

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 June 30, 1997
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

(State or other jurisdiction of incorporation or organization)

No. 95-1055798

(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 July 22, 1997 58,063,569 shares

Northrop Grumman Corporation and Subsidiaries

Part I. Financial Information

Item 1. Financial Statements

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

Three months ended June 30, Six months ended June 30,

Dollars in millions,
except per share

	1997	1996	1997	1996
Net sales	\$2,087	\$2,143	\$4,051	\$3,746
Cost of sales				
Operating costs	1,636	1,631	3,211	2,904
Administrative and general expenses	230	304	437	495
Operating margin	221	208	403	347
Other, net	2	14	4	23
Interest expense	(65)	(82)	(129)	(128)
Income before income taxes	158	140	278	242
Federal and foreign income taxes	58	54	103	95
Net income	\$ 100	\$ 86	\$ 175	\$ 147

Weighted average shares outstanding, in millions	58.0	51.0	58.0	50.3
Earnings per share	\$ 1.72	\$ 1.69	\$ 3.02	\$ 2.92
Dividends per share	\$.40	\$.40	\$.80	\$.80

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION

Dollars in millions	June 30, 1997	December 31, 1996
Assets		
Cash and cash equivalents	\$ 47	\$ 44
Accounts receivable, net of progress payments of \$3,116 in 1997 and \$2,721 in 1996	1,542	1,356
Inventoried costs, net of progress payments of \$567 in 1997 and \$533 in 1996	1,270	1,053
Deferred income taxes	79	77
Prepaid expenses	61	67
Total current assets	2,999	2,597
Property, plant and equipment	3,214	3,154
Accumulated depreciation	(1,829)	(1,752)
	1,385	1,402
Goodwill, net of accumulated amortization of \$190 in 1997 and \$144 in 1996	3,434	3,436
Other purchased intangibles, net of accumulated amortization of \$162 in 1997 and \$116 in 1996	942	988
Deferred income taxes	455	520
Prepaid pension cost, intangible pension asset and benefit trust funds	339	229
Investments in and advances to affiliates and sundry assets	146	250
	5,316	5,423
	\$ 9,700	\$ 9,422

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Northrop Grumman Corporation and Subsidiaries

Dollars in millions	June 30, 1997	December 31, 1996
Liabilities and Shareholders' Equity		
Notes payable to banks	\$ 24	\$ 228
Current portion of long-term debt	200	200
Trade accounts payable	490	452
Accrued employees' compensation	381	315
Advances on contracts	250	230
Income taxes payable, including deferred income taxes of \$583 in 1997 and \$629 in 1996	628	654
Other current liabilities	542	521
Total current liabilities	2,515	2,600
Long-term debt	3,085	2,950
Accrued retiree benefits	1,720	1,624
Other long-term liabilities	57	59
Deferred income taxes	61	61
Paid-in capital		
Preferred stock, 10,000,000 shares authorized; none issued		
Common stock, 200,000,000 shares authorized; issued and outstanding: 1997 -- 58,051,547; 1996 -- 57,928,466	789	784
Retained earnings	1,477	1,348

Unfunded pension losses, net of taxes	(4)	(4)
	2,262	2,128
	\$9,700	\$9,422

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Northrop Grumman Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS

Dollars in millions	Six months ended June 30,	
	1997	1996
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	\$1,112	\$1,117
Other collections	2,818	2,722
Income tax refunds received	1	5
Interest received	1	3
Other cash receipts	1	1
Cash provided by operating activities	3,933	3,848
Uses of Cash		
Cash paid to suppliers and employees	3,653	3,250
Interest paid	119	91
Income taxes paid	26	46
Other cash disbursements	2	
Cash used in operating activities	3,800	3,387
Net cash provided by operating activities	133	461
Investing Activities		
Payment for purchase of Westinghouse ESG, net of cash acquired		(2,884)
Additions to property, plant and equipment	(86)	(85)
Proceeds from sale of property, plant and equipment	47	26
Proceeds from sale of affiliates/operations	19	29
Funding of retiree benefit trust		(25)
Other investing activities	1	1
Net cash used in investing activities	(19)	(2,938)
Financing Activities		
Borrowings under lines of credit	278	1,973
Repayment of borrowings under lines of credit	(247)	(613)
Proceeds from issuance of long-term debt		1,000
Principal payments of long-term debt	(100)	(140)
Proceeds from issuance of stock	4	498
Dividends paid	(46)	(39)
Other financing activities		(101)
Net cash provided by(used in) financing activities	(111)	2,578
Increase in cash and cash equivalents	3	101
Cash and cash equivalents balance at beginning of period	44	18
Cash and cash equivalents balance at end of period	\$ 47	\$ 119

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Northrop Grumman Corporation and Subsidiaries

Dollars in millions	Six months ended June 30,	
	1997	1996
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities		
Net income	\$ 175	\$ 147
Adjustments to reconcile net income to net cash provided		
Depreciation	111	100
Amortization of intangible assets	92	70
Common stock issued to employees	2	
Loss on disposals of property, plant and equipment	1	9
Retiree benefits cost(income)	(24)	17
Decrease(increase) in		
Accounts receivable	(391)	106

Inventoried costs	(217)	(75)
Prepaid expenses	5	1
Increase(decrease) in		
Progress payments	254	(25)
Accounts payable and accruals	117	134
Provisions for contract losses	13	(16)
Income taxes	80	70
Retiree benefits	(90)	(82)
Other transactions	5	5
Net cash provided by operating activities	\$ 133	\$ 461

Noncash Investing and Financing Activities

Purchase of Westinghouse ESG		
Fair value of assets acquired		\$ 3,894
Cash paid		(2,889)
Liabilities assumed		\$ 1,005

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

Dollars in millions	Six months ended June 30,	
	1997	1996
Paid-in Capital		
At beginning of year	\$ 784	\$ 272
Stock issuance		493
Employee stock awards and options exercised, net of forfeitures	5	5
	789	770
Retained Earnings		
At beginning of year	1,348	1,199
Net income	175	147
Cash dividends	(46)	(39)
	1,477	1,307
Unfunded Pension Losses, Net of Taxes	(4)	(12)
Total shareholders' equity	\$2,262	\$2,065

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Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

Dollars in millions	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
Net Sales				
Aircraft	\$1,115	\$1,073	\$ 2,141	\$ 2,061
Electronics	1,065	1,136	2,088	1,828
Intersegment sales	(93)	(66)	(178)	(143)
	\$2,087	\$2,143	\$ 4,051	\$ 3,746
Operating Profit				
Aircraft	\$ 145	\$ 138	\$ 280	\$ 239

Electronics	103	113	193	187
Total operating profit	248	251	473	426
Adjustments to reconcile operating profit to operating margin:				
Other income included above	(3)	(1)	(3)	(1)
State and local income taxes	9	(13)	(3)	(19)
General corporate expenses	(33)	(29)	(64)	(59)
Operating margin	\$ 221	\$ 208	\$ 403	\$ 347
Contract Acquisitions				
Aircraft	\$1,290	\$1,139	\$ 1,955	\$ 1,878
Electronics	1,165	1,057	2,437	4,601
Intersegment acquisitions	(94)	(78)	(189)	(162)
	\$2,361	\$2,118	\$ 4,203	\$ 6,317
Funded Order Backlog				
Aircraft			\$ 6,928	\$ 6,894
Electronics			5,682	5,678
Intersegment backlog			(58)	(54)
			\$12,552	\$12,518

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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 1996 Annual Report.

Inventoried Costs

The company's inventoried costs consist primarily of work in process related to long-term contracts with customers.

Earnings Per Share

In February 1997, Financial Accounting Standards Board Statement 128 - Earnings per Share was issued. This new standard becomes effective for financial statements for periods ending after December 15, 1997. Under the new standard, earnings per share would have been reported as follows:

	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
Earnings per share	1.72	1.69	3.02	2.92
Diluted earnings per share	1.69	1.66	2.97	2.87

Subsequent Events

On May 5, 1997, the company announced that it had entered into a definitive agreement with Logicon, Inc. (Logicon), a leading defense information technology company, to merge Logicon with a wholly owned subsidiary of Northrop Grumman. The merger will be accounted for as a pooling of interests. Stockholders of Logicon will receive .6161 shares of Northrop Grumman common stock for each share of Logicon common stock. The Logicon shareholder vote to approve the merger is scheduled for July 29, 1997.

On July 3, 1997, the company announced that it had entered into a definitive agreement with Lockheed Martin Corporation to combine the companies. The merger is expected to be accounted for as a pooling of interests. Under terms of the agreement, Northrop Grumman shareholders will receive 1.1923 shares of Lockheed Martin common stock for each share

of Northrop Grumman stock. The transaction is expected to close by the end of 1997.

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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 were 3 percent lower in the second quarter of 1997 than the second quarter of 1996. Sales rose 8 percent in the first half of 1997 over sales reported in the first six months of 1996. Comparative results for 1996 include only four months of operations of the defense electronics and systems business of Westinghouse, which was acquired March 1, 1996 and is now operated as the Electronics Sensors and Systems Division (ESSD).

Aircraft segment sales increased in the second quarter and first half of 1997 versus comparable periods of 1996 as a result of greater deliveries of shipsets for Boeing jetliners and higher sales on the C-17 military transport and Gulfstream V business jet. These increases were partially offset by decreases in B-2 and F/A-18 sales.

Electronics segment sales for the second quarter 1997 declined as compared with the second quarter 1996 due to lower surveillance aircraft and electronic countermeasures (ECM) sales. The electronics segment sales increase for the first half of this year as compared with the first half of last year is due to the inclusion of ESSD operations for the full first half of 1997 versus four months in 1996.

Sales by major program/business area and units delivered were:

\$ in millions	Three months		Six months	
	1997	1996	1997	1996
B-2	\$ 395	\$ 456	\$ 760	\$ 888
Surveillance Aircraft (E-8 Joint Stars, E-2)	278	304	523	561
F/A-18	123	185	252	336
Boeing Jetliners	221	158	425	261
Airborne Radar	151	161	296	216
ECM	90	115	193	199
Marine	140	129	272	171
C-17	75	50	142	121
Space	78	91	164	117
Airspace Management	63	81	129	113
Data Systems	79	47	127	89
All Other	394	366	768	674
	\$2,087	\$2,143	\$4,051	\$3,746

Units	Three months		Six months	
	1997	1996	1997	1996
747	11	7	22	12
F/A-18 C/D	8	19	18	32
F/A-18 E/F		1		3
C-17	2	1	4	3
B-2		1		3

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Northrop Grumman Corporation and Subsidiaries

Pension income, which is included in operating profit, was \$34 million for the second quarter and \$67 million for the first six months of 1997 as compared with \$10 million and \$27 million for the same periods of 1996. Substantially all of the pension income is assigned to the aircraft segment.

Operating margin in the second quarter 1997 benefited \$10 million from a reduction in deferred state income taxes. The merger of Grumman Corporation and several of its subsidiaries into Northrop Grumman Corporation caused the deferred tax items associated with those merged companies to be shifted to Northrop Grumman Corporation resulting in a reapportionment in various states' deferred tax amounts.

The amount and rate of operating profit earned on sales increased in the aircraft segment in the second quarter and first half of 1997 as compared with the same periods of 1996. Aircraft segment operating profit benefited in

the second quarter 1997 versus the second quarter 1996 from a higher level of Boeing jetliner sales, increased operating margin rates on various military aircraft programs, and an increase in pension income. These improvements were partially offset by lower F/A-18 sales and no B-2 aircraft deliveries in the second quarter of 1997 versus one in the second quarter of 1996. For the first six months of 1997, aircraft segment operating profit improved due to increased pension income, higher levels of Boeing jetliner and B-2 spares and support sales, and a \$7 million reduction in expenditures for ongoing company-sponsored research and development for commercial aerostructures. Offsetting these improvements was a reduction in B-2 operating margin as a result of no aircraft deliveries in the first six months of this year versus three deliveries in the comparable period of 1996. Last year's first half results included a \$25 million charge related to the company's work for Fokker Aircraft N.V., which declared bankruptcy in March 1996.

The amount and rate of operating profit earned on sales decreased in the electronics segment in the second quarter as compared with the same period last year as a result of lower sales volume and a change in the business mix. For the first half of 1997, electronics segment operating profit increased with the inclusion of ESSD operations for the full first half of 1997 versus four months in 1996. Electronics operating profit was reduced by a \$13 million pretax charge recorded in the first quarter of 1997 related to an increase in the cost estimate to complete the company's work on the Directed Infrared Countermeasures (DIRCM) program.

Other income for the second quarter of 1996 included a \$12 million gain from the sale of an equity investment in a manufacturer of high technology equipment. Other income for the first half of 1996 also included a \$4 million gain from the early retirement of notes payable which were due in 1999.

Interest expense for the second quarter 1997 was \$17 million lower than the corresponding quarter in 1996, following the \$660 million decrease in average debt outstanding between the two years' second quarters. For the first half of 1997, interest expense was level with the same period of last year.

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Northrop Grumman Corporation and Subsidiaries

The company's effective federal income tax rate was 37.1 percent for the first six months of 1997 versus 39.3 percent for the comparable period of 1996. The decrease in the rate was caused primarily by an increase in foreign sales tax credits.

In June 1996 the company issued approximately 8 million shares of common stock in a public offering. The \$493 million in net proceeds from the issuance were used to pay down long-term debt. During the first half of 1997, \$133 million of cash was generated from operations versus \$461 million in the first half of 1996. The decrease is primarily due to the increase in working capital for the Boeing jetliners, Gulfstream V business jet and JSTARS programs in support of increased production levels. Cash generated from operating activities is expected to increase in the last half of this year and to be 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 by operating activities, supplemented by the unused borrowing capacity available under the company's credit agreement and other short-term credit facilities.

In May 1997 the company entered into a definitive agreement with Logicon, Inc., (Logicon), a leading defense information technology company, to merge Logicon with a wholly owned subsidiary of Northrop Grumman. The merger will be accounted for as a pooling of interests. Stockholders of Logicon will receive .6161 shares of Northrop Grumman common stock for each share of Logicon common stock. The Logicon shareholder vote is scheduled for July 29, 1997.

In July 1997 the company entered into a definitive agreement with Lockheed Martin Corporation to combine the two companies. The merger is expected to be accounted for as a pooling of interests. Under terms of the agreement, Northrop Grumman shareholders will receive 1.1923 shares of Lockheed Martin common stock for each share of Northrop Grumman stock. The transaction, which is subject to shareholder approvals and U.S. government regulatory reviews, is expected to close by the end of 1997.

Forward-Looking Information

Certain statements and assumptions in Management's Discussion and Analysis contain or are based on "forward-looking" information (as defined in the Private Securities Litigation and Reform Act of 1995) that involves 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, 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; 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.

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Northrop Grumman Corporation and Subsidiaries

Part II OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in the litigation reported in the company's Form 10-K for the year ended December 31, 1996 except as reported in Item 1 of the company's Form 10-Q for the quarter ended March 31, 1997.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Annual Meeting --

The annual meeting of stockholders of Northrop Grumman Corporation was held on May 21, 1997.

(b) Election of Directors --

The following Class III Director nominees were elected at the annual meeting:

John T. Chain, Jr.
Jack Edwards
Kent Kresa

The Directors whose terms of office continue are:

Jack R. Borsting
Phillip Frost
Robert A. Lutz
Aulana L. Peters
John E. Robson
Richard M. Rosenberg
John Brooks Slaughter
Richard J. Stegemeier

Northrop Grumman Corporation and Subsidiaries

(c) The matters voted upon at the meeting and the results of each vote are as follows:

For Directors:	Votes For	Votes Against	Shares Abstaining	
John T. Chain, Jr.	50,085,286	806,577	-	
Jack Edwards	50,070,212	821,651	-	
Kent Kresa	50,058,400	833,463	-	

	Votes For	Votes Against	Shares Abstaining	Broker Non-Votes
Approval of the amendments to the Company's 1993 Long-Term Incentive Stock Plan	35,275,484	12,943,331	501,971	2,171,077
Ratification of the appointment of Deloitte & Touche as the Company's independent auditors	50,449,705	231,499	210,659	-
Shareholder Proposal	2,236,428	43,160,881	3,323,476	2,171,078

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Northrop Grumman Corporation and Subsidiaries

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10 - Agreement and Plan of Merger dated as of May 4, 1997 among Northrop Grumman Corporation, Logicon, Inc. and NG Acquisition (incorporated by reference to Registration Statement on Form S-4 filed June 9, 1997).

Exhibit 11 - Statement re Computation of Per Share Earnings

Exhibit 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 June 30, 1997.

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.

Date: July 28, 1997 by/s/N. F. Gibbs
 Nelson F. Gibbs
 Corporate Vice President and Controller

Date: July 28, 1997 by/s/James C. Johnson
 James C. Johnson
 Corporate 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)

	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
Primary:				
Average shares outstanding	58,037	50,978	58,003	50,275
Common stock equivalents	979	1,300	945	1,319
Totals	59,016	52,278	58,948	51,594
Net income	\$99,785	\$86,044	\$175,112	\$146,789
Earnings per share(1)	\$ 1.69	\$ 1.65	\$ 2.97	\$ 2.85
Fully diluted:				
Average shares outstanding	58,037	50,978	58,003	50,275
Common stock equivalents	1,064	1,419	1,064	1,420
Totals	59,101	52,397	59,067	51,695
Net income	\$99,785	\$86,044	\$175,112	\$146,789
Earnings per share(1)	\$ 1.69	\$ 1.64	\$ 2.96	\$ 2.84

- (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 and rights, since their dilutive effect is less than 3%.

6-MOS

DEC-31-1997

JUN-30-1997

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(4)

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3.02

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