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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 29549

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

For the quarterly period ended September 30, 1995
or

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

For the transition period from _____ to _____

For Quarter Ended September 30, 1995
Commission File Number 1-3229

NORTHROP GRUMMAN CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE No. 95-1055798
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1840 Century Park East, Los Angeles, California 90067
(address of principal executive offices)

(310) 553-6262

(Registrant's telephone number, including area code)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock outstanding as of October 19, 1995 49,416,405 shares

Northrop Grumman Corporation and Subsidiaries

Part I. Financial Information
Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

Three months ended		Nine months ended	
September 30		September 30	
1995	1994	1995	1994

\$ in millions, except per share

Net Sales	\$1,630	\$1,927	\$5,006	\$4,831
Cost of sales				
Operating costs	1,269	1,561	3,928	3,939
Administrative and general expenses	230	267	663	586
Operating margin	131	99	415	306
Other, net	5	(2)	7	14
Interest expense	(36)	(35)	(106)	(73)
Income before income taxes	100	62	316	247
Federal and foreign income taxes	39	23	122	91
Net income	\$ 61	\$ 39	\$ 194	\$ 156
Weighted average shares outstanding, in millions	49.4	49.2	49.3	49.1
Earnings per share	\$ 1.25	\$.79	\$ 3.93	\$ 3.17
Dividends per share	\$.40	\$.40	\$ 1.20	\$ 1.20

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION

\$ in millions	September 30 1995	December 31 1994
Assets:		
Cash and cash equivalents	\$ 32	\$ 17
Accounts receivable, net of progress payments of \$2,314 in 1995 and \$2,532 in 1994	1,248	1,202
Inventoried costs, net of progress payments of \$506 in 1995 and \$611 in 1994	922	1,043
Refundable federal income taxes	41	84
Deferred income taxes	36	38
Prepaid expenses	92	47
Total current assets	2,371	2,431
Property, plant and equipment	3,033	3,146
Accumulated depreciation	(1,756)	(1,768)
	1,277	1,378
Goodwill, net of accumulated amortization of \$55 in 1995 and \$27 in 1994	1,412	1,359
Other purchased intangibles, net of accumulated amortization of \$30 in 1995 and \$15 in 1994	361	376
Deferred income taxes	236	203
Prepaid pension cost, intangible pension asset and benefit trust fund	95	222
Investments in and advances to affiliates and sundry assets	50	78
	2,154	2,238
	\$ 5,802	\$6,047

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Northrop Grumman Corporation and Subsidiaries

\$ in millions	September 30 1995	December 31 1994
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Liabilities and Shareholders' Equity:		
Notes payable to banks	\$ 62	\$ 171
Current portion of long-term debt	251	130
Trade accounts payable	339	396
Accrued employees' compensation	224	228
Advances on contracts	106	184
Income taxes payable, including deferred		
income taxes of \$492 in 1995 and \$413 in 1994	510	468
Other current liabilities	376	387
Total current liabilities	1,868	1,964
Long-term debt	1,433	1,633
Accrued retiree benefits	1,011	1,070
Other long-term obligations	27	54
Deferred gain on sale/leaseback	17	20
Deferred income taxes	17	16
Paid-in capital		
Preferred stock, 10,000,000 shares		
authorized and none issued		
Common stock, 200,000,000 shares		
authorized; issued and outstanding:		
1995 -- 49,414,352; 1994 -- 49,241,642	269	265
Retained earnings	1,161	1,026
Unvested employee restricted award shares	(1)	(1)
	1,429	1,290
	\$ 5,802	\$6,047

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Northrop Grumman Corporation and Subsidiaries

	Nine months ended September 30	
\$ in millions	1995	1994
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	\$ 1,708	\$ 2,092
Other collections	3,195	3,433
Income tax refunds received	7	
Other cash receipts	10	15
Cash provided by operating activities	4,920	5,540
Uses of Cash		
Cash paid to suppliers and employees	4,460	4,999
Interest paid	102	64
Income taxes paid	48	76
Other cash payments	3	8
Cash used in operating activities	4,613	5,147
Net cash provided by operating activities	307	393
Investing Activities		
Payment for purchase, net of cash acquired, of		
Grumman Corporation		(1,841)
Vought Aircraft Company		(12)
Additions to property, plant and equipment	(97)	(99)
Proceeds from sale of property, plant and equipment	31	11
Proceeds from sale of affiliates	29	
Funding of retiree benefit trust		(31)
Dividend from affiliate		5
Other investing activities	(20)	13
Net cash used in investing activities	(57)	(1,954)
Financing Activities		
Borrowings under lines of credit	150	2,223
Repayment of borrowings under lines of credit	(259)	(500)
Principal payments of long-term debt	(70)	(195)
Proceeds from issuance of stock	3	6
Dividends paid	(59)	(59)
Net cash provided by (used in) financing activities	(235)	1,475
Increase(decrease) in cash and cash equivalents	15	(86)

Cash and cash equivalents balance at beginning of period	17	100
Cash and cash equivalents balance at end of period	\$ 32	\$ 14

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Northrop Grumman Corporation and Subsidiaries

\$ in millions	Nine months ended September 30	
	1995	1994
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities:		
Net income	\$ 194	\$ 156
Adjustments to reconcile net income to net cash provided		
Depreciation	165	175
Amortization of intangible assets	43	26
Loss (gain) on disposals of property, plant and equipment	(6)	14
Noncash retiree benefits	(43)	(18)
Amortization of deferred gain on sale/leaseback	(3)	(2)
Decrease (increase) in		
Accounts receivable	244	445
Inventoried costs	200	(471)
Prepaid expenses	135	(23)
Refundable income taxes	43	
Increase (decrease) in		
Progress payments	(323)	276
Accounts payable and accruals	(273)	(144)
Provisions for contract losses	(132)	(81)
Income taxes	63	45
Other noncash transactions		(5)
Net cash provided by operating activities	\$ 307	\$ 393
Noncash Investing and Financing Activities:		
Purchase of Grumman Corporation		
Fair value of assets acquired		\$ 3,508
Cash paid		(2,128)
Liabilities assumed		\$ 1,380
Purchase of Vought Aircraft Company		
Fair value of assets acquired		
(less \$45 invested in VAC in 1992)		\$ 711
Cash paid		(130)
Liabilities assumed		\$ 581

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

\$ in millions	Nine months ended September 30	
	1995	1994
Paid-in Capital:		
At beginning of year	\$ 265	\$ 256
Employee stock awards and options exercised, net of forfeitures	4	5
	\$ 269	\$ 261
Retained Earnings:		
At beginning of year	\$1,026	\$1,070

Net income	194	156
Cash dividends	(59)	(59)
	\$1,161	\$ 1,167
Unvested Employee Restricted Award Shares:		
At beginning of year	\$ (1)	\$ (2)
Amortization		1
	\$ (1)	\$ (1)
Unfunded pension losses, net of taxes	\$	\$ (2)

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Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

\$ in millions	Three months ended		Nine months ended	
	September 30		September 30	
	1995	1994	1995	1994
Net Sales:				
Military and Commercial Aircraft	\$ 1,091	\$ 1,320	\$ 3,282	\$ 3,412
Electronics and Systems Integration	485	484	1,488	1,047
Data Systems and Other Services	100	94	331	222
Missiles and Unmanned Vehicle Systems	36	68	129	264
Intersegment sales	(82)	(39)	(224)	(114)
	\$ 1,630	\$ 1,927	\$ 5,006	\$ 4,831
Operating Profit:				
Military and Commercial Aircraft	\$ 131	\$ 121	\$ 348	\$ 317
Electronics and Systems Integration	42	40	117	87
Data Systems and Other Services	4	4	12	8
Missiles and Unmanned Vehicle Systems	(3)	(20)	1	(14)
Total operating profit	174	145	478	398
Adjustments to reconcile operating profit to operating margin:				
Other income included above	(1)	(2)	(1)	(11)
State and local income taxes	(13)	(14)	(27)	(29)
General corporate expenses	(21)	(28)	(78)	(84)
Retiree benefit cost included in contract costs	11	6	100	17
Retiree benefit cost	(19)	(8)	(57)	15
Operating margin	\$ 131	\$ 99	\$ 415	\$ 306
Contract Acquisitions:				
Military and Commercial Aircraft	\$ 877	\$ 1,528	\$ 1,528	\$ 7,277
Electronics and Systems Integration	628	507	2,165	2,594
Data Systems and Other Services	94	144	301	403
Missiles and Unmanned Vehicle Systems	(4)	7	(143)	160
Intersegment acquisitions	(66)	(21)	(206)	(158)
	\$ 1,529	\$ 2,165	\$ 3,645	\$10,276
Funded Order Backlog:				
Military and Commercial Aircraft			\$ 7,435	\$ 9,515
Electronics and Systems Integration			3,112	2,308
Data Systems and Other Services			200	224
Missiles and Unmanned Vehicle Systems			103	423
Intersegment backlog			(38)	(106)
			\$10,812	\$12,364

Northrop Grumman Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. They do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in shareholders' equity, and cash flows in conformity with generally accepted accounting principles. They do, however, in the opinion of management, include all adjustments (all of which were normal recurring accruals) necessary for a fair statement of the results for the periods presented. The financial statements should be read in conjunction with the Notes and Independent Auditors' Report contained in the company's 1994 Annual Report.

Inventories

The company's inventories consist primarily of work in process related to long-term contracts with customers; therefore further breakdown is considered inapplicable.

Northrop Grumman Corporation and Subsidiaries

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND THE RESULTS OF ITS OPERATIONS.

Sales for the third quarter of 1995 were 15 percent lower than last year's third quarter. Lower revenue in the military and commercial aircraft (MCA) and missiles and unmanned vehicle (MUVS) industry segments more than offset the small increases in the electronics and systems integration (ESI) and data systems and other services segments. The MCA sales decrease was a result of lower overall revenue on the B-2 program, C-17 military transport aircraft and Boeing jetliners.

Sales increased 4 percent in the first nine months of 1995 versus the first nine months of 1994. Comparative results do not include operating results of acquired companies prior to acquisition (Grumman Corporation - April 1994 and Vought Aircraft Company (VAC) - August 1994).

MCA segment sales for the first nine months of 1995 decreased versus the comparable period in 1994 as a result of lower overall revenue on the B-2 program, which more than offset higher revenues on the C-17 military transport aircraft, Boeing jetliners and various other programs associated with the VAC acquisition in 1994.

ESI segment sales increased in the first nine months of 1995 as compared to the same period in 1994 as a result of higher revenues recorded on the E-8 Joint Stars and E-2 Hawkeye programs.

Sales increased in the data systems and other services segment in the first nine months of 1995 versus the first nine months of 1994 principally due to the programs acquired in connection with the Grumman Corporation acquisition.

Lower Sales in the MUVS segment in the third quarter and first nine months in 1995 as compared to the same periods in 1994 resulted from the cancellation of the Tri-Service Standoff Attack Missile (TSSAM) program in February 1995.

Northrop Grumman Corporation and Subsidiaries

Sales by major program and units delivered were as shown in the following table:

\$ in millions	Three months		Nine months	
	1995	1994	1995	1994
B-2	\$ 478	\$ 629	\$1,452	\$1,900
F/A-18 C/D	127	84	293	233
F/A-18 E/F	101	133	329	370
Boeing Jetliners	124	133	421	330
E-2	114	170	357	259
ECM	87	71	240	244
E-8 Joint STARS	151	122	436	236
Data Systems and Other Services	100	94	331	222
TSSAM	18	66	78	220
C-17	56	62	195	67
BAT	25	21	62	63
All Other	249	342	812	687
	\$1,630	\$1,927	\$5,006	\$4,831

AIRCRAFT UNITS DELIVERED	Three months		Nine months	
	1995	1994	1995	1994
F/A-18 C/D	16	10	39	32
747 Fuselage	5	7	18	25
B-2	1	2	3	2

The amount and rate of operating margin earned on sales increased in the third quarter and first nine months of 1995 as compared to the same period of 1994. Operating profit in the third quarter of 1995 increased in the MCA segment as a result of higher operating margin on the F/A-18 program (which included a margin rate increase on the F/A-18E/F), C-17 and Boeing jetliners, which more than offset a lower amount of operating margin on the B-2 stealth bomber program. The decrease in the B-2 was due to lower volume on all phases of the program and the delivery of one B-2 in the third quarter of 1995 versus two in the third quarter of 1994. The MCA results for the third quarter and first nine months of 1995 were impacted by \$15 million and \$23 million, respectively, for company sponsored research and development expenditures incurred on commercial aerostructures, and a \$4 million charge in the first quarter as a result of an arbitration ruling related to the F/A-18. MCA operating profit for the first nine months of 1995 benefited from a net \$34 million in cumulative operating margin adjustments recorded in the second quarter of 1995. Positive adjustments on the B-2 and C-17 programs were partially offset by a downward adjustment on the Boeing 747 jetliner programs. This year's first nine months also benefited from the delivery of three B-2s, versus two in the comparable period of 1994. The ESI segment operating profit increased in the third quarter and first nine months of 1995 principally as a result of higher sales recorded on the E-8 Joint STARS. Higher volume on the E-2 for the first nine months of 1995 also contributed to increased operating profit. Last year's third quarter MUVS segment results included a \$20 million loss provision for TSSAM. The third quarter of 1995 results included a \$3 million provision for unrecoverable inventories related to the company's line of aerial targets.

Northrop Grumman Corporation and Subsidiaries

The company announced in September 1995 that it was merging three of the company's major retirement plans. As a result of this merger, net income for the third quarter of 1995 was approximately \$10 million, or 20 cents per share, and the fourth quarter of 1995 is estimated to

be approximately \$5 million of net income, or 10 cents per share, lower than would have been reported had the plans not been merged.

Other income was lower in the first nine months of 1995 compared to the same period of last year as 1994 included \$10 million of nonrecurring royalty and dividend income recorded in the second quarter.

Interest expense for the third quarter of 1995 was \$1 million higher than the corresponding quarter of 1994. Interest expense for the first nine months of 1995 was \$33 million higher than the first nine months of 1994 following the \$500 million increase in average debt outstanding between the two years' first nine months and a slightly higher rate of interest incurred on borrowed funds in 1995.

The company's effective federal income tax rate was 38.6 percent for the first nine months of 1994. The change in the 1995 rate was caused by an increase in the amount of expenses not deductible for income taxes, primarily the amortization of goodwill which began in the second quarter of 1994 as a result of the acquisition of Grumman Corporation.

During the first nine months of 1995, \$307 million of cash was generated from operations versus \$393 million in last year's first three quarters and was more than sufficient to finance capital expenditures and dividends. The company's liquidity and financial flexibility will continue to be provided by cash flow generated from operating activities, supplemented by the borrowing capacity available under its \$800 million revolving credit agreement and other short-term credit facilities.

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Northrop Grumman Corporation and Subsidiaries

Part II OTHER INFORMATION
Item 1. Legal Proceedings

Walsh, et al. v. Northrop Grumman Corporation

The Company's Quarterly Report on Form 10-Q for the period ended March 31, 1995 updated the discussion of this matter in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. In August, the Court granted the plaintiffs' motion for class certification. As previously stated, this litigation is being defended vigorously and the Company does not expect it to have a material adverse effect on the Company's financial condition.

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Northrop Grumman Corporation and Subsidiaries

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11. Statement re Computation of Per Share Earnings
Exhibit 27. Financial Data Schedule

(b) No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended September

30, 1995.

SIGNATURES

Pursuant to the requirements 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.

Northrop Grumman Corporation (Registrant)

Date: November 3, 1995

by/s/Nelson F. Gibbs
Nelson F. Gibbs
Vice President and Controller

Date: November 3, 1995

by/s/James C. Johnson
James C. Johnson
Vice President and Secretary

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Northrop Grumman Corporation and Subsidiaries

EXHIBIT 11
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(in thousands, except per share)

Primary:	Three months ended		Nine months ended	
	September 30		September 30	
	1995	1994	1995	1994
Average shares outstanding	49,399	49,157	49,339	49,115
Common stock equivalents	1,265	811	1,052	732
Totals	50,664	49,968	50,391	49,847
Net income	\$61,606	\$38,719	\$194,136	\$155,897
Earnings per share(1)	\$ 1.22	\$.77	\$ 3.85	\$ 3.13

Fully diluted:

Average shares outstanding	49,399	49,157	49,339	49,115
Common stock equivalents	1,322	879	1,322	79
Totals	50,72	50,036	50,661	9,994
Net income	\$61,606	\$38,719	\$194,136	\$155,897
Earnings per share(1)	\$ 1.21	\$.77	\$ 3.83	\$ 3.12

(1) This calculation was made in compliance with Item 601 of Regulation S-K. Earnings per share presented elsewhere in this report exclude from their calculation shares issuable under employee stock options, since their dilutive effect is less than 3%

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