

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, 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 March 31, 1995
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 April 28, 1995 49,336,970 shares

Part I. Financial Information

Item 1. Financial Statements

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

\$ in millions, except per share	Three months ended March 31	
	1995	1994
Net Sales	\$1,617	\$1,218
Cost of sales		
Operating costs	1,299	1,021
Administrative and general expenses	201	116
Operating margin	117	81
Other, net	5	3
Interest expense	(34)	(5)
Income before income taxes	88	79

Federal and foreign income taxes	34	27
Net income	\$ 54	\$ 52
Weighted average shares outstanding, in millions	49.3	49.1
Earnings per share	\$ 1.10	\$ 1.05
Dividends per share	\$.40	\$.40

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Northrop Grumman Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF FINANCIAL POSITION

\$ in millions	March 31 1995	December 31 1994
Assets:		
Cash and cash equivalents	\$ 10	\$ 17
Accounts receivable, net of progress payments of \$2,420 in 1995 and \$2,532 in 1994	1,122	1,202
Inventoried costs, net of progress payments of \$575 in 1995 and \$611 in 1994	1,076	1,043
Refundable federal income taxes	84	84
Deferred income taxes	37	38
Prepaid expenses	65	47
Total current assets	2,394	2,431
Property, plant and equipment	3,160	3,146
Accumulated depreciation	(1,788)	(1,768)
	1,372	1,378
Goodwill, net of amortization of \$36 in 1995 and \$27 in 1994	1,431	1,359
Other purchased intangibles, net of amortization of \$20 in 1995 and \$15 in 1994	371	376
Prepaid pension cost, intangible pension asset and benefit trust fund	225	222
Deferred income taxes	226	203
Investments in and advances to affiliates and sundry assets	71	78
	2,324	2,238
	\$ 6,090	\$ 6,047

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\$ in millions	March 31 1995	December 31 1994
Liabilities and Shareholders' Equity:		
Notes payable to banks	\$ 94	\$ 171
Current portion of long-term debt	127	130
Trade accounts payable	451	396
Accrued employees' compensation	223	228
Advances on contracts	120	184
Income taxes payable, including deferred income taxes of \$422 in 1995 and \$413 in 1994	488	468
Other current liabilities	422	387
Total current liabilities	1,925	1,964
Long-term debt	1,566	1,633
Accrued retiree benefits	1,202	1,070
Other long-term obligations	52	54
Deferred gain on sale/leaseback	19	20
Deferred income taxes		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 -- 49,322,881; 1994 -- 49,241,642	266	265
Retained earnings	1,061	1,026
Unvested employee restricted award shares	(1)	(1)
	1,326	1,290
	\$6,090	\$6,047

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Northrop Grumman Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Three months ended March 31

\$ in millions	1995	1994
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	\$ 618	\$ 581
Other collections	1,100	625
Income tax refunds received	6	
Other cash receipts	8	1
Cash provided by operating activities	1,732	1,207
Uses of Cash		
Cash paid to suppliers and employees	1,505	1,052
Interest paid	23	1
Income taxes paid	11	4
Other cash payments	2	
Cash used in operating activities	1,541	1,057
Net cash provided by operating activities	191	150
Investing Activities		
Additions to property, plant and equipment	(45)	(25)
Proceeds from sale of property, plant and equipment	10	
Proceeds from sale of affiliate	3	
Other investing activities	(1)	(4)
Net cash used in investing activities	(33)	(29)
Financing Activities		
Borrowings under lines of credit	94	
Repayment of borrowings under lines of credit	(171)	
Principal payments of long-term debt	(70)	
Proceeds from issuance of stock	1	5
Dividends paid	(19)	(20)
Net cash used in financing activities	(165)	(15)
Increase(decrease) in cash and cash equivalents	(7)	106
Cash and cash equivalents balance at beginning of period	17	100
Cash and cash equivalents balance at end of period	\$ 10	\$ 206

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\$ in millions	Three months ended March 31	
	1995	1994
Reconciliation of Net Income to Net Cash		
Provided by Operating Activities		
Net income	\$ 54	\$ 52
Adjustments to reconcile net income		
to net cash provided		
Depreciation	53	42
Amortization of intangible assets	14	
Loss(gain)on disposals of property, plant and equipment	(2)	1
Noncash retiree benefits	(29)	(6)
Amortization of deferred gain on sale/leaseback	(1)	(1)
Decrease(increase) in		
Accounts receivable	260	568
Inventoried costs	12	42
Prepaid expenses	11	(2)
Increase(decrease) in		
Progress payments	(148)	(581)
Accounts payable and accruals	30	30
Provisions for contract losses	(96)	(20)
Income taxes	33	25
Net cash provided by operating activities	\$ 191	\$ 150

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Northrop Grumman Corporation and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

\$ in millions	Three months ended March 31	
	1995	1994
Paid-in Capital:		
At beginning of year	\$ 265	\$ 256
Employee stock awards and options exercised, net of forfeitures	1	5
	\$ 266	\$ 261
Retained Earnings:		
At beginning of year	\$1,026	\$1,070
Net income	54	52
Cash dividends	(19)	(20)
	\$1,061	\$1,102
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 March 31	
	1995	1994
Net Sales:		
Military and Commercial Aircraft	\$ 1,027	\$ 974
Electronics and Systems Integration	458	160
Data Systems and Other Services	138	20
Missiles and Unmanned Vehicle Systems	61	88
Intersegment sales	(67)	(24)
	\$ 1,617	\$ 1,218
Operating Profit:		
Military and Commercial Aircraft	\$ 90	\$ 78
Electronics and Systems Integration	28	16
Data Systems and Other Services	5	1
Missiles and Unmanned Vehicle Systems	3	3
Total operating profit	126	98
Adjustments to reconcile operating profit to operating margin:		
Other income included above	(4)	(1)
State and local income taxes	(7)	(3)
General corporate expenses	(27)	(23)
Retiree benefit cost included in contract costs	47	5
Retiree benefit income(cost)	(18)	5
Operating margin	\$ 117	\$ 81
Contract Acquisitions:		
Military and Commercial Aircraft	\$ 99	\$ 3,130
Electronics and Systems Integration	953	141
Data Systems and Other Services	82	10
Missiles and Unmanned Vehicle Systems	(145)	62
Intersegment acquisitions	(68)	(36)
	\$ 921	\$ 3,307

Funded Order Backlog:		
Military and Commercial Aircraft	\$ 8,261	\$ 7,806
Electronics and Systems Integration	2,930	742
Data Systems and Other Services	174	33
Missiles and Unmanned Vehicle Systems	169	501
Intersegment backlog	(57)	(74)
	\$11,477	\$ 9,008

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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 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.

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

Sales for the first quarter of 1995 were 33% higher than the first quarter of 1994. Sales increased in all of the company's industry segments, except missiles and unmanned vehicle systems (MUVS). Comparative results for 1994 do not include Grumman Corporation or Vought Aircraft Company data as these companies were acquired in April 1994 and August 1994, respectively.

Military and commercial aircraft segment (MCA) sales increased because of higher revenues on Boeing jetliners, and the inclusion in 1995 of the C-17 military transport aircraft and various other aircraft programs, which more than offset the lower overall revenue on the B-2 and F/A-18 programs.

Sales in the electronics and systems integration (ESI) segment rose primarily as a result of E-8 Joint STARS and E-2 Hawkeye revenues, which more than offset lower electronic countermeasures (ECM) and BAT program sales.

The sales decrease in the MUVS segment resulted from reduced volume on the AGM-137 Tri-Service Standoff Attack Missile (TSSAM), which was cancelled in February 1995.

Sales by major program and units delivered in the first quarter were:

\$ in millions	1995	1994
B-2	\$ 456	\$ 674
F/A-18C/D	62	80

F/A-18E/F	119	107
Boeing Jetliners	140	100
E-2	60	
ECM	75	92
E-8 Joint STARS	146	
Data Systems and Other Services	138	20
TSSAM	44	67
C-17	67	
BAT	19	21
All other	291	57
	\$1,617	\$1,218

Units		
	1995	1994
F/A-18C/D	8	12
747	6	9
B-2	1	

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The amount and the rate of operating profit increased in the MCA segment in the first quarter of 1995 compared with the first quarter of 1994. All of the company's major aircraft production programs - B-2, F/A-18, Boeing Jetliners and C-17 contributed to the favorable variance. The effect of lower volume on the B-2 program was offset by the delivery of one aircraft in the first quarter of 1995 compared to no deliveries in last year's first quarter. This year's first quarter included a \$4 million charge as a result of an arbitration ruling related to the F/A-18. Higher sales volume was the primary cause of the increased operating profit for the balance of the MCA segment.

The ESI segment and data systems and other services segment operating profit increases resulted from higher sales volume in both segments. The lower rate of operating profit in these industry segments was due to the change in business mix, and the impact of the amortization of goodwill and other purchased intangibles charged in 1995 compared with none charged in the first quarter of 1994.

Interest expense in the first quarter of 1995 was \$29 million higher than the first quarter of 1994, following the \$1.7 billion increase in average debt outstanding between the two year's first quarters.

During the first quarter of 1995, \$191 million of cash was generated from operations versus \$150 million for last year's first quarter, 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, which is not expected to continue for the balance of this year at the level achieved in the first quarter, supplemented by the unused borrowing capacity available under the company's credit agreement and other short-term credit facilities.

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Part II OTHER INFORMATION

Item 1. Legal proceedings

False Claims Act Litigation

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1994, the lawsuit entitled Janssen v. Northrop was submitted to binding arbitration. Under the procedures agreed to by the parties, in addition to presenting evidence regarding the merits of the allegations, each party submitted a dollar amount representing the potential value of the action. After listening to the parties' presentations, the arbitrators chose, from the two submitted amounts, the

	1995	1994
Primary:		
Average shares outstanding	49,268	49,051
Common stock equivalents	833	733
Totals	50,101	49,784
Net income	\$54,122	\$51,643
Earnings per share(1)	\$ 1.08	\$ 1.04

Fully diluted:

Average shares outstanding	49,268	49,051
Common stock equivalents	1,065	755
Totals	50,333	49,806
Net income	\$54,122	\$51,643
Earnings per share(1)	\$ 1.08	\$ 1.04

(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%.

QTR-1
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MAR-31-1995

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	0	
	1,169	
	47	
	1,076	
2,394		3,160
	1,788	
	6,090	
1,925		1,566
		266
25		0
	1,060	
6,090		1,617
	1,617	
		1,500
	1,500	
	(5)	
	0	
	34	
	88	
		34
54		
	0	
	0	
		0
	54	
	1.10	
	1.10	