 2004 | <ul style="list-style-type: none"> > AWARDED \$400 MILLION COMMAND-POST PLATFORM CONTRACT
Develop and field U.S. Army command posts and provide common command centers with advanced command-and-control hardware and technology to improve commanders' control over their digital forces using FBCB2. |

- AUGUST 19, 2004 > AWARDED \$1.04 BILLION CONTRACT FOR X-47B JOINT UNMANNED COMBAT AIR SYSTEMS PROGRAM
Continue work on X-47B J-UCAS, a DARPA program that will demonstrate the technical feasibility, military utility and operational value of networked, unmanned, air-combat systems.
- AUGUST 25, 2004 > WON COMMERCIAL AIRCRAFT ANTI-MISSILE SYSTEM CONTRACT
Selected by U.S. Department of Homeland Security, for Phase II of counter-MANPADS program, to develop system to protect commercial aircraft from ground-based, shoulder-fired missiles.
- SEPTEMBER 10, 2004 > BEGAN CONSTRUCTION OF U.S. COAST GUARD MARITIME SECURITY CUTTER, LARGE
In partnership with Integrated Coast Guard Systems (ICGS), began the start of new fleet of Coast Guard cutters and marked the nation's renewed investments in homeland security.
- SEPTEMBER 10, 2004 > TEAM SELECTED BY U.S. AIR FORCE FOR E-10A BATTLE MANAGEMENT CONTRACT
\$308 million contract for E-10A aircraft Battle Management Command and Control (BMC2) subsystem.
- SEPTEMBER 13, 2004 > WON U.S. AIR FORCE NETWORK CENTRIC SOLUTIONS CONTRACT
Selected as one of eight prime contractors, and won first task order under the ID/IQ contract, which entails providing information-technology products and services for the Air Force's Network Centric Solutions (NETCENTS) program.
- SEPTEMBER 22, 2004 > PARTNERED WITH NASA JPL TO CO-DEVELOP JUPITER ICY MOONS ORBITER
Work with NASA Jet Propulsion Laboratory to develop Prometheus orbiter (formerly Jupiter Icy Moons Orbiter), which will orbit Jupiter's three ice-covered Galilean moons, gathering data to help scientists understand the moons' origin and evolution, potential for sustaining life, and radiation environment.
- NOVEMBER 12, 2004 > WEAPONS-LASER FOR AIRBORNE LASER SUCCESSFULLY FIRED BY MISSILE DEFENSE AGENCY
"First Light" test conducted by U.S. Missile Defense Agency underscores major engineering achievement of Northrop Grumman-built laser; test marked first time such a powerful directed-energy weapon suitable for use in an airborne environment had been demonstrated.

For more details on any of these highlights, please visit www.northropgrumman.com

CORPORATE POLICY COUNCIL

Northrop Grumman's Corporate Policy Council assists the Chief Executive Officer and President by serving as management's key deliberative body for all major policy-level issues and opportunities facing the company.



RONALD D. SUGAR
Chairman, Chief Executive Officer and President



WESLEY G. BUSH
Corporate Vice President and Chief Financial Officer



PHILIP A. DUR
Corporate Vice President and President, Ship Systems



J. MICHAEL HATELEY
Corporate Vice President and Chief Human Resources and Administrative Officer



ROBERT W. HELM
Corporate Vice President, Business Development and Government Relations



ROBERT P. IORIZZO
Corporate Vice President and President, Electronic Systems



ALEXIS C. LIVANOS
Corporate Vice President and President, Space Technology



ALBERT F. MYERS
Corporate Vice President, Strategy and Technology



ROSANNE P. O'BRIEN
Corporate Vice President, Communications



JAMES R. O'NEILL
Corporate Vice President and President, Information Technology



C. MICHAEL PETTERS
Corporate Vice President and President, Newport News



SCOTT J. SEYMOUR
Corporate Vice President and President, Integrated Systems



W. BURKS TERRY
Corporate Vice President and General Counsel



DONALD C. WINTER
Corporate Vice President and President, Mission Systems

FINANCIAL HIGHLIGHTS BY SEGMENT

Contract Acquisitions \$ in millions		2004	2003	2002
Electronic Systems	Aerospace Systems	\$ 1,393	\$ 1,202	\$ 1,018
	C ⁴ ISR & Naval Systems	1,377	1,299	1,843
	Defensive Systems	1,153	1,018	830
	Navigation Systems	886	852	741
	Government Systems	856	652	516
	Space Systems	486	440	615
	Defense Other	555	555	367
Ships	Surface Combatants	1,807	1,569	1,641
	Aircraft Carriers	1,538	941	1,622
	Amphibious and Auxiliary	983	1,301	1,184
	Submarines	1,228	895	828
	Commercial and International	41	31	(4)
	Services and Other	135	193	94
Information Technology	Government Information Technology	3,087	2,786	2,269
	Enterprise Information Technology	881	872	766
	Commercial Information Technology	770	698	588
	Technology Services	688	611	621
Mission Systems	Command, Control & Intelligence Systems	3,008	2,987	1,644
	Missile Systems	1,532	1,255	973
	Technical and Management Services	680	678	382
Integrated Systems	Air Combat Systems	3,165	2,768	2,158
	Airborne Early Warning and Electronic Warfare Systems	1,363	1,051	832
	Airborne Ground Surveillance and Battle Management Systems	612	565	526
Space Technology	Intelligence, Surveillance, & Reconnaissance	1,357	827	540
	Civil Space	659	584	133
	Software Defined Radios	520	638	148
	Satellite Communications	398	532	230
	Missile & Space Defense	400	316	206
	Technology	226	241	51
Other		216	187	194

FINANCIAL HIGHLIGHTS BY SEGMENT

Revenue \$ in millions		2004	2003	2002
Electronic Systems	Aerospace Systems	\$ 1,577	\$ 1,621	\$ 1,437
	C ⁴ ISR & Naval Systems	1,351	1,318	1,225
	Defensive Systems	1,060	919	783
	Navigation Systems	775	756	668
	Government Systems	672	448	476
	Space Systems	453	514	437
	Defense Other	529	463	300
Ships	Surface Combatants	2,010	1,594	875
	Aircraft Carriers	1,901	1,922	2,076
	Amphibious and Auxiliary	1,436	1,069	845
	Submarines	730	627	581
	Commercial and International	123	123	224
	Services and Other	143	163	194
Information Technology	Government Information Technology	3,004	2,625	1,948
	Enterprise Information Technology	867	857	750
	Commercial Information Technology	656	665	288
	Technology Services	650	617	590
Mission Systems	Command, Control & Intelligence Systems	3,014	2,423	764
	Missile Systems	1,288	1,082	–
	Technical and Management Services	699	700	–
Integrated Systems	Air Combat Systems	2,874	2,469	1,915
	Airborne Early Warning and Electronic Warfare Systems	1,273	841	759
	Airborne Ground Surveillance and Battle Management Systems	600	541	600
Space Technology	Intelligence, Surveillance, & Reconnaissance	1,041	881	–
	Civil Space	638	521	–
	Software Defined Radios	546	387	–
	Satellite Communications	486	472	–
	Missile & Space Defense	389	405	–
	Technology	221	203	–
Other		230	191	200
Operating Margin \$ in millions		2004	2003	2002
Electronic Systems		\$ 670	\$ 590	\$ 434
Ships		389	295	306
Information Technology		301	269	191
Mission Systems		321	266	59
Integrated Systems		412	384	331
Space Technology		222	193	–
Other		(3)	(74)	(271)

FINANCIAL HIGHLIGHTS BY SEGMENT

Funded Backlog \$ in millions		2004	2003
Electronic Systems	Aerospace Systems	\$ 1,790	\$ 1,974
	C ⁴ ISR & Naval Systems	1,388	1,362
	Defensive Systems	1,250	1,157
	Navigation Systems	1,013	902
	Government Systems	796	612
	Space Systems	223	190
	Defense Other	297	271
Ships	Surface Combatants	3,058	3,261
	Aircraft Carriers	2,571	2,934
	Amphibious and Auxiliary	1,897	2,350
	Submarines	1,568	1,070
	Commercial and International	39	121
	Services and Other	49	57
Information Technology	Government Information Technology	1,434	1,351
	Enterprise Information Technology	160	146
	Commercial Information Technology	690	576
	Technology Services	284	246
Mission Systems	Command, Control & Intelligence Systems	1,438	1,444
	Missile Systems	1,390	1,146
	Technical and Management Services	341	360
Integrated Systems	Air Combat Systems	2,597	2,306
	Airborne Early Warning and Electronic Warfare Systems	1,566	1,476
	Airborne Ground Surveillance and Battle Management Systems	528	516
Space Technology	Intelligence, Surveillance, & Reconnaissance	802	486
	Civil Space	217	196
	Software Defined Radios	373	399
	Satellite Communications	202	290
	Missile & Space Defense	128	117
	Technology	94	89
Other		49	63

GENERAL INFORMATION



Northrop Grumman on the Internet

Information on Northrop Grumman and its sectors, including press releases and this annual report, can be found on our home page at www.northropgrumman.com. Shareholders can also receive copies of this report or quarterly earnings statements by mail from The Wall Street Journal Annual Report Service. To request information by mail, call (800) 654-2582 or fax your request to (800) 965-5679.

Annual Shareholders' Meeting

Tuesday, May 17, 2005

8 a.m. PDT

Space Technology Presentation Center

One Space Park

Redondo Beach, California 90278

(310) 813-1002

Independent Auditors

Deloitte & Touche LLP, Los Angeles

Stock Listing

Northrop Grumman Corporation common stock is listed on the New York Stock Exchange and Pacific Exchange (trading symbol NOC).

Dividend Reinvestment Program

Registered owners of Northrop Grumman Corporation common stock are eligible to participate in the company's Automatic Dividend Reinvestment Plan. Under this plan, shares are purchased with reinvested cash dividends and voluntary cash payments of up to a specified amount per calendar year.

For information on the company's Dividend Reinvestment Service or for assistance with other stock ownership inquiries, contact our Transfer Agent and Registrar, EquiServe Trust Company, N.A., (800) 756-8200 or send a message via the Internet. EquiServe's address is www.equiserve.com. Questions regarding stock ownership may also be directed to Northrop Grumman's Shareholder Services at (310) 201-3286.

Duplicate Mailings

Stockholders with more than one account or who share the same address with another stockholder may receive more than one annual report. To eliminate duplicate mailings or to consolidate accounts, contact EquiServe. Separate dividend checks and proxy materials will continue to be sent for each account on our records.

Investor Relations

Securities analysts, institutional investors and portfolio managers should contact Northrop Grumman Investor Relations at (310) 201-3423 or send an e-mail to investors@ngc.com.

Media Relations

Inquiries from the media should be directed to Northrop Grumman Corporate Communications at (310) 201-3335 or send an e-mail to corporate_news@ngc.com.

CORPORATE DIRECTORY

Northrop Grumman Corporation

1840 Century Park East
 Los Angeles, California 90067-2199
 Phone: (310) 553-6262
 Fax: (310) 201-3023
www.northropgrumman.com

Northrop Grumman Corporation Electronic Systems

1580A W. Nursery Road
 Linthicum, Maryland 21090
 Phone: (410) 765-1000
 Fax: (410) 993-6698

Northrop Grumman Corporation Information Technology

7575 Colshire Drive
 McLean, Virginia 22102
 Phone: (703) 713-4000
 Fax: (703) 713-4127

Northrop Grumman Corporation Integrated Systems

One Northrop Grumman Avenue
 El Segundo, California 90245
 Phone: (310) 332-1000
 Fax: (310) 332-7310

Northrop Grumman Corporation Mission Systems

12011 Sunset Hills Road
 Reston, Virginia 20190-3285
 Phone: (703) 968-1000
 Fax: (703) 345-7069

Northrop Grumman Corporation Newport News

4101 Washington Avenue
 Newport News, Virginia 23607
 Phone: (757) 380-2000
 Fax: (757) 380-3867

Northrop Grumman Corporation Ship Systems

1000 Access Road
 P.O. Box 149
 Pascagoula, Mississippi 39568-0149
 Phone: (228) 935-1122
 Fax: (228) 935-1126

Northrop Grumman Corporation Space Technology

One Space Park
 Redondo Beach, California 90278
 Phone: (310) 812-4321

Northrop Grumman Electronic Systems International

P.O. Box 451, MS A275
 Baltimore, Maryland 21203
 Phone: (410) 765-2700
 Fax: (410) 765-5877
james.coleman@ngc.com

Northrop Grumman Corporation Corporate Government Relations

1000 Wilson Boulevard, Suite 2300
 Arlington, Virginia 22209-2278
 Phone: (703) 875-8400
 Fax: (703) 276-0711
bob.helm@ngc.com

Northrop Grumman International, Inc.

1000 Wilson Boulevard, Suite 2300
 Arlington, Virginia 22209-2278
 Phone: (703) 875-8544
 Fax: (703) 875-3980
bill.ennis@ngc.com

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements and assumptions herein contain or are based on "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risk and uncertainties, including statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, the successful negotiation of collective bargaining agreements and the results of divestitures of non-core business. The company's operations are necessarily subject to various risks and uncertainties; actual outcomes are dependent upon many factors, including without limitation the company's successful performance of internal plans; government customers' budgetary constraints; 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 and, in the case of fixed price development contracts, the Company's successful performance of such programs is subject to its ability to control cost growth in meeting production specifications and delivery rates; performance issues with key suppliers and subcontractors; government import and export policies; termination of government contracts; the outcome of political and legal processes; legal, financial, and governmental risks related to international transactions and global needs for the company's products and services, including without limitation, military and commercial electronic systems and support; as well as other economic, political, and technological risks and uncertainties. Further discussion of these and other risks can be found in the Company's filings with the SEC, including, without limitation, Form 10-K.

BOARD OF DIRECTORS AND ELECTED OFFICERS

Board of Directors

Ronald D. Sugar
*Chairman, Chief Executive Officer
and President,
Northrop Grumman Corporation*

John T. Chain Jr.
*General, U.S. Air Force (Ret.),
Chairman of the Board,
Thomas Group, Inc.
(management consulting
company)*

Lewis W. Coleman
*Former President, Gordon E. and
Betty I. Moore Foundation
(education and scientific
research institution)*

Vic Fazio
*Senior Partner,
Clark & Weinstock Inc.
(consulting firm)*

Phillip Frost
*Chairman of the Board and
Chief Executive Officer,
IVAX Corporation
(pharmaceutical company)*

Charles R. Larson
Admiral, U.S. Navy (Ret.)

Charles H. Noski*
*Former Corporate Vice President
and Chief Financial Officer,
Northrop Grumman Corporation*

*Through May 16, 2005

Philip A. Odeen
*Chairman, Reynolds and
Reynolds Company
(automotive software company)*

Aulana L. Peters
*Retired Partner, Gibson, Dunn
and Crutcher
(law firm)*

Kevin W. Sharer
*Chairman and Chief
Executive Officer,
Amgen Inc.
(a biotechnology company)*

John Brooks Slaughter
*President and Chief
Executive Officer,
The National Action
Council for Minorities in
Engineering, Inc.*

Committees of the Board

COMPLIANCE, PUBLIC ISSUES
AND POLICY

Aulana L. Peters, Chairman
Vic Fazio
Charles R. Larson
Philip A. Odeen
John Brooks Slaughter

FINANCE

Lewis W. Coleman, Chairman
John T. Chain Jr.
Phillip Frost
Philip A. Odeen
Kevin W. Sharer

NOMINATING AND
CORPORATE GOVERNANCE

Phillip Frost, Chairman
John T. Chain Jr.
Vic Fazio
Charles R. Larson
Aulana L. Peters

AUDIT

John Brooks Slaughter,
Chairman
Lewis W. Coleman
Vic Fazio
Charles R. Larson
Aulana L. Peters

COMPENSATION AND
MANAGEMENT DEVELOPMENT

John T. Chain Jr., Chairman
Lewis W. Coleman
Phillip Frost
Philip A. Odeen
Kevin W. Sharer

Elected Officers

Ronald D. Sugar
*Chairman, Chief Executive Officer
 and President,
 Northrop Grumman Corporation*

Wesley G. Bush
*Corporate Vice President
 and Chief Financial Officer*

Philip A. Dur
*Corporate Vice President
 and President,
 Ship Systems*

J. Michael Hateley
*Corporate Vice President and
 Chief Human Resources and
 Administrative Officer*

Robert W. Helm
*Corporate Vice President,
 Business Development and
 Government Relations*

Robert P. Iorizzo
*Corporate Vice President
 and President,
 Electronic Systems*

Alexis C. Livanos
*Corporate Vice President
 and President,
 Space Technology*

John H. Mullan
*Corporate Vice President
 and Secretary*

Albert F. Myers
*Corporate Vice President,
 Strategy and Technology*

Rosanne P. O'Brien
*Corporate Vice President,
 Communications*

James R. O'Neill
*Corporate Vice President
 and President,
 Information Technology*

C. Michael Petters
*Corporate Vice President
 and President,
 Newport News*

James L. Sanford
*Corporate Vice President
 and Treasurer*

Scott J. Seymour
*Corporate Vice President
 and President,
 Integrated Systems*

W. Burks Terry
*Corporate Vice President
 and General Counsel*

Donald C. Winter
*Corporate Vice President
 and President,
 Mission Systems*

Sandra J. Wright
*Corporate Vice President
 and Controller*

NORTHROP GRUMMAN

DEFINING THE FUTURE

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067-2199