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 March 31, 1999

or

( ) 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	No. 95-1055798
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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 x 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 April 30,1999 68,908,626 shares

Northrop Grumman Corporation and Subsidiaries

Part I. Financial Information

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS
OF FINANCIAL POSITION

Dollars in millions	March 31, 1999	December 31, 1998
Assets:		
Cash and cash equivalents	$ 29	$ 44
Accounts receivable, net of progress payments of $1,764 in 1999 and $1,388 in 1998	1,489	1,507
Inventoried costs, net of progress payments of $587 in 1999 and $521 in 1998	1,424	1,373
Deferred income taxes	23	24
Prepaid expenses	65	85

Total current assets	3,030	3,033
Property, plant and equipment	3,068	3,058
Accumulated depreciation	(1,802)	(1,784)
	1,266	1,274
Goodwill, net of accumulated amortization of $362 in 1999 and $338 in 1998	3,356	3,381
Other purchased intangibles, net of accumulated amortization of $318 in 1999 and $295 in 1998	772	795
Prepaid pension cost, intangible pension asset and benefit trust fund	889	787
Deferred income taxes	154	166
Assets available for sale	35	37
Investments in and advances to affiliates and sundry assets	59	63
	5,265	5,229
	$9,561	$9,536

Dollars in millions	March 31, 1999	December 31, 1998
Liabilities and Shareholders' Equity:		
Notes payable to banks	$ 153	$ 69
Current portion of long-term debt	200	200
Trade accounts payable	422	416
Accrued employees' compensation	321	337
Advances on contracts	335	354
Income taxes payable including deferred income taxes of $557 in 1999 and $527 in 1998	580	527
Other current liabilities	494	464
Total current liabilities	2,505	2,367
Long-term debt	2,375	2,562
Accrued retiree benefits	1,728	1,704
Other long-term liabilities	42	53
Paid-in capital		
Preferred stock, 10,000,000 shares authorized; none issued		
Common stock, 200,000,000 shares authorized; issued and outstanding: 1999 - 68,872,649; 1998 - 68,836,810	990	989
Retained earnings	1,952	1,892
Accumulated other comprehensive loss	(31)	(31)
	2,911	2,850
	$9,561	$9,536

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

CONSOLIDATED CONDENSED STATEMENTS
OF OPERATIONS

Dollars in millions, except per share	Three months ended March 31, 1999	1998
Net sales	$2,093	$2,014
Cost of sales		
Operating costs	1,609	1,536
Administrative and general expenses	268	271
Operating margin	216	207
Merger costs		(180)
Interest expense	(55)	(55)
Other, net	3	9
Income(loss) before income taxes and cumulative effect of accounting change	164	(19)
Federal and foreign income taxes(benefit)	60	(7)
Income(loss) before cumulative effect of accounting change	104	(12)
Cumulative effect of change in accounting for start-up costs, net of income tax benefit of $11	(16)	
Net income(loss)	$ 88	$ (12)
Weighted average shares outstanding, in millions	68.9	67.8
Basic earnings(loss) per share:		
Before cumulative effect of accounting change	$ 1.51	$ (.18)
Accounting change	(.24)	
Basic earnings(loss) per share	$ 1.27	$ (.18)
Diluted earnings(loss) per share:		
Before cumulative effect of accounting change	$ 1.50	$ (.18)
Accounting change	(.24)	
Diluted earnings(loss) per share	$ 1.26	$ (.18)
Dividends per share	$ .40	$ .40

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

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

Dollars in millions	Three months ended March 31, 1999	1998
Paid-in Capital		
At beginning of year	$ 989	$ 838
Employee stock awards and options exercised	1	105
	990	943
Retained Earnings		
At beginning of year	1,892	1,807
Net income(loss)	88	(12)
Cash dividends	(28)	(27)
	1,952	1,768
Accumulated Other Comprehensive Loss	(31)	(22)
Total shareholders' equity	$2,911	$2,689

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

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Dollars in millions	Three months ended March 31, 1999	1998
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	$ 786	$ 404
Other collections	1,367	1,587
Income tax refunds received	22	5
Interest received		1
Other cash receipts	3	
Cash provided by operating activities	2,178	1,997
Uses of Cash		
Cash paid to suppliers and employees	1,967	1,949
Interest paid	59	58
Income taxes paid	8	5
Other cash disbursements	1	22
Cash used in operating activities	2,035	2,034
Net cash provided by(used in) operating activities	143	(37)
Investing Activities		
Additions to property, plant and equipment	(42)	(40)
Proceeds from sale of property, plant and equipment	9	3
Other investing activities	4	1
Net cash used in investing activities	(29)	(36)
Financing Activities		
Borrowings under lines of credit		95
Repayment of borrowings under lines of credit	(53)	
Principal payments of long-term debt	(50)	(50)
Proceeds from issuance of stock	2	16
Dividends paid	(28)	(27)
Net cash provided by (used in) financing activities	(129)	34
Decrease in cash and cash equivalents	(15)	(39)
Cash and cash equivalents balance at beginning of period	44	63
Cash and cash equivalents balance at end of period	$ 29	$ 24

Dollars in millions	Three months ended March 31, 1999	1998
Reconciliation of Net Income(Loss) to Net Cash Provided by (Used in) Operating Activities		
Net income(loss)	$ 88	$ (12)
Adjustments to reconcile net income(loss) to net cash provided(used)		
Depreciation	43	46
Amortization of intangible assets	47	46
Common stock issued to employees		88
Loss on disposals of property, plant and equipment		2
Retiree benefits income	(57)	(47)
Decrease(increase) in		
Accounts receivable	(50)	(196)
Inventoried costs	(122)	(163)
Prepaid expenses	20	(9)
Increase(decrease) in		
Progress payments	136	260
Accounts payable and accruals	10	(23)
Provisions for contract losses	4	12
Deferred income taxes	43	1
Income taxes payable	23	2
Retiree benefits	(45)	(45)
Other transactions	3	1
Net cash provided by(used in) operating activities	$ 143	$ (37)

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

SELECTED INDUSTRY SEGMENT INFORMATION

Dollars in millions	Three months ended March 31, 1999	1998
Net Sales		
Integrated Systems & Aerostructures	$ 1,173	$ 1,205
Electronic Sensors & Systems	615	619
Information Technology (Logicon)	353	235
Intersegment sales	(48)	(45)
	$2,093	$2,014
Operating Margin		
Integrated Systems & Aerostructures	$ 82	$ 85
Electronic Sensors & Systems	45	58
Information Technology (Logicon)	19	14
Total	146	157
Other items included in operating margin:		
Corporate expenses	(8)	(8)
Deferred state tax provision	(5)	(7)
Pension income	83	65
Operating margin	$ 216	$ 207
Contract Acquisitions		
Integrated Systems & Aerostructures	$ 1,429	$ 964
Electronic Sensors & Systems	575	486
Information Technology (Logicon)	409	250
Intersegment acquisitions	(29)	(21)
	$ 2,384	$ 1,679
Funded Order Backlog		
Integrated Systems & Aerostructures	$ 7,189	$ 7,889
Electronic Sensors & Systems	3,079	3,395
Information Technology(Logicon)	622	462
Intersegment backlog	(150)	(219)
	$10,740	$11,527

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 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 1998 annual report on Form 10-K report.

New Accounting Standards

In January 1999, the company adopted Statement of Position (SOP) 98-5 - Reporting on the Costs of Start-up Activities, which requires that certain costs, that previously had been deferred, be expensed and reported as a cumulative effect of a change in accounting principle, and all such future costs be expensed as incurred.

In the first quarter of 1999, the company recorded a $16 million after-tax charge, or $.24 per share, as the cumulative effect of a change in accounting principle.

Earnings per Share

Basic earnings per share are calculated using the weighted average number of shares of common stock outstanding during each period, after giving recognition to stock splits and stock dividends. Diluted earnings per share reflect the dilutive effect of stock options and other stock awards granted to employees under stock-based compensation plans.

Basic and diluted earnings per share are calculated as follows:

Three months ended March 31,	Net Income(Loss) (millions)	Shares (millions)	Earnings(Loss) per Share
1999			
Basic earnings per share before accounting change	$ 104	68.9	$ 1.51
Dilutive effect of stock options and awards		.5	
Diluted earnings per share before accounting change	$ 104	69.3	$ 1.50
1998			
Basic earnings(loss) per share before accounting change	$ (12)	67.8	$ (.18)
Dilutive effect of stock options and awards		1.5	
Diluted earnings(loss) per share before accounting change	$ (12)	69.3	$ (.18)

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

Sales were 4 percent higher in the first quarter of 1999 versus the first quarter of 1998, reflecting an increase in Information Technology (Logicon) segment sales, partially offset by a small decrease in Integrated Systems and Aerostructures (ISA) segment sales. Electronic Sensors and Systems (ESS) segment sales were essentially unchanged from the same period a year ago.

Logicon sales increased 50 percent in the first quarter of 1999 over the same period in 1998. The Government Information Technology business area benefited from a significant order on the I-CASE program for the U.S. Government, on which Logicon is a value-added reseller of hardware and software. Sales in the Technology Services business area increased as a result of work on the J-BOSC base operations support contract for NASA and the U.S. Air Force, which began in the fourth quarter of 1998. For 1999, Logicon sales are expected to increase by approximately 15 percent over 1998 sales.

ISA sales decreased by 3 percent in the first quarter of 1999 compared with the first quarter of 1998, primarily due to lower Air Combat Systems (ACS) sales, partially offset by increased Aerostructures sales. The ACS decrease resulted from lower F/A-18 and B-2 sales. The F/A-18E/F program is transitioning from a low-rate initial production (LRIP) contract, accounted for under the cost-to-cost type of percentage-of-completion method, to a production contract, accounted for under the units-of-delivery method. As a consequence, F/A-18E/F sales will increase in the remainder of 1999 as the company begins making deliveries under the production contract in the second quarter of this year. The Aerostructures sales increase was due to higher C-17 and Boeing jetliner sales. The company continues in its discussions with The Boeing Company regarding the company's claims for recovery of incurred and estimated future out-of-scope work and related delay and disruption costs associated with the AFA program. The program is expected to be substantially completed in the second quarter of this year. To date, $44 million of such costs, expected to be recovered, have been incurred and are recorded as a claim receivable.

Sales by business area and units delivered in the first quarter were:

$ in millions	1999	1998
Integrated Systems & Aerostructures		
ACS	$ 451	$ 540
Aerostructures	391	342
AEW/EW	192	156
AGS/BM	161	185
Intrasegment Eliminations	(22)	(18)
	1,173	1,205
Electronic Sensors & Systems		
Aerospace Electronic Systems	254	287
C3I&N	214	177
Defensive Electronic Systems	111	119
Other	36	36
	615	619
Information Technology (Logicon)		
Government Information Technology	241	173
Technology Services	83	34
Commercial Information Technology	29	28
	353	235
Intersegment eliminations	(48)	(45)
Total sales	$2,093	$2,014

Units	1999	1998
B-2	1	1
F/A-18 C/D	9	9
747	12	13
C-17	2	2

ISA operating margin for the quarter was $82 million, down slightly from the first quarter of 1998. The 1999 results reflect lower operating margins on Boeing jetliners, which were partially offset by improved margins on the F/A-18 and B-2 programs.

ESS operating margin in the first quarter of 1999 was $45 million as compared with $58 million in last year's first quarter. The decrease is due in part to additional costs incurred in transitioning a defensive electronic system development program to production.

Logicon operating margin for the quarter increased $5 million as compared with the first quarter of 1998, primarily as a result of increased sales.

Company operating margin includes pension income of $83 million in the first quarter of 1999, an $18 million increase from the first quarter of 1998.

Since the beginning of the Joint STARS program, the company (and prior to 1994, the Grumman Corporation) has incurred over $100 million of costs in excess of revenues in the performance of the development and production phases of the program. In 1998, the company submitted Requests for Equitable Adjustment (REAs) to the U. S. Air Force seeking adjustment to production contracts for cost increases incurred during the refurbishment and conversion of used Boeing 707 aircraft to Joint STARS platforms. The company and the U. S. Air Force executed an Alternate Dispute Resolution Agreement(ADR) to attempt to resolve these REAs and, in April 1999, the company filed these REAs as certified claims. If the ADR process is unsuccessful, the company will pursue its claims pursuant to the Contracts Disputes Act. The company cannot predict the outcome of this claim process or the effect of the ultimate resolution on the company's results of operations, financial position, and cash flows.

Last year's first quarter results included a $180 million pretax charge ($1.70 per share after tax) for costs associated with the company's terminated merger with Lockheed Martin Corporation

Interest expense for this year's first quarter was $55 million, the same as the amount reported for the first quarter of 1998, reflecting a like level of average borrowings at a similar average interest rate in both periods.

The company's effective tax rate was 36.6 percent for the first quarter of 1999, essentially unchanged from the same period in 1998.

Effective January 1, 1999, the company adopted the new accounting standard, SOP 98-5 - Reporting on the Costs of Start-Up Activities, which requires that certain costs, that previously had been deferred, be expensed and reported as a cumulative effect of a change in accounting principle. The company reported a $16 million after-tax charge, or $.24 per share, to write off the previously deferred start-up costs. All such future costs will be expensed as incurred.

Cash provided by operating activities increased to $143 million for the quarter, compared to cash used by operating activities of $37 million in the same period last year. The increase reflects increased sales and improved cash collections in 1999. Last year's use of cash by operating activities was driven by merger related expenses as well as an increase in working capital for Boeing jetliners in support of increased production levels. Cash generated from operating activities for the remainder of 1999 is expected to be sufficient to finance capital expenditures, and dividends and make required debt service payments. The company's liquidity and financial flexibility will continue to be provided by cash flow generated by operating activities, supplemented by the unused borrowing capacity available under the company's credit agreement and other short-term credit facilities.

Year 2000 Issues

The company continues to implement its program to address the Year 2000 issue. The program, which began in 1996, consists of the following four phases: assessing, planning, remediating, and testing-validating. The project encompasses the entire company and all aspects of Year 2000 compliance including software applications, mainframe environment, desktop equipment, networks, telecommunications, department supported systems, facilities systems, and embedded systems in product deliverables. The company also is working with its customers and suppliers to assess their Year 2000 readiness, reviewing contracts for any potential Year 2000 liabilities, and developing contingency plans and year end support plans where appropriate.

All four phases were substantially completed by the end of 1998. Activities scheduled to be completed in 1999 are largely comprised of low risk equipment upgrades, and various vendor supplied upgrades that became available in late 1998 or early 1999.

The company has a formal planning, measurement and reporting process for the Year 2000 project. This process includes regular progress briefings to senior management and to the audit committee of the Board of Directors.

The company separately identifies the costs of Year 2000 remedial efforts only for internal information services personnel, principally as a planning and control tool. The total costs of these efforts incurred during the years 1996 through 1999 are expected to be approximately $42 million, of which approximately $36 million was expended through March 31, 1999. Year 2000 costs are allowable costs under applicable government contracting regulations. Accordingly, the portion of Year 2000 costs allocable to contracts is being so charged as part of normal overhead pursuant to approved methods established for this purpose. Based on information available to date, management does not anticipate that future expenditures for required modifications and conversions will have a material adverse effect on the company's financial position, results of operations, or cash flows.

Northrop Grumman cannot predict the eventual outcome associated with the innumerable possible situations that could result from whatever computer failures might occur, internally or among its customers and suppliers, and the impact that such failures might have on Northrop Grumman's ability to perform its day to day operations. If required modifications and conversions are not made as planned, serious adverse impact to the operations of the company could result. In addition, Year 2000 problems could adversely affect the ability of customers and critical suppliers to meet their contractual commitments to the company. Some of these developments, should they occur, could have a material adverse impact on the financial position, results of operations, or cash flows of Northrop Grumman.

As stated above, most of the assessing, planning, remediating and testing-validating phases were completed in 1998, with a minor number of activities remaining to be addressed in 1999. Contingency planning will be required to address potential computer failures that either are 1) of greatest risk for potential failure or 2) might impact mission critical systems. Assessment of Year 2000 progress is a critical input to the development of contingency plans. Year 2000 contingency plans have been developed for each Northrop Grumman sector and are in the process of being reviewed and approved. Year end support plans and site staffing requirements are under development.

Forward-Looking Information

This quarterly report on Form 10-Q, and, not by way of limitation, certain statements and assumptions in Management's Discussion and Analysis, contain or are based on "forward-looking" statements and information (as defined in the Private Securities Litigation and Reform Act of 1995) that involve risk and uncertainties, including statements and assumptions that reflect the company's views with respect to future revenues, program performance and cash flows, the outcome of contingencies including litigation and environmental remediation, and anticipated costs of capital investments and planned dispositions. 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 restraints; customer changes in short-range and long-range plans; domestic and international competition in both the defense and commercial areas; product performance; the ability of the company, its customers and suppliers to become Year 2000 compliant; continued development and acceptance of new products; 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 military and commercial aircraft and electronic systems and support as well as other economic, political and technological risks and uncertainties, including risks detailed in the company's filings with the Securities and Exchange Commission, including, not by way of limitation, any Form 10-K, Form 10-Q and proxy statements, among others.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

The company has fixed-rate long-term debt obligations, most of which are not callable until maturity. The company also has financial instruments that are subject to interest rate risk, principally variable-rate short-term debt outstanding under the Credit Agreement. The company may enter into interest rate swap agreements to offset the variable-rate characteristics of these loans. At March 31, 1999, no interest rate swap agreements were in effect.

Only a small portion of the company's transactions are contracted in foreign currencies. The company does not consider the market risk exposure relating to foreign currency exchange to be material.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

General

The company, as a government contractor, is from time to time subject to U.S. Government investigations relating to its operations. Government contractors that are found to have violated the False Claims Act, or are indicted or convicted for violations of other Federal laws, or are considered not to be responsible contractors may be suspended or debarred from government contracting for some period of time. Such convictions could also result in fines. Given the company's dependence on government contracting, suspension or debarment could have a material adverse effect on the company. The company is involved in certain other legal proceedings arising in the ordinary course of business, none of which the company's management believes will have a material adverse effect on the company's financial condition.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended March 31, 1999.

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: May 13, 1999

by/s/R. B. Waugh, Jr.
R. B. Waugh, Jr.
Corporate Vice President and
Chief Financial Officer

Date: May 13, 1999

by/s/J. H. Mullan
John H. Mullan
Corporate Vice President and
Secretary

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MAR-31-1999
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