SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 1994

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	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)	(Zip Code)

Registrant's telephone number, including area code (310) 553-6262

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange
	Pacific Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act:

None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 10, 1995, 49,314,939 shares of Common Stock were outstanding, and the aggregate market value of the Common Stock (based upon the closing price of the stock on the New York Stock Exchange) of the Registrant held by nonaffiliates was approximately $2,300 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1995 Annual Meeting of Stockholders. Part III

PART I

Item 1. Business

Northrop Corporation was incorporated in Delaware in 1985. Effective May 18, 1994 Northrop Corporation was renamed Northrop Grumman Corporation. Northrop Grumman is an advanced technology company operating in the aerospace industry. The company designs, develops and manufactures aircraft, aircraft subassemblies and electronic systems for military and commercial use and designs and develops, operates and supports computer systems for scientific and management information.

Additional information required by this Item is contained in Part II Item 7 of this Annual Report on Form 10-K.

Item 2. Properties

The major locations, general status of the company's interest in the property and identity of the industry segments which use the property described, are indicated in the following table.

Location	Property Interest
Anaheim, California(1)(5)(a)(b)(e)	Owned
Arlington, Virginia(5)(a)	Leased
Benton Township, Pennsylvania (2)(b)	Leased
* Bethpage, New York (1)(2)(3)(5)(a)(b)(c)(d)	Owned and leased
Bridgeport, West Virginia (2)(b)	Owned
Calverton, New York (1)(2)(a)(b)(c)	Owned and leased
Carson, California(1)(c)	Leased
Compton, California(1)(b)(c)	Leased
Commerce, California(1)(c)	Leased
Dallas, Texas (1)(a)(b)	Owned and leased
Edwards Air Force Base, California(1)	Leased
Elk Grove, Illinois(2)(a)(b)(c)(d)	Leased
El Segundo, California(1)(4)(a)(b)(c)(d)	Owned and leased
Fairborn, Ohio (3)(a)(c)	Leased
Gardena, California(1)(2)(a)(b)(c)	Owned and leased
Glen Arm, Maryland (1)(b)	Owned
Grand Prairie, Texas (1)(a)(b)(c)(d)	Owned and leased
Great River, New York (2)(a)(b)	Owned
Hawthorne, California(1)(2)(4)(5)(a)(b)(c)(d)	Owned and leased
* Hicksville, New York (1)(2)(a)(c)(d)	Owned
Holtsville, New York (5)(a)	Owned
Hondo, Texas(1)(e)	Leased
Houston, Texas (3)(a)	Leased
Huntington Station, New York (2)(a)	Leased
Irvine, California (2)(d)	Leased
Kent, Washington(1)(c)	Leased
Lake Charles, Louisiana (1)(a)(b)(c)	Leased
Lawton, Oklahoma (3)(a)	Owned and leased
Lexington, Maine (1)(a)(c)	Owned and leased
Los Angeles, California(1)(5)(a)(b)(c)(d)	Leased
Mayfield, Pennsylvania (1)(b)	Owned and leased
Melbourne, Florida (2)(a)(b)	Owned and leased
Milledgeville, Georgia (1)(b)(c)	Owned and leased
Montebello, California(1)(c)	Leased
Montgomery, Pennsylvania (1)(b)	Owned
Newbury Park, California(5)(a)(b)(c)(d)	Owned
New Town, North Dakota(2)(a)(b)(c)	Owned and leased
Norwood, Massachusetts(2)(a)(b)(c)(d)	Owned and leased
Palmdale, California(1)(a)(b)(c)(d)(e)	Owned and leased
Perry, Georgia(1)(4)(a)(b)(c)	Owned
Pico Rivera, California(1)(3)(a)(b)(c)(d)	Owned and leased
Rolling Hills Estates, California(5)(a)(d)	Owned
Rolling Meadows, Illinois(2)(a)(b)(c)(d)	Owned and leased
Sherman, Texas (1)(b)	Owned
St. Augustine, Florida (1)(a)(b)(c)	Owned and leased
Stuart, Florida (1)(b)(c)	Owned and leased
Sturgis, Michigan (1)(a)(b)(c)	Owned and leased
Titusville, Florida (3)(a)	Leased
Torrance, California(1)(a)(b)(c)	Owned and leased
Vinton, Virginia (1)(b)	Owned
Warner Robins, Georgia(2)(a)(b)	Owned
Warren, Michigan(1)(3)(a)(b)(c)(d)	Leased
Woodbury, New York (3)(5)(a)	Leased

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* Certain portions of the properties at each of these locations are leased or subleased to others. The company believes that in the aggregate the property covered by such leases or subleased to others is not material compared to the property actually utilized by the company in its business.

NORTHROP GRUMMAN CORPORATION

Following each described property are numbers indicating the industry segments utilizing the property:

(1) Military and Commercial Aircraft
(2) Electronics and Systems Integration
(3) Data Systems and Other Services
(4) Missiles and Unmanned Vehicle Systems
(5) General Corporate Asset

Following each described property are letters indicating the types of facilities located at each location:

(a) office
(b) manufacturing
(c) warehouse
(d) research and testing
(e) other

Government-owned facilities used or administered by the company consist of 9.4 million square feet at various locations across the United States.

The company believes its properties are well-maintained and in good operating condition. Under present business conditions and the company's volume of business, productive capacity is currently in excess of requirements.

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Item 3. Legal Proceedings

False Claims Act Litigation

On June 9, 1987, a Complaint, entitled U.S. ex rel, David Peterson and Jeff Kroll v. Northrop Corporation, was filed in the U.S. District Court for the Central District of California alleging violations by the company of the False Claims Act in connection with the operation of petty cash funds, inspection, testing, and pricing for the MX Peacekeeper Missile program. On September 1, 1989, the government intervened and reduced the scope of the lawsuit by filing an amended complaint. The amended complaint does not completely specify the total amount being sought but, rather, seeks damages in excess of $1.2 million. On May 7, 1990, the Court ruled that the original plaintiffs may proceed with portions of the lawsuit that the government declined to include in the amended complaint. The court recently granted summary judgment for the company on the government's allegations related to petty cash, integrated test stations, extended work week and experimental change orders. Trial on the remaining allegations could occur in late 1995.

The company has been named a defendant in a lawsuit filed in the U.S. District Court for the Central District of California, entitled Janssen v. Northrop, pursuant to the False Claims Act relating to the company's pricing of subassemblies for the F/A-18 Hornet Jet. On April 9, 1990, the U.S. Department of Justice intervened in the lawsuit and filed an amended complaint. The amended complaint, which seeks unspecified damages and penalties, alleges common law fraud, unjust enrichment, and mistake of fact in connection with purported false statements regarding labor hours, cost of materials and total dollar costs that were required for Northrop to manufacture F/A-18 Hornet Jet subassemblies. In May 1992, the U.S. Government filed an additional complaint containing allegations substantially identical to those contained in the April 9, 1990 amended complaint. This complaint seeks damages relating to foreign military sales of the F/A-18 Hornet Jet. The parties have agreed to submit this matter to binding arbitration.

In addition, the company is a party to a number of civil actions brought by private parties alleging violation of the False Claims Act in which the government has declined to intervene. These actions, which have been previously reported, relate to the MX Peacekeeper Missile, the Air Launched Cruise Missile and the Advanced Technology Bomber (B-2) programs. In a number of these actions, plaintiffs also allege employment related claims including claims of wrongful termination. Damages sought include claims for compensatory and punitive damages. A number of these civil actions were initially reported when it was unclear what position, if any, the government would take in the litigation. In light of the government's decision not to intervene or otherwise pursue the litigation, as well as the amounts involved, the cases will not be individually reported. Further, the company learns from time to time that it has been named as a defendant in lawsuits which are filed under seal pursuant to the False Claims Act. Since these matters remain under seal, the company does not possess sufficient information to accurately report on the particular allegations.

Walsh, et al. v. Northrop Grumman Corporation

In November, 1994, a class action complaint was filed against Northrop Grumman Corporation, Grumman Corporation, Renso Caporali, Howard J. Dunn, Jr., Robert Denien and Robert E. Foster in the U.S. District Court for the Eastern District of New York, Case No. CV 94-5105 (Platt C.J.). The individual plaintiffs purport to represent a class of Grumman Corporation employees who directly or beneficially owned Grumman stock and who were eligible to participate in Grumman's Severance Plan prior to the merger with Northrop. A first amended complaint was filed on November 29 alleging that Grumman Corporation's March 8 and April 4, 1994 Form 14D-9 filings with the Securities and Exchange Commission incorporated a statement concerning the Grumman Severance Plan which violated Sections 10(b), and 14 (e) of the Securities and Exchange Act of 1934, and Rule 10b-5. The complaint also contains a cause of action for equitable estoppel based upon the same statement and plaintiffs' alleged reliance thereon. The complaint also alleges that the trustees of Grumman's Investment Plan violated their fiduciary obligations by voting the Plan's shares in favor of the merger without consulting the class members. The complaint seeks an order enjoining defendants from amending or discontinuing the Severance Plan for a period of thirty (30) months from the date of the merger and an order mandating that defendants permit class members who have accepted voluntary termination with severance pay to rescind their elections. On December 8, 1994, the court denied plaintiffs' application for a preliminary injunction but declined to dismiss the action. Plaintiffs filed a motion to amend their complaint to add a claim for damages based on post-acquisition changes to the Grumman pension plan. The hearing on the motion to amend and for class certification is scheduled for April 7, 1995. Absent dispositive motions, this matter will proceed to trial in late 1995 or early 1996. The defendants intend to vigorously defend this litigation and the Company does not expect this matter to have a material adverse effect on its financial condition.

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.

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Executive Officers of the Registrant

The following individuals were the elected officers of the company as of February 16, 1995:

Name	Age	Office Held	Since	Business Experience Last Five Years
Kent Kresa	56	Chairman, President and CEO	1990	President and Chief Executive Officer; Prior to September 1990, President and COO.
Herbert W. Anderson	55	Corporate Vice President and General Manager, Data Systems & Services Division	1995	Vice President and Deputy General Manager, Data Systems and Services Division; Prior to 1994, Vice President and Center General Manager of Northrop Information Services Center; Prior to 1990, Vice President Information Resource Management, B-2 Program
Ralph D. Crosby, Jr.	47	Corporate Vice President and General Manager, B-2 Division	1994	Vice President Business and Advanced Systems Development at B-2 Division; Prior to 1992, Vice President Business Development and Administration; Prior to 1991, Vice President and Manager of Northrop Washington Office
Marvin Elkin	58	Corporate Vice President Chief Human	1994	Corporate Vice President and Administration and Services; prior to

		Resources and Administrative Officer		1991 Vice President, Materiel and Services
Sheila M. Gibbons	63	Corporate Vice President and Secretary	1992	Vice President and Secretary
Nelson F. Gibbs	57	Corporate Vice President and Controller	1992	Vice President and Controller; Prior to 1991, Partner, Deloitte & Touche LLP
John E. Harrison	59	Corporate Vice President and General Manager, Electronics and Systems Integration Division	1995	Senior Vice President and General Manager, Electronics Programs, Aerospace and Electronics Group; Prior to 1992, President, Electronics Division, Grumman Corporation
Robert W. Helm	43	Corporate Vice President, Government Relations	1994	Vice President, Legislative Affairs
Charles L. Jones, Jr.	53	Corporate Vice President, Quality Operations	1992	Vice President, Quality Operations; Prior to 1991 Vice President and Manager Operations, Electronics Division; Prior to 1990, Vice President and Manager, Product Assurance and Productivity
Richard R. Molleur	62	Corporate Vice President and General Counsel	1991	Senior Vice President and General Counsel; Prior to 1991, Partner, Winston & Strawn
Albert F. Myers	49	Corporate Vice President and Treasurer	1994	Vice President, Business Strategy; Prior to 1992, Vice President, Test Operations at B-2 Division
James G. Roche	55	Corporate Vice President and Chief Advanced Development and Planning and Public Affairs Officer	1993	Corporate Vice President Advanced Development and Planning Officer; Prior to 1992, Vice President, Advanced Development and Planning; Prior to 1991 Vice President and Special Assistant to the Chairman, President and CEO.
Wallace G. Solberg	63	Corporate Vice President and General Manager, Military Aircraft Division	1994	Corporate Vice President and General Manager-Aircraft Division; Prior to 1991, Vice President and General Manager, Electronics Systems Division; Prior to 1990, Vice President and General Manager, Defense Systems Division.
Richard B. Waugh, Jr.	51	Corporate Vice President and Chief Financial Officer	1993	Vice President, Taxes, Risk Management and Business Analysis
Max T. Weiss	72	Corporate Vice President and Deputy General Manager, Electronics and Systems Integration Division	1995	Corporate Vice President and General Manager Electronics Systems Division; Prior to December 1991, Vice President - General Technology and Advanced Development; Prior to July 1991, Vice President - Technology; Prior to 1990,

				Vice President-Technical, Electronics Systems Group
Gordon L. Williams	62	Corporate Vice President and General Manager, Commercial Aircraft Division	1994	President & CEO, Vought Aircraft Company; Prior to 1992, President, Aircraft Division, LTV Aerospace & Defense

NORTHROP GRUMMAN CORPORATION

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

No information is required in response to this Item.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information required by this Item is contained in Part II, Item 8 of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The information required by this Item is contained in Part II, Item 7 of this Annual Report on Form 10-K.

NORTHROP GRUMMAN CORPORATION

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Conditions

Northrop Grumman's industry segments - military and commercial aircraft, electronics and systems integration, data systems and other services, and missiles and unmanned vehicle systems (MUVS) - are each a factor in the broadly defined aerospace industry. While Northrop Grumman is subject to the usual vagaries of the marketplace, it is also affected by the unique characteristics of the aerospace industry and by certain elements peculiar to its own business mix.

In the second quarter of 1994 the company purchased the outstanding common stock of Grumman Corporation (Grumman) for $2.1 billion. Northrop Corporation was renamed Northrop Grumman Corporation effective May 18, 1994. In August 1994 the company purchased the remaining 51 percent interest in Vought Aircraft Company (Vought) for $130 million. The company had purchased a 49 percent interest in Vought in 1992. As a result of these acquisitions the company reorganized, effective January 1, 1995, into five operating divisions - B-2 Division, Military Aircraft Division, Commercial Aircraft Division, Electronics and Systems Integration Division and the Data Systems and Services Division.

Northrop Grumman is one of about a dozen major companies in the industry that compete for the relatively small number of large, long-term programs that characterize both the defense and commercial segments of the aerospace business. It is common in the aerospace industry for work on major programs to be shared between a number of companies. A company competing to be a prime contractor can turn out to be a subcontractor. It is not uncommon to compete with customers, and to simultaneously be both a supplier to and customer of a given competitor. Boeing, Lockheed Martin and McDonnell Douglas are the largest companies in the aerospace industry at this time. Northrop Grumman also competes against many other companies for a relatively large number of smaller programs, notably in the electronics areas. Competition is intense, yet the nature of major aerospace programs, conducted under binding contracts, allows companies that perform well to benefit from a level of program continuity unknown in many industries. Thus, intense competition and long operating cycles are both characteristic of the industry's - and Northrop Grumman's - business.

The B-2 bomber, for which the company is the prime contractor, is Northrop Grumman's largest program. The B-2 Division is responsible for final assembly of the B-2's airframe and systems integration (in Palmdale, California), and the manufacture of the fuselage and parts of the B-2's navigation and electronic warfare/situation awareness system. Major subcontractors include Boeing, which makes the aft center section, outboard wing sections, landing gear and fuel system, and GM Hughes, which produces the radar systems. The Air Force currently plans to operate two B-2 bomber squadrons of eight aircraft each with an additional four aircraft available to fill in for those in depot for periodic maintenance.

The company's Military Aircraft Division (MAD), headquartered in Hawthorne, California, is the principal subcontractor on the McDonnell Douglas F/A-18 program. The F/A-18 is a fighter/ground-attack aircraft that can carry either one or two crew members. It is principally deployed by the U.S. Navy on aircraft carriers, but several other nations have purchased the aircraft and use it as a land-based combat aircraft. The company builds approximately 40 percent of the aircraft including the center and aft fuselage sections and vertical tails. Of the versions of the F/A-18 currently in production, the C is a single-seat combat aircraft that was first delivered to the Navy in 1987 and the D is a two-seat version principally used for training. The F/A-18E/F is an improved version of the F/A-18C/D under development for the U.S. Navy as its next generation multi-mission aircraft.

MAD also produces aerial targets, principally the BQM-74/Chuker. The BQM-74 series has been in production since the 1960s. It is used by the Navy for air defense training, gunnery practice and weapon system evaluation. The company builds the airframe and the electronics that are used to guide the drone with the drone's engine being produced by Williams International.

The Commercial Aircraft Division (CAD) supplies portions of the Boeing 747, 757, 767 and 777 jetliners, the Gulfstream IV and V business jets, and the McDonnell Douglas C-17. Northrop Grumman has been a principal airframe subcontractor for the Boeing 747 jetliner since the program began in 1966. The company produces the fuselage and aft body section for the 747 as well as cargo and passenger doors, the vertical and horizontal body stabilizers, floor beams and smaller structural components. The majority of this work is performed at CAD's primary production sites in Hawthorne, California; Grand Prairie, Texas; Stuart, Florida; and Perry, Georgia. CAD manufactures engine nacelles for the Gulfstream IV and other business jets and recently initiated production of the wings for Gulfstream's newest business jet, the Gulfstream V. CAD also produces the tail section, engine nacelles and control surfaces for the McDonnell Douglas C-17 program, the U.S. Air Force's most advanced airlifter, at various locations. The work performed on the Gulfstream IV and V, 757, 767, 777 and some of the components of the 747 and the C-17 were added as a result of the Grumman and Vought acquisitions.

The Northrop Grumman designed and built all-weather E-2C Hawkeye Airborne Early Warning Command and Control aircraft has been in active service with the U.S. Navy since 1973 and is also employed by the air forces of five other nations. The E-2C is produced by the company's Electronics and Systems Integration Division (ESID).

ECM denotes electronic countermeasures equipment manufactured by the ESID - Rolling Meadows Site. The largest program in this business area is the AN/ALQ-135, which is an internally mounted radar jammer deployed on F-15 fighter aircraft as part of that aircraft's Tactical Electronic Warfare System. The AN/ALQ-162 Shadowbox is a jammer built specifically to counter continuous wave radars. The AN/ALQ-162 has been installed on the AV-8B and certain foreign F/A-18 aircraft. It is also being deployed on U.S. Army helicopters and special mission aircraft and it has been sold to the air forces of three other nations.

ESID also produces the E-8 Joint Surveillance Target Attack Radar System (Joint STARS). Joint STARS detects, locates, classifies, tracks and targets potentially hostile ground movement in all weather. It is designed to operate around the clock, in constant communication through secure data links with air force command posts, army mobile ground stations or centers of military analysis far from the point of conflict. The Joint STARS platform is a remanufactured Boeing 707-300 airframe. The 707 is remanufactured at Northrop Grumman's Lake Charles, Louisiana site. Final installation of electronics and testing are performed at the ESID - Integration and Test Facility in Melbourne, Florida.

The ESID-Hawthorne Site, as the prime contractor to the U.S. Army, is developing a "brilliant" anti-armor submunition, designated as BAT, with production scheduled to commence in 1998. BAT is a three foot long, 44 pound, wide-area-attack submunition that will be used to disable and destroy armored vehicles and trucks. BATs are meant to be carried and dispensed by a larger missile. BATs are designed to be ejected over an armored vehicle column or attacking formation. Each BAT has an infrared sensor that can home in on the heat generated by a vehicle's engine, and an acoustic sensor that can home in on the noise created by the tank or truck's engine.

Northrop Grumman's Data Systems and Services Division (DSSD) designs, develops, operates and supports computer systems for scientific and management information. Services provided include systems integration, systems service, information conversion and training for federal, state and local governments and private industry. DSSD also provides military base support functions and aircraft maintenance at a number of U.S. Government facilities.

Tables of contract acquisitions, sales and funded order backlog by major program follow and complement industry segment data. B-2, F/A-18, Boeing Jetliners (the 747, 757, 767 and 777) and C-17 are currently the major programs of the military and commercial aircraft industry segment. E-2C Hawkeye, ECM, E-8 Joint STARS and BAT are included in the electronics and systems integration industry segment. The DSSD is the major component of the data systems and other services industry segment. The Tri-Service Standoff Attack Missile (TSSAM), the segment's principal program, and aerial targets are included in the company's MUVS industry segment. The "all other" category includes the balance of the company's numerous other contracts, classified and unclassified.

Results Of Operations By Industry Segment And Major Customer

Year ended December 31, $ in millions	1994	1993	1992	1991	1990
Revenue:					
Military and Commercial Aircraft					
United States Government	$3,896	$3,570	$3,864	$3,728	$3,629
Other customers	687	543	560	553	498
Intersegment sales	52	1	1	1	
Other income	5	1	1		6
	4,640	4,115	4,426	4,282	4,133
Electronics and Systems Integration					
United States Government	1,135	582	677	738	760
Other customers	306	15	9	18	31
Intersegment sales	106	114	120	118	134
Other income(deductions)	(1)		1	(11)	1
	1,546	711	807	863	926
Data Systems and Other Services					
United States Government	309	79	88	95	117
Other customers	30				
Intersegment sales	22				1
Other deductions			(1)		
	361	79	87	95	118
Missiles and Unmanned Vehicle Systems					
United States Government	332	250	329	541	423
Other customers	16	24	23	21	32
Other income	2	2	1	1	1
	350	276	353	563	456
Intersegment eliminations	(180)	(115)	(121)	(119)	(135)
Total revenue	$6,717	$5,066	$5,552	$5,684	$5,498
Operating Profit(Loss)					
Military and Commercial Aircraft	$ 463	$ 387	$ 357	$ 384	$ 262
Electronics and Systems Integration	122	56	63	54	56
Data Systems and Other Services	14	4	3	4	5
Missiles and Unmanned Vehicle Systems	(18)	(185)	(135)	33	24
Total operating profit	581	262	288	475	347
Adjustments to reconcile operating profit to operating margin:					
Other (income)deductions included above	(6)	(3)	(2)	10	(8)
State and local income taxes	(28)	(18)	(12)	(30)	(14)
General corporate expenses	(113)	(96)	(105)	(107)	(89)
Retiree benefit cost included in contract costs	80	9	7	22	33
Retiree benefit income(cost)	(33)	39	42	(24)	24
Special termination benefits	(282)				
Operating margin	$ 199	$ 193	$ 218	$ 346	$ 293

Year ended December 31, $ in millions	1994	1993	1992	1991	1990
Contract Acquisitions					
Military and Commercial Aircraft	$ 8,122	$ 3,764	$ 3,072	$ 6,297	$ 5,492
Electronics and Systems Integration	3,121	616	568	722	612
Data Systems and Other Services	526	75	89	83	110

Missiles and Unmanned Vehicle Systems	196	352	435	450	386
Total acquisitions	$11,965	$ 4,807	$ 4,164	$ 7,552	$ 6,600
Funded Order Backlog					
Military and Commercial Aircraft	$ 9,189	$ 5,650	$ 5,999	$ 7,351	$ 5,335
Electronics and Systems Integration	2,379	699	680	798	832
Data Systems and Other Services	230	43	47	46	58
Missiles and Unmanned Vehicle Systems	375	527	449	366	478
Total backlog	$12,173	$ 6,919	$ 7,175	$ 8,561	$ 6,703
Identifiable Assets					
Military and Commercial Aircraft	$ 2,974	$ 1,793	$ 1,849	$ 1,913	$ 2,034
Electronics and Systems Integration	1,754	325	360	445	479
Data Systems and Other Services	485	104	115	109	30
Missiles and Unmanned Vehicle Systems	190	175	272	280	278
Operating assets	5,403	2,397	2,596	2,747	2,821
General corporate	644	542	566	381	273
Total assets	$ 6,047	$ 2,939	$ 3,162	$ 3,128	$ 3,094
Capital Expenditures					
Military and Commercial Aircraft	$ 75	$ 71	$ 46	$ 57	$ 62
Electronics and Systems Integration	33	30	34	22	34
Data Systems and Other Services	14	25	34	31	2
Missiles and Unmanned Vehicle Systems	11	8	7	7	20
General corporate	1	1	2	1	3
Total expenditures	$ 134	$ 135	$ 123	$ 118	$ 121
Depreciation and Amortization					
Military and Commercial Aircraft	$ 155	$ 142	$ 85	$ 96	$ 125
Electronics and Systems Integration	76	40	39	42	47
Data Systems and Other Services	27	24	25	21	3
Missiles and Unmanned Vehicle Systems	11	7	10	10	9
General Corporate		1	1	2	3
Total depreciation and amortization	$ 269	$ 214	$ 160	$ 171	$ 187

NORTHROP GRUMMAN CORPORATION

Individual companies prosper in the competitive aerospace/defense environment according to their ability to develop and market innovative products. They must also have the ability to provide the people, facilities, equipment and financial capacity needed to deliver those products with maximum efficiency. It is necessary to maintain, as the company has, sources for raw materials, fabricated parts, electronic components and major subassemblies. In this manufacturing and systems integration environment, effective oversight of subcontractors and suppliers is as vital to success as managing internal operations. Northrop Grumman's operating policies are designed to enhance these capabilities. The company also believes that it maintains good relations with its employees, a small number of whom are covered by collective bargaining agreements.

U.S. Government programs in which Northrop Grumman either participates, or strives to participate, must compete with other programs for consideration during our nation's budget formulation and appropriation processes. As a consequence of the end of the Cold War and pressure to reduce the federal budget deficit, the U.S. defense budget is not expected to increase substantially in the near term. Budget decisions made in this environment will have long-term consequences for the size and structure of Northrop Grumman and the entire defense industry. An important factor in determining Northrop Grumman's ability to successfully compete for future contracts will be its cost structure vis-a-vis other bidders.

Given these conditions, it is difficult to predict the amount and rate of decline in defense outlays. Although the ultimate size of future defense budgets remains uncertain, the defense needs of the nation are expected to provide a substantial research and development (R&D) and procurement business level for the company to pursue in the future.

Northrop Grumman has historically concentrated much of its efforts in such high technology areas as stealth, airborne surveillance, battle management, precision weapons and systems integration. Even though a high priority has been assigned by the Department of Defense to our major programs, there remains the possibility that one or more of them may be reduced, stretched or terminated.

In the commercial aircraft market, many airlines have recently deferred deliveries and purchases of new aircraft. This has caused The Boeing Company to announce reductions in its scheduled production of various jetliners, including the 747. As a result, Northrop Grumman's subcontract workload for the 747, the company's largest commercial program, was stretched out, beginning in late 1993, with deliveries declining 42 percent in 1994, with a further 22 percent decline expected in 1995. Although business conditions in the commercial aircraft industry currently remain depressed, the company with participation on the various Boeing jetliners, Gulfstream and other business jet programs, is optimistic about the longer-term prospects for its commercial aircraft structures business.

NORTHROP GRUMMAN CORPORATION

Northrop Grumman pursues new business opportunities when justified by acceptable financial returns and technological risks. The company examines opportunities to acquire or invest in new businesses and technologies to strengthen its traditional business areas. Northrop Grumman also is exploring new directions for marketing and capitalizing on its technologies and skills by entering into joint ventures, partnerships or associations with other companies.

Northrop Grumman, as well as many other companies in the defense industry, suffered the effects of the Department of Defense's practice in the 1980s of structuring new, high-risk research and development contracts, such as TSSAM, as fixed-price or capped cost-reimbursement type contracts. Although Northrop Grumman has stopped accepting these types of contracts, it has experienced financial losses on TSSAM and other similar programs acquired under them in the past. The company received a termination for convenience notice on the TSSAM program in February 1995. In the event of termination for convenience contractors are normally protected by provisions covering reimbursement for all costs incurred subsequent to termination. The company does not expect that the TSSAM termination will have a material financial effect on the company's financial position.

Prime contracts with various agencies of the U.S. Government and subcontracts with other prime contractors are subject to a profusion of procurement regulations, with noncompliance found by any one agency possibly resulting in fines, penalties, debarment or suspension from receiving additional contracts with all agencies. Given the company's dependence on U. S. Government business, suspension or debarment could have a material adverse affect on the company's future. Moreover, these contracts may be terminated at the Government's convenience as was done with the TSSAM program. While Northrop Grumman conducts most of its business with the U.S. Government, principally the Department of Defense, commercial sales still represent a significant portion of total revenue.

Federal, state and local laws relating to the protection of the environment affect the company's manufacturing operations. The company has provided for the estimated cost to complete remediation where it is probable that the company will incur such costs in the future, including those for which it has been named a Potentially Responsible Party (PRP) by the Environmental Protection Agency or similarly designated by other environmental agencies. The company has been designated a PRP under federal Superfund laws at eight hazardous waste sites and under state Superfund laws at six sites. It is difficult to estimate the timing and ultimate amount of environmental cleanup costs to be incurred in the future due to the uncertainties regarding the extent of the required cleanup and the status of the law, regulations and their interpretations. Nonetheless, to assess the potential impact on the company's financial statements, management estimates the total reasonably possible remediation costs that could be incurred by the company. Such estimates take into consideration the professional judgment of the company's environmental engineers and, when necessary, consultation with outside environmental specialists. In most instances, only a range of reasonably possible costs can be estimated. The top end of the range is reflected as the total estimate of reasonably possible costs; however, in the determination of accruals the most probable amount is used when determinable and the minimum is used when no single amount is more probable. The company records accruals for environmental cleanup costs in the accounting period in which the company's responsibility is established and the costs can be reasonably estimated. Management estimates that at December 31, 1994, the reasonably possible range of future costs for environmental remediation, including Superfund sites, is $31 million to $53 million, of which $39 million has been accrued. The amount accrued has not been offset by potential recoveries from insurance carriers or other PRPs. Should other PRPs not pay their allocable share of remediation costs the company may have to incur costs in addition to those already estimated and accrued. In 1993 the company was awarded a judgment of $6.7 million against its insurance carrier with respect to costs associated with the ESID-Norwood operation Plant 2 remediation. This award is currently on appeal and is not reflected in the company's financial statements. The company is making the necessary investments to comply with environmental laws; however, the amounts, while not insignificant, are not considered material to the company's financial position or results of its operations.

Measures of Volume

Contract acquisitions tend to fluctuate and are determined by the size and timing of new and add-on orders. The effects of multi-year orders and/or funding can be seen in the highs and lows shown in the following table. The funded order backlog of Grumman and Vought on the date the companies were acquired are reflected as acquisitions in 1994. The 757, 767, 777 (included in Boeing Jetliners category), E-2, E-8 Joint STARS, and C-17 programs were acquired as part of Grumman and Vought.

B-2 acquisitions in 1994 include $2.4 billion of funding to complete the last five production aircraft, incremental funding for ongoing development work, spares and other customer support for the 20 operational aircraft program. The company still stands to gain future new post-production business, such as airframe depot maintenance, repair of components, operational software changes and product improvement modifications. The debate over the future of the B-2, which is built in the nation's only active bomber producing facility, is now taking place. Without future production orders the nation's multi-billion dollar investment in this capability will be disassembled and become retrievable only at a large additional cost.

Contract Acquisitions

$ in millions	1994	1993	1992	1991	1990
B-2	$ 3,646	$ 2,632	$ 2,235	$ 4,794	$ 3,749
F/A-18C/D	211	89	576	564	529
F/A-18E/F	249	743	131	10	
Boeing Jetliners	1,177	242	76	870	950
E-2	1,136				
ECM	323	445	361	431	395
E-8 Joint STARS	1,151				
Data Systems and Other Services	526	75	89	83	110
TSSAM	157	248	349	369	277
C-17	434				
BAT	88	90	147	82	51
All other	2,867	243	200	349	539
	$11,965	$ 4,807	$ 4,164	$ 7,552	$ 6,600

In 1994, $250 million of funding was received toward the development of the next generation F/A-18, the E/F version. This development program alone has an estimated sales value of $1.5 billion to Northrop Grumman. Acquisitions in 1994 and 1993 included long-lead funding received from the McDonnell Douglas Corporation for new F/A-18C/D shipsets. In 1992, orders for 88 F/A-18C/D shipsets were received. In 1991, 70 F/A-18C/D shipsets were ordered, compared with 84 in 1990.

The Boeing Company ordered one hundred 747 shipsets in each of the years 1991 and 1990. In 1993, additional contract value was received for, among other things, extending the delivery schedule of those shipsets into 1996.

The balance of Grumman and Vought funded order backlog at the dates of acquisition, for those programs not listed in the table, is included in the "all other" category and accounts for the major increase over 1993 and prior years.

Year-to-year sales vary less than contract acquisitions and reflect performance under new and ongoing contracts. The 1994 results of operations include Grumman and Vought since the acquisitions in April and August 1994, respectively. Comparative results for 1993 and prior do not include Grumman and Vought data.

Sales for 1994 were the highest in the company's history and were 33 percent higher than in 1993. Without the Grumman and Vought acquisitions sales would have declined 10 percent from the 1993 level.

Net Sales

$ in millions	1994	1993	1992	1991	1990
B-2	$2,392	$2,881	$3,212	$3,100	$2,744
F/A-18C/D	309	362	492	562	597
F/A-18E/F	508	279	118	10	
Boeing Jetliners	483	531	549	540	483
E-2	409				
ECM	357	372	378	415	425
E-8 Joint STARS	345				
Data Systems and Other Services	339	79	88	95	117
TSSAM	276	179	265	390	343
C-17	121				
BAT	88	100	135	71	55
All other	1,084	280	313	511	726
	$6,711	$5,063	$5,550	$5,694	$5,490

The decreasing trend in the B-2 revenues from both engineering and manufacturing development (EMD) and production work continued in 1994. The level of EMD effort, included in amounts reported as customer-sponsored R&D, constituted 26 percent of the total B-2 revenue, down from 28 percent in 1993 and 34 percent in 1992. Current planning data indicate that the level of overall B-2 revenue will decline roughly 20 percent per year for the remainder of the decade.

Sales declined again in 1994 under the F/A-18C/D program with the delivery of 42 shipsets, down from the 52 delivered in 1993. In 1992, the company delivered 75 shipsets, compared with 80 in 1991, and 94 in 1990. In 1995 and 1996, the company plans to deliver 60 and 68 F/A-18C/D shipsets respectively. F/A-18E/F revenue is expected to exceed $400 million again in 1995 with the delivery of the first shipset scheduled for the second quarter. A total of 7 F/A-18E/F shipsets are planned for delivery in 1995 under the EMD contract.

Deliveries of 747 center fuselages were 31 in 1994, 54 in 1993, 60 in 1992, 62 in 1991, and 56 in 1990. Twenty-four fuselages are expected to be delivered in 1995 with no significant changes anticipated in the near future.

The electronics and systems integration segment revenues more than doubled in 1994 with the increase coming from the acquisition of Grumman more than offsetting the decrease from lower BAT development revenue and lower ECM sales. Reduced electronics segment revenues in 1993 stemmed from lower BAT development revenue, lower MX Peacekeeper sales and lower sales in the sensor product area. In both 1993 and 1992 fewer deliveries of missile components by the ESID-Norwood operation were made versus the respective previous year. Overall electronics and systems integration segment sales are expected to increase by more than 20 percent in 1995 with the inclusion of a full year of sales from the programs added by the Grumman acquisition.

The year-end funded order backlog is the sum of the previous year-end backlog plus the year's contract acquisitions minus the year's sales. Backlog is converted into the following years' sales as costs are incurred or deliveries are made. It is expected that approximately 50 percent of the 1994 year-end backlog will be converted into sales in 1995, which are currently expected to be about $6.7 billion.

Funded Order Backlog

$ in millions	1994	1993	1992	1991	1990
B-2	$ 5,175	$ 3,921	$ 4,170	$ 5,147	$ 3,453
F/A-18C/D	345	443	716	632	630
F/A-18E/F	220	477	13		
Boeing Jetliners	1,417	723	1,012	1,485	1,155
E-2	727				
ECM	506	540	467	484	468
E-8 Joint STARS	806				
Data Systems and Other Services	230	43	47	46	58
TSSAM	248	367	298	214	235
C-17	313				
BAT	20	20	30	18	7
All other	2,166	385	422	535	697
	$12,173	$ 6,919	$ 7,175	$ 8,561	$ 6,703

Total U.S. Government orders, including those made on behalf of foreign governments (FMS), comprised 80 percent of the backlog at the end of 1994 compared with 89 percent at the end of 1993, 85 percent at the end of 1992, and 82 percent at the end of both 1991 and 1990. Total foreign customer orders, including FMS, accounted for 9 percent of the backlog at the end of 1994 compared with 3 percent in 1993, 2 percent in 1992, 3 percent in 1991, and 4 percent in 1990. Domestic commercial business remaining in backlog at the end of 1994 was 14 percent, 11 percent at the end of 1993, 14 percent at the end of 1992 and 17 percent for both 1991 and 1990.

Measures of Performance

The company's operating margin has improved in each of its two largest and most mature industry segments military and commercial aircraft and electronics and systems integration. These improvements stem from overall improved operating margin rates in Northrop Grumman's continuing programs as well as the addition of the Grumman and Vought programs. Company-wide efforts to reduce costs, install tighter business controls, improve cash management, dispose of excess assets and more effectively utilizing productive assets are all goals aimed at contributing to the future success of Northrop Grumman. This financial report demonstrates the degree to which the accomplishment of these goals is being achieved.

Operating profit in the military and commercial aircraft industry segment increased to its highest level ever in 1994, exceeding the previous high reached in 1993, as margin rates improved on the B-2 and F/A-18 programs. The rate and amount of operating margin recorded on the F/A-18E/F increased in 1994 due to an approximately one and one half percent increase in the rate of operating margin being recorded on the EMD contract, which was made during the fourth quarter. This resulted from the continuing evaluation of the overall operating margin to be earned on this phase of the program. The F/A-18 program operating margin improved in 1994 and 1993 despite reduced F/A-18C/D shipset deliveries in each of these years versus the previous year.

The B-2 operating margin improved in 1994 where the amount of margin recorded on the four deliveries more than offset reduced operating margin from lower production and EMD sales. Following the award of the last increment of production funding for the B-2, the company began recording future operating margin increases on all production aircraft as these units are delivered and accepted by the customer. At the time each unit is delivered an assessment will be made of the status of the production contract so as to estimate the amount of any probable additional margin available beyond that previously recognized. That unit's proportionate share of any such unrecognized remaining balance will then be recorded. In this fashion it is believed that margin improvements will be recognized on a more demonstrable basis. The current 15 production units are scheduled for their initial delivery over a five year period, which began in December 1993. All but two units (four equivalent units for this purpose) will be returned for scheduled retrofitting with final deliveries beginning in 1997 and ending in 2000. It is anticipated that the total of 30 equivalent units will be delivered at a rate of from three to five per year over the next six years.

Fewer deliveries and a reduction in the rate of operating margin due to increased costs allocated, as a result of establishing a separate commercial aircraft operating element, caused decreased operating profit on the 747 program in 1994. The primary cause of military and commercial aircraft segment operating profit being higher in 1991 than 1992 was the one percentage point increase in the B-2 Low Rate Initial Production (LRIP) contract margin rate made during the fourth quarter of 1991 on sales recorded prior to that date ($40 million of margin). This 1991 margin rate adjustment followed definitization of the LRIP contract late in the year and took into account the company's production and assembly experience as of that date. Setting aside the $40 million adjustment, the B-2 program provided an increasing amount of operating margin in each of the last four years as the mix of sales continues its shift from relatively lower margin R&D work to higher margin production work.

Affecting the comparison of 1992 military and commercial aircraft operating profit with that of 1991 were the slightly lower rates of margin earned on fewer F/A-18C/D and 747 shipset deliveries. In addition, a low rate of margin was recorded in 1992 on the F/A-18E/F as this program was in its early phase of development.

Partially offsetting the B-2 margin improvement for 1991 was the lower rate of margin earned on the reduced number of F/A-18 shipsets delivered during 1991. A slightly lower rate of margin was earned on higher 747 shipset deliveries generating an overall increase in the amount of 747 margin. Affecting comparison of 1991 military and commercial aircraft segment operating profit with that of the previous year is the $66 million invested and written off on the ATF program during 1990. With the completion of the DEM/VAL phase of ATF in 1990 the company discontinued making any material amount of expenditures for company-sponsored R&D.

Operating profit in the electronics and systems integration segment also reached a record level in 1994. This was due primarily to the addition of Grumman's E-2, E-8 Joint STARS and various other military electronics programs and an increased rate of margin recorded in the company's electronic countermeasures business, which more than offset the $8 million in provisions recorded by the ESID-Norwood operation for unrecoverable costs incurred.

The 13 percent sales decline in the electronics and systems integration segment for 1993 from the level achieved in 1992 was accompanied by an 11 percent decline in operating profit. An increase in ECM operating margin and the benefit of a $5 million reduced loss at the ESID-Norwood operation offset lower margins in the sensor product area and on the BAT program.

The amount and rate of operating profit earned by the electronics and systems integration segment increased during 1992 despite the loss incurred by ESID-Norwood. ESID-Norwood's operating loss declined $7 million from that of 1991. In 1992 the ESID-Norwood operation suffered from the effects of a 24 percent sales decline coupled with a $6 million write-off of unrecoverable inventoried costs. Also influencing the trend in the electronics and systems integration segment operating profit has been the replacement of higher margin Peacekeeper production revenue by lower margin BAT development revenue.

While the rate of operating profit for 1991 improved slightly for the electronics and systems integration segment, the amount of profit declined $2 million. The rate increase was largely achieved by the ECM area where improved margins accompanied higher sales of the AN/ALQ-135 system developed for the F-15 fighter aircraft. Offsetting this increase was the cost of settling various legal and product disputes, principally for the ESID-Norwood operation. Of the aggregate of $31 million in provisions made during 1991 for these issues, $12 million is reported in Other Deductions in the Consolidated Statements of Income.

The loss provision made during 1994 on the TSSAM development contract was $20 million, and followed provisions aggregating $201 million in 1993 and a similar provision of $152 million in 1992. The recording of the expected loss from the performance of this classified long-term fixed-price R&D contract caused major losses in the MUVS segment during four of the last six years. Most of these provisions resulted from additional costs necessary to comply with contractual requirements. Production delays caused increased amounts of sustaining labor to be absorbed by the development phase of the program in which the company has invested over $600 million. The ultimate loss on this contract will depend on the company's negotiation of costs claims with the U.S. Government in connection with the contract termination for convenience notice received by the company in February 1995. The company will seek to recoup its investment in plant and equipment made for the production phase of the program from the government. As previously indicated, the company does not expect the termination of the program to have a material financial impact on the company.

After being profitable in each of the previous four years, the company's traditional line of aerial targets incurred a $2 million operating loss in 1994 resulting from $4 million in provisions for unrecoverable inventories recorded in the fourth quarter. The overall increase in MUVS operating profit in 1991 versus 1990 resulted from the completion of the Tacit Rainbow missile program at less cost than had previously been estimated.

Operating margin in 1994 was reduced by $282 million to record the effect of an early retirement incentive program. Operating margin in 1994 also included $36 million of pension income compared with $71 million in 1993, $83 million in 1992 and $23 million in 1991. Also contributing to the change from net retiree benefit income in 1993 to a net retiree benefit cost in 1994 was 1994's increase in the cost of providing retiree health care and life insurance benefits - $69 million in 1994 versus $32 million in 1993, $41 million in 1992, and $47 million in 1991. A major contributor to the 1994 net retiree benefit cost was the addition of the Grumman and Vought retiree plans.

The Financial Accounting Standards Board's (FASB) accounting standard No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions - was adopted by the company in 1991. The liability representing previously unrecognized costs of $145 million for all years prior to 1991 was recorded as of January 1, 1991, with an after-tax effect on earnings of $88 million or $1.86 per share. The company's adoption in 1992 of the new FASB accounting standard No. 112 - - Employers' Accounting for Postemployment Benefits - had no material effect on the company's financial position or operating results.

In 1994 the company recorded a $42 million pretax charge for the planned disposal of excess real estate and other assets. This was a result of the company's continuing efforts to reduce operating costs and dispose of assets which have become excess due to changes in the company's business strategy. This charge is reported in Other Deductions in the Consolidated Statements of Income.

Interest expense increased $71 million in 1994 after declining in each of the previous four years by $9 million in 1993, $33 million in 1992, $15 million in 1991, and $29 million in 1990. The increase in 1994 came primarily from the issuance of debt to finance the acquisition of Grumman. Total debt at December 31, 1994 stood at $1.9 billion compared to $160 million at the end of 1993. Nearly all of the interest expense reductions in the previous four years stemmed from debt reduction which over this period totaled $960 million.

In 1991 the company adopted FASB standard No. 109 - Accounting for Income Taxes - and recorded, as of January 1, 1991, a benefit of $21 million, or 43 cents per share. As described in the accounting policy footnote to the financial statements, any future change in the tax rate would result in the immediate recognition in current earnings of the cumulative effect on deferred tax assets and liabilities.

The company's effective federal income tax rate was 46.2 percent in 1994, 43.5 percent in 1993, 32.8 percent in 1992, and 3.2 percent in

1991. The change in the 1994 rate was caused by an increase in the amount of expenses not deductible for income taxes, primarily the amortization of goodwill. The rate for 1993 would have been 31.8 percent but for the effects of the retroactive application of The Revenue Reconciliation Act of 1993. The one percentage point increase in the federal statutory income tax rate, now 35 percent, required the redetermination of December 31, 1992 deferred tax asset and liability balances. This redetermination added $18 million to 1993's tax provision thereby reducing earnings per share by 38 cents. During 1989, final regulations were issued concerning the research tax credit. The company had taken a conservative approach in calculating its tax provisions since 1981 pursuant to uncertain proposed regulations. An exhaustive study was undertaken throughout the company to redetermine qualifying expenditures in compliance with the final regulations so as to recalculate prior years' tax credits and amend its tax returns as appropriate. The benefit resulting from the conclusion of that study was the $90 million in additional research credits recognized in the determination of the 1991 effective tax rate of 3.2 percent.

Measures of Liquidity and Capital Resources

The improvement of the company's financial condition and liquidity, which began in 1990, continued in 1994. Over the last five years operating cash flows have averaged $400 million annually. The $441 million of cash flow from operations in 1994 was an increase of $61 million over 1993 which was a $96 million increase over that of 1992, while it had declined $325 million in 1992 from that of 1991. Much of the increase in 1991's cash flow from operations resulted from the company finalizing the B-2 LRIP contract, after it was about 50 percent complete, as well as follow-on contracts for 747 and F/A-18 work. To a great extent the pace of delivery of B-2 production aircraft and the satisfactory completion of program milestones will dictate the future level of any required additional capital resources.

Provisions for contract losses are one of the important elements depicting the difference between Net Income and cash flows from operating activities shown in the Reconciliation section of the Consolidated Statements of Cash Flows.

The trend and relationship of sales volume with accounts receivable and inventoried cost balances, before and after the benefit of progress payments, is a useful measure in assessing liquidity. In 1989 the company's net investment in these balances represented 32 percent of sales. It dropped to 27 percent at the end of 1993 before rising to 33 percent at year-end 1994 with the acquisition of Grumman and Vought. The largest recent reduction in gross accounts receivable and inventoried cost balances occurred in 1991 as the result of the final billing and collection of ATF contract balances, along with the completion of a number of B-2 contract milestones during the year.

The following table is a condensed summary of the detailed cash flow information contained in the Consolidated Statements of Cash Flows.

NORTHROP GRUMMAN CORPORATION

Year ended December 31	1994	1993	1992	1991	1990
Cash came from					
Customers	71%	99%	98%	100%	85%
Lenders	29%	1%	2%		11%
Buyers of assets					4%
	100%	100%	100%	100%	100%
Cash went to					
Employees and suppliers of services and materials	65%	89%	93%	88%	81%
Sellers of assets	18%		1%		
Lenders	15%	8%	3%	9%	16%
Suppliers of facilities	1%	2%	2%	2%	2%
Shareholders	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

The above percentages of gross cash receipts and disbursements portray the company's ability to repay the support that was received from lenders, in 1990 and before, through improved collections from customers. The increased cash received from lenders in 1994 resulted from the acquisition of Grumman, which was financed mainly through new borrowings. Other important indicators of short-term liquidity are the trend in working capital, the current ratio, and the ratio of long-term debt to shareholders' equity. This information is reported in the table captioned Selected Financial Data.

In February of 1990 the company sold its headquarters complex in Los Angeles and applied the net proceeds of $218 million toward reducing its short-term debt. In October 1990 the company reduced its former $750 million revolving credit agreement to $400 million and converted that amount of short-term debt into long-term debt repayable in 20 quarterly installments of $20 million. The company elected to prepay larger amounts. Cash flow from operations during 1992 was sufficient to enable the company to pay the four required installments totaling $80 million as well as to prepay another $60 million of this debt. In February of 1993 the last two installments totaling $40 million were prepaid and in November $210 million of notes due to institutional investors were paid. During three months of 1993 it was necessary to supplement cash provided by operations with short-term borrowings. These borrowings peaked at $232 million and none were outstanding at 1993's year end.

In connection with the financing of the Grumman acquisition the company, in April 1994, replaced the $400-million credit agreement with a new $2.8 billion Credit Agreement. The new facility provided for $600 million, available on a revolving credit basis through March 1999 and a $2.2 billion term loan payable through March 1999. The Credit Agreement was amended in May 1994 to increase the revolving credit line to $800 million and reduce the term loan to $2 billion. In October 1994, the company issued $350 million of notes due in 2004 and $250 million of debentures due in 2024 pursuant to a public offering. The net proceeds from the offering, along with other available funds, were used to prepay $900 million in addition to paying the $100 million September quarterly installment due under the term loan facility. In December 1994, the company amended the Credit Agreement to provide for the repayment of the remaining $1 billion balance of the term loan in 14 quarterly installments of $62.5 million plus interest beginning in September 1995, with a final installment of $125 million due in March 1999. Cash flow from operations during 1994 enabled the company to prepay the $160 million of notes payable to institutional investors due in 1995 and acquire, in the open market, $58 million of notes due in 1999, while paying a net premium of $5 million for the early payments of these notes. The charge for the premium is included in Other Deductions in the Consolidated Statements of Income. Any future near-term borrowing needs will be met through the use of short-term credit lines and the company's $800 million revolving credit agreement.

To provide for long-term liquidity the company believes it could obtain additional capital from such sources as: the public or private capital markets, the further sale of assets, sale and leaseback of operating assets, and leasing rather than purchasing new assets.

The cash improvement program underway throughout the company since early 1989 has produced favorable results, with the expectation that further efforts will result in minimizing, if not eliminating, the need to incur additional borrowings during 1995. Cash generated from operations is expected to be sufficient in 1995 to service debt, finance capital expansion projects and continue paying dividends to the shareholders. Noncontract R&D expenditures are expected to approximate $145 million in 1995 compared with $121 million in 1994.

Capital expenditure commitments at December 31, 1994, were approximately $115 million including $4 million for environmental control and compliance purposes. The 1995 forecast of capital expenditures is $190 million.

The company will continue to provide the productive capacity to perform its existing contracts, dispose of assets no longer needed to fulfill operational requirements, prepare for future contracts and conduct R&D in the pursuit of developing opportunities. While these expenditures tend to limit short-term liquidity, they are made with the intention of improving the long-term growth and profitability of the company.

Based on recent cash flow improvements, anticipated future positive cash flows, and unused and available capital resources, management believes that it is in a strong position to continue to pursue its strategic options - acquiring one or more other businesses, raising cash dividends, repurchasing outstanding common shares, or making other investments to maximize the long-term return to our shareholders.

NORTHROP GRUMMAN CORPORATION

Selected Financial Data

Year ended December 31, $ in millions, except per share

	1994	1993	1992	1991	1990
Net sales to					
United States Government	$5,672	$4,481	$4,958	$5,102	$4,929
The Boeing Company	483	531	549	540	483
Other customers	556	51	43	52	78
Total net sales	6,711	5,063	5,550	5,694	5,490
Net income	35	96	121	201	210
Earnings per share	.72	1.99	2.56	4.26	4.48

Cash dividends per share	1.60	1.60	1.20	1.20	1.20
Net working capital	467	481	354	611	570
Current ratio	1.24 to 1	1.45 to 1	1.25 to 1	1.51 to 1	1.47 to 1
Total assets	$6,047	$2,939	$3,162	$3,128	$3,094
Long-term debt	1,633	160	160	470	690
Total long-term obligations	2,757	468	426	688	727
Long-term debt as a percentage of shareholders' equity	126.6%	12.1%	12.8%	39.8%	66.8%
Operating margin as a percentage of					
Net sales	3.0	3.8	3.9	6.1	5.3
Average operating assets	5.2	7.7	8.2	12.4	10.1
Net income as a percentage of					
Net sales	.5	1.9	2.2	3.5	3.8
Average assets	.8	3.1	3.8	6.5	6.7
Average shareholders' equity	2.7	7.5	9.9	18.1	22.1
Research and development expenses					
Contract	$1,477	$1,603	$1,693	$1,601	$2,164
Noncontract	121	97	93	102	156
Payroll and employee benefits	2,661	1,906	2,001	2,109	2,099
Number of employees at year-end	42,400	29,800	33,600	36,200	38,200
Number of shareholders at year-end	11,241	11,618	12,599	13,607	14,483
Depreciation	$ 227	$ 214	$ 160	$ 171	$ 187
Amortization of					
Goodwill	27				
Other purchased intangibles	15				
Maintenance and repairs	105	87	106	97	83
Rent expense	84	47	52	51	47
Floor area (millions of square feet)					
Owned	21.3	12.9	12.6	12.2	11.6
Commercially leased	7.5	3.2	4.2	4.5	5.4
Leased from United States Government	9.4	2.1	1.9	1.7	1.6

NORTHROP GRUMMAN CORPORATION
Item 8. Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, $ in millions	1994	1993	1992	1991	1990
Assets:					
Current assets					
Cash and cash equivalents	$ 17	$ 100	$ 230	$ 203	$ 173
Accounts receivable	1,202	820	791	860	844
Inventoried costs	1,043	569	670	693	721
Refundable federal income taxes	84				
Deferred income taxes	38	46	38	28	
Prepaid expenses	47	25	31	23	47
Total current assets	2,431	1,560	1,760	1,807	1,785
Property, plant and equipment at cost					
Land and land improvements	203	118	117	117	106
Buildings	857	744	719	703	715
Machinery and other equipment	2,024	1,898	1,982	1,990	1,926
Leasehold improvements	62	29	59	65	63
	3,146	2,789	2,877	2,875	2,810
Accumulated depreciation	(1,768)	(1,773)	(1,753)	(1,698)	(1,571)
	1,378	1,016	1,124	1,177	1,239
Other assets					
Goodwill, net of amortization of $27	1,359				
Other purchased intangibles, net of amortization of $15	376				
Prepaid pension cost, intangible pension asset and benefit trust fund	222	278	190	98	65
Deferred income taxes	203	7	7	12	
Investments in and advances to affiliates and sundry assets	78	78	81	34	5

	2,238	363	278	144	70
	$ 6,047	$ 2,939	$ 3,162	$ 3,128	$ 3,094

NORTHROP GRUMMAN CORPORATION

December 31, $ in millions	1994	1993	1992	1991	1990
Liabilities and Shareholders' Equity:					
Current liabilities					
Notes payable to banks	$ 171	$	$ 100	$	$
Current portion of long-term debt	130		250	80	260
Trade accounts payable	396	324	363	407	330
Accrued employees' compensation	228	146	144	157	143
Advances on contracts	184	40	39	28	8
Income taxes payable	55	12		25	12
Deferred income taxes	413	426	389	353	336
Other current liabilities	387	131	121	146	126
Total current liabilities	1,964	1,079	1,406	1,196	1,215
Long-term debt	1,633	160	160	470	690
Accrued retiree benefits	1,070	308	266	218	37
Other long term obligations	54				
Deferred gain on sale/leaseback	20	23	26	29	32
Deferred income taxes	16	47	50	33	87
Shareholders' equity					
Paid-in capital					
Preferred stock, 10,000,000 shares authorized; and none issued					
Common stock, 200,000,000 shares authorized; issued and outstanding 1994 49,241,642; 1993 48,913,403; 1992 47,398,303; 1991 47,090,248; 1990 46,937,671	265	256	207	199	196
Retained earnings	1,026	1,070	1,051	987	843
Unvested employee restricted award shares	(1)	(2)	(2)	(4)	(6)
Unfunded pension losses, net of taxes		(2)	(2)		
	1,290	1,322	1,254	1,182	1,033
	$ 6,047	$ 2,939	$ 3,162	$ 3,128	$ 3,094

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, $ in millions, except per share	1994	1993	1992	1991	1990
Net sales	$6,711	$5,063	$5,550	$5,694	$5,490
Cost of sales					
Operating costs	5,477	4,385	4,877	4,817	4,746
Administrative and general expenses	753	485	455	531	451
Special termination benefits	282				
Operating margin	199	193	218	346	293
Other income(deductions)					
Gain on sale of Corporate Headquarters					101
Interest income	6	2	4	11	3
Other, net	(31)	13	5		10
Interest expense	(109)	(38)	(47)	(80)	(95)
Income before income taxes and cumulative effect of accounting principle changes	65	170	180	277	312
Federal and foreign income taxes	30	74	59	9	102
Income before cumulative effect of accounting principle changes	35	96	121	268	210
Cumulative effect on prior years of changes in accounting principles for					
Income taxes				21	
Retiree health care and life insurance benefits				(88)	
Net income	$ 35	$ 96	$ 121	$ 201	$ 210

Weighted average common shares

outstanding, in millions	49.2	48.1	47.2	47.1	47.0
Earnings per share before cumulative effect of accounting principle changes	$ .72	$ 1.99	$ 2.56	$ 5.69	$ 4.48
Cumulative effect on prior years of changes in accounting principles, per share, for					
Income taxes				.43	
Retiree health care and life insurance benefits				(1.86)	
Earnings per share	$ .72	$ 1.99	$ 2.56	$ 4.26	$ 4.48

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, $ in millions, except per share	1994	1993	1992	1991	1990
Paid-in Capital					
At beginning of year	$ 256	$ 207	$ 199	$ 196	$ 196
Employee stock awards and options exercised, net of forfeitures	9	49	8	3	
At end of year	265	256	207	199	196
Retained Earnings					
At beginning of year	1,070	1,051	987	843	689
Net income	35	96	121	201	210
Cash dividends	(79)	(77)	(57)	(57)	(56)
At end of year	1,026	1,070	1,051	987	843
Unvested Employee Restricted Award Shares					
At beginning of year	(2)	(2)	(4)	(6)	(10)
Forfeitures, net of grants			1		3
Amortization	1		1	2	1
At end of year	(1)	(2)	(2)	(4)	(6)
Unfunded Pension Losses, Net of Taxes					
At beginning of year	(2)	(2)			
Change in excess of additional minimum liability over unrecognized prior service costs	2		(2)		
At end of year		(2)	(2)		
Total shareholders' equity	$1,290	$1,322	$1,254	$1,182	$1,033
Book value per share	$26.20	$27.04	$26.46	$25.11	$22.00
Cash dividends per share	1.60	1.60	1.20	1.20	1.20

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

NORTHROP GRUMMAN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, $ in millions	1994	1993	1992	1991	1990
Operating Activities					
Sources of Cash					
Cash received from customers					
Progress payments	$ 2,616	$ 2,028	$ 2,647	$ 2,647	$ 2,618
Other collections	4,767	2,924	2,914	3,050	2,977
Interest received	6	2	4	11	2
Income tax refunds received	11	3		3	1
Other cash receipts	13	6	5	13	17
Cash provided by operating activities	7,413	4,963	5,570	5,724	5,615

Uses of Cash					
Cash paid to suppliers and employees	6,786	4,484	5,186	4,986	5,220
Interest paid	94	42	47	85	97
Income taxes paid	90	52	48	32	14
Other cash payments	2	5	5	12	18
Cash used in operating activities	6,972	4,583	5,286	5,115	5,349
Net cash provided by operating activities	441	380	284	609	266
Investing Activities					
Payment for purchase, net of cash acquired, of					
Grumman Corporation	(1,842)				
Vought Aircraft Company	(12)				
Additions to property, plant and equipment	(134)	(135)	(123)	(118)	(121)
Proceeds from sale of marketable securities	28				
Proceeds from sale of property, plant and equipment	17	2	5	3	252
Funding of retiree benefit trust	(31)				
Proceeds from sale of affiliates		8			
Dividends from affiliates, net of investments	5	2	(47)		
Other investing activities	6			(8)	(3)
Net cash provided by (used in) investing activities	(1,963)	(123)	(165)	(123)	128
Financing Activities					
Borrowings under lines of credit	2,371	55	100		750
Repayment of borrowings under lines of credit	(1,200)	(155)			(920)
Proceeds from issuance of long-term debt	600				
Principal payments of long-term debt/capital leases	(251)	(251)	(140)	(400)	
Proceeds from issuance of stock	7	41	5	1	
Dividends paid	(79)	(77)	(57)	(57)	(56)
Other financing activities	(9)				
Net cash provided by (used in) financing activities	1,439	(387)	(92)	(456)	(226)
Increase(decrease) in cash and cash equivalents	(83)	(130)	27	30	168
Cash and cash equivalents balance at beginning of year	100	230	203	173	5
Cash and cash equivalents balance at end of year	$ 17	$ 100	$ 230	$ 203	$ 173

NORTHROP GRUMMAN CORPORATION

Year ended December 31, $ in millions	1994	1993	1992	1991	1990
Reconciliation of Net Income to Net Cash Provided by Operating Activities:					
Net income	$ 35	$ 96	$ 121	$ 201	$ 210
Adjustments to reconcile net income to net cash provided					
Depreciation	227	214	160	171	187
Amortization of intangible assets	42				
Common stock issued to employees	1	3	3	4	4
Amortization of restricted award shares	1		1	2	1
Loss(gain) on disposals of property, plant and equipment	33	26	11	6	(103)
Cumulative effect on prior years of changes in accounting principles for					
Income taxes				(21)	
Retiree health care and life insurance benefits				88	
Noncash retiree pension cost(income)	(47)	(40)	(43)	14	(53)
Special termination benefits	282				
Amortization of deferred gain on sale/leaseback	(3)	(3)	(3)	(3)	(2)
Decrease(increase) in					
Accounts receivable	209	(4)	339	1,058	(1,085)
Inventoried costs	(368)	142	63	123	50
Prepaid expenses	(41)	(10)	(17)	(8)	
Refundable income taxes	(84)				8
Increase(decrease) in					
Progress payments	407	(90)	(340)	(1,054)	1,204
Accounts payable and accruals	(268)	(29)	(44)	114	(211)
Provisions for contract losses	(84)	36	9	(100)	(41)
Provisions for disposal of real estate and other assets	42	1	1	2	
Deferred income taxes	78	26	48		93

Income taxes payable	(25)	12	(25)	13	6
Other noncash transactions	4			(1)	(2)
Net cash provided by operating activities	$ 441	$ 380	$ 284	$ 609	$ 266
Noncash Investing and Financing Activities:					
Purchase of Grumman Corporation					
Fair value of assets acquired	$ 3,495				
Cash paid	(2,129)				
Liabilities assumed	$ 1,366				
Purchase of Vought Aircraft Company					
Fair value of assets acquired	$ 722				
Cash paid	(130)				
Liabilities assumed	$ 592				

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the corporation and its subsidiaries. All material intercompany accounts, transactions and profits are eliminated in consolidation.

Industry Segment and Major Customer Data

Descriptions of the company's principal products and services can be found in the Management's Discussion and Analysis section of this report. Intersegment sales are transacted at cost incurred with no profit added. Operating profit is defined to include the Other Income earned by each industry segment, but exclude costs allocated to them for general corporate expenses and state and local income taxes. For segment reporting, the amount of the costs of retiree benefit plans (pension and nonpension) allocable to contracts as determined by government cost accounting standards captioned Retiree Benefit Cost Included in Contract Costs and the income(cost) of retiree benefit plans (pension and nonpension) as calculated in conformity with financial accounting standards captioned Retiree Benefit Income(Cost) are shown separately from general corporate expenses so as not to distort operating profit as reported by industry segment. General corporate assets include cash and cash equivalents, corporate office furnishings and equipment, other unallocable property, investments in affiliates, prepaid pension cost, intangible pension asset, benefit trust fund assets and certain assets held for sale.

Sales to the company's major customer, the U.S. Government (including foreign military sales), are reported within each industry segment and in total in Selected Financial Data. The company does not conduct a significant volume of activity through foreign operations or in foreign currencies.

Sales

Sales under cost-reimbursement, service, research and development, and construction-type contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs (cost-to-cost type of percentage-of-completion method of accounting). Construction-type contracts embrace those fixed-price type contracts that provide for the delivery at a low volume per year or a small number of units after a lengthy period of time over which a significant amount of costs have been incurred. Sales under other types of contracts are recorded as deliveries are made and are computed on the basis of the estimated final average unit cost plus profit (units-of-delivery type of percentage-of-completion method of accounting).

Certain contracts contain provisions for price redetermination or for cost or performance incentives. Such redetermined amounts or incentives are included in sales when the amounts can reasonably be determined. In the case of the B-2 bomber production contract any future increases in operating margin will be recognized on a units-of-delivery basis and recorded as each equivalent production unit is delivered. Amounts representing contract change orders, claims or limitations in funding are included in sales only when they can be reliably estimated and realization is probable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income. Loss provisions are first offset against costs that are included in assets, with any remaining amount reflected in Other Current Liabilities. Other changes in estimates of sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimates had been the original estimates.

Contract Research and Development
Customer-sponsored research and development costs (direct and indirect costs incurred pursuant to contractual arrangements) are accounted for like other contract costs.

Noncontract Research and Development
This category includes independent research and development costs (indirect costs allocable to U.S. Government contracts) and company-sponsored research and development costs (direct and indirect costs not recoverable under contractual arrangements). Independent research and development (IR&D) costs are included in administrative and general expenses while company-sponsored research and development costs are charged against income as incurred.

Environmental Costs
Environmental liabilities are accrued when the company determines its responsibility for cleanup costs and such amounts are reasonably estimable. When only a range of amounts is established and no amount within the range is better than another, the minimum amount in the range is recorded. The company does not anticipate and record insurance recoveries before collection is probable.

Interest Rate Swap Agreements
The company enters into interest rate swap agreements to offset the variable rate characteristic of certain term loans outstanding under the company's Credit Agreement. Interest on these interest rate swap agreements is recognized as interest income or expense in the period incurred.

Income Taxes
Provisions for federal, state and local income taxes are calculated on reported financial statement pretax income based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes.

The company accounts for certain contracts in process using different methods of accounting for financial statements and tax reporting and thus provides deferred taxes on the difference between the financial and taxable income reported during the performance of such contracts.

State and local income and franchise tax provisions are included in administrative and general expenses.

Earnings per Share
Earnings per Share are based on the weighted average number of shares of common stock outstanding during each period, after giving recognition to stock splits and stock dividends. The dilutive effect of common stock equivalents, shares under stock options, was insignificant.

Cash and Cash Equivalents
Included are interest-earning debt instruments that mature in three months or less from the date purchased. Amounts reported in the Consolidated Statements of Financial Position approximate their fair value.

Accounts Receivable
Included are amounts billed and currently due from customers under all types of contracts; amounts currently due but unbilled (primarily related to contracts accounted for under the cost-to-cost type of percentage-of-completion method of accounting); certain estimated contract changes; and claims in negotiation and amounts retained pending contract completion.

Inventoried Costs

Inventoried costs primarily relate to work in process under fixed-price type contracts (excluding those included in unbilled accounts receivable as previously described). They represent accumulated contract costs less the portion of such costs allocated to delivered items. Accumulated contract costs include direct production costs, factory and engineering overhead, production tooling costs, and allowable administrative and general expenses (except for general corporate expenses and IR&D allocable to commercial contracts, which are charged against income as incurred).

In accordance with industry practice, inventoried costs are classified as a current asset and include amounts related to contracts having production cycles longer than one year.

Depreciable Properties

Property, plant and equipment owned by the company are depreciated over the estimated useful lives of individual assets. Capital leases providing for the transfer of ownership upon their expiration or containing bargain purchase options are amortized over the estimated useful lives of individual assets. Most of these assets are depreciated using declining-balance methods, with the remainder using the straight-line method, with the following lives:

	Years
Land improvements	4-25
Buildings	4-45
Machinery and other equipment	2-20
Leasehold improvements	Length of lease

Goodwill and Other Purchased Intangible Assets

Goodwill and other purchased intangible assets are amortized on a straight-line basis over periods of 40 years and a weighted average 23 years, respectively. Goodwill and other purchased intangibles balances are included in the identifiable assets of the industry segment to which they have been assigned and amortization is charged against the respective industry segment operating profit. The future profitability and cash flow of the operations to which they relate are evaluated annually. These factors, along with management's plans with respect to the operations are considered in assessing the recoverability of goodwill and other purchased intangibles.

Acquisitions

In April 1994, the company purchased the outstanding stock of Grumman Corporation (Grumman) at a cost of $2.1 billion and financed the transaction mainly with new borrowings. The operations of Grumman since acquisition are included in the industry segments to which products are associated.

In August 1994 the company purchased the remaining 51 percent interest in Vought Aircraft Company (Vought) for $130 million cash. The company had previously purchased a 49 percent interest in Vought for $45 million in September 1992. The operations of Vought since August 1994 are included in the military and commercial aircraft industry segment.

The purchase method of accounting was used to record both acquisitions with estimated fair values being assigned to assets and liabilities. The excess of the purchase price over the net tangible assets acquired was assigned to identifiable intangible assets and the balance to goodwill.

Northrop Corporation was renamed Northrop Grumman Corporation effective May 18, 1994. The following unaudited proforma financial information combines Northrop's, Grumman's and Vought's results of operations as if the acquisitions had taken place on January 1, 1993, and is not necessarily indicative of future operating results for Northrop Grumman.

$ in millions, except per share	1994	1993
Sales	$7,770	$8,653
Net income	57	112
Earnings per share	1.16	2.33

Financial Statement Reclassification

To conform to the presentation in 1994, certain liabilities and other deductions have been reclassified in the Consolidated Statements of Financial Position and Consolidated Statements of Income for 1993 and prior years. The reclassifications had no effect on total liabilities or net income for any period presented.

Accounts Receivable
Unbilled amounts represent sales for which billings have not been presented to customers at year end, including differences between actual and estimated overhead and margin rates. These amounts are usually billed and collected within one year, progress payments are however received on a number of fixed-price contracts accounted for using the cost-to-cost type percentage-of-completion method.

Amounts due upon contract completion are retained by customers until work is completed and customer acceptance is obtained.

Accounts receivable at December 31, 1994, are expected to be collected in 1995 except for approximately $31 million due in 1996 and $7 million due in 1997 and later. These amounts principally relate to long-term contracts with the U.S. Government.

Allowances for doubtful amounts represent mainly estimates of overhead type costs which may not be successfully negotiated and collected.

Contract loss provisions are reflected as an offset to accounts receivable to the extent related costs are contained therein.

Accounts receivable were comprised of the following:

$ in millions	1994	1993	1992	1991	1990
Due from U.S. Government, long-term contracts					
Current accounts					
Billed	$ 420	$ 65	$ 82	$ 70	$ 65
Unbilled	3,140	3,050	3,100	3,518	4,467
Progress payments received	(2,532)	(2,410)	(2,467)	(2,777)	(3,757)
Net current accounts	1,028	705	715	811	775
Due upon contract completion	55	14	19	4	10
	1,083	719	734	815	785
Due from other customers, long-term contracts					
Current accounts					
Billed	74	66	31	37	39
Unbilled	41	43	48	15	58
	115	109	79	52	97
Total due, long-term contracts	1,198	828	813	867	882
Trade and other accounts receivable					
Due from U.S. Government	34	36	28	38	33
Due from other customers	34	13	7	7	11
Total due, trade and other	68	49	35	45	44
	1,266	877	848	912	926
Allowances for doubtful amounts	(64)	(57)	(57)	(52)	(82)
	$ 1,202	$ 820	$ 791	$ 860	$ 844

Inventoried Costs
Inventoried costs were comprised of the following:

$ in millions	1994	1993	1992	1991	1990
Production costs of contracts in process	$1,384	$ 800	$ 920	$ 976	$1,050
Administrative and general expenses	270	95	109	106	134
	1,654	895	1,029	1,082	1,184
Progress payments received	(611)	(326)	(359)	(389)	(463)
	$1,043	$ 569	$ 670	$ 693	$ 721

Inventoried costs relate to long-term contracts in process and include expenditures for raw materials and work in process beyond what is required for recorded orders. These expenditures are incurred to help maintain stable and efficient production schedules. However, no material amount representing claims, learning curve, unamortized tooling or other deferred costs is included in inventoried costs.

The ratio of inventoried administrative and general expenses to total inventoried costs is assumed to be the same as the ratio of total administrative and general expenses to total contract costs.

According to the provisions of U.S. Government contracts, the customer has title to, or a security interest in, substantially all inventories related to such contracts.

Income Taxes

Income tax expense, both federal and foreign (which arises primarily from work performed abroad by domestic operations), was comprised of the following:

$ in millions	1994	1993	1992	1991	1990
Currently payable					
Federal income taxes	$ 61	$ 41	$ 7	$ 11	$ 9
Foreign income taxes	1	1	1		
	62	42	8	11	9
Change in deferred federal income taxes	(32)	32	51	(2)	93
	$ 30	$ 74	$ 59	$ 9	$ 102

Income tax expense differs from the amount computed by multiplying the statutory federal income tax rate times the income before income taxes due to the following:

$ in millions	1994	1993	1992	1991	1990
Income tax expense at statutory rate	$ 23	$ 59	$ 61	$ 94	$ 106
Goodwill amortization	9				
Provision for nondeductible expenses	4	1	1	8	1
Benefit from ESOP dividends	(4)	(4)	(3)	(3)	(6)
Dividend exclusion	(2)				
Retroactive effect of statutory rate increase		18			
Research and experimentation tax credit				(90)	
Investment tax credit, net					1
	$ 30	$ 74	$ 59	$ 9	$ 102

The research and experimentation tax credit shown for 1991 was the result of an internal company study that determined the amount earned over the years 1981 through 1990 in excess of the amount previously recognized for those years pending final government regulations which were not issued until 1989.

Deferred income taxes arise because of differences in the treatment of income and expense items for financial reporting and income tax purposes. The principal type of temporary difference stems from the recognition of income on contracts being reported under different methods for tax purposes than for financial reporting. Effective January, 1991, the company adopted FASB Statement No. 109 - Accounting for Income Taxes.

The tax effects of significant temporary differences and carryforwards that gave rise to year-end deferred federal and state tax balances, as broadly categorized in the Consolidated Statements of Financial Position, were as follows:

$ in millions	1994	1993	1992	1991
Deferred tax assets				
Deductible temporary differences				
Retiree benefit plan expense	$ 409	$ 21	$ 21	$ 16
Provision for estimated expenses	39	28	27	26
Income on contracts	17	21	13	8
Other	52	2	2	3

	517	72	63	53
Taxable temporary differences				
Purchased intangibles	(133)			
Excess tax over book depreciation	(94)			
Retiree benefit plan income	(48)	(19)	(15)	(7)
Administrative and general expenses period-costed for tax purposes	(1)		(3)	(6)
	(276)	(19)	(18)	(13)
	$ 241	$ 53	$ 45	$ 40
Deferred tax liabilities				
Taxable temporary differences				
Income on contracts	$ 744	$ 811	$ 789	$ 772
Administrative and general expenses period-costed for tax purposes	18	18	18	19
Retiree benefit plan income		94	64	33
Excess tax over book depreciation		70	89	93
Other	9			
	771	993	960	917
Deductible temporary differences				
Provision for estimated expenses	(145)	(135)	(120)	(116)
Retiree benefit plan expense	(2)	(106)	(93)	(76)
Other		(9)	(11)	(17)
	(147)	(250)	(224)	(209)
Tax carryforwards				
Tax credits	(105)	(129)	(140)	(150)
Alternative minimum tax credit	(90)	(87)	(40)	(21)
Operating losses		(54)	(117)	(151)
	(195)	(270)	(297)	(322)
	$ 429	$ 473	$ 439	$ 386
Net deferred tax liability				
Total deferred tax liabilities (taxable temporary differences above)	$1,047	$1,012	$ 978	$ 930
Less total deferred tax assets (deductible temporary differences and tax carryforwards above)	859	592	584	584
	$ 188	$ 420	$ 394	$ 346

The tax carryforward benefits are expected to be used in the periods that net deferred tax liabilities mature. The expiration dates for these tax credit carryforwards are in various amounts over the years 1995 through 2005. The alternative minimum tax credit can be carried forward indefinitely.

Notes Payable to Banks and Long-Term Debt

The company has available short-term credit lines in the form of money market facilities with several banks. The amount of and conditions for borrowing under these credit lines depend on the availability and terms prevailing in the marketplace. No fees or compensating balances are required for these credit facilities. The average outstanding balance for days on which borrowings were made during 1994 was $66 million, at a weighted average interest rate of 5.4 percent. The maximum amount outstanding during the year occurred on November 14, 1994 - $179 million at a weighted average interest rate of 5.6 percent. At December 31, 1994, $171 million was outstanding at a weighted average interest rate of 7.0 percent.

Additionally, the company began 1994 with a $400 million credit agreement with a group of domestic and foreign banks. During 1994, the company replaced the $400-million credit agreement with a new credit agreement with a group of domestic and foreign banks. This new Credit Agreement provides for two credit facilities: $800 million available on a revolving credit basis through March 1999 and, used to finance the acquisition of Grumman Corporation, a floating interest rate $2 billion term loan payable quarterly through March 1999.

During 1994 the company prepaid $900 million in addition to paying the $100 million September quarterly installment under the term loan facility. In December 1994 the company amended the Credit Agreement to provide for repayment of the $1 billion balance of the term loan in 14 quarterly installments of $62.5 million plus interest beginning in September 1995, with a final installment of $125 million due in March 1999.

In 1994 there were no borrowings under any of the company's revolving credit facilities. The company paid an average facility fee in 1994 of .20 percent per annum on the total amount of the revolving credit facility. Under these agreements, in the event of a "change in control," the banks are relieved of their commitments. Compensating balances are not required under these agreements.

The company's credit agreements contain restrictions relating to the payment of dividends, acquisition of the company's stock, aggregate indebtedness for borrowed money and the maintenance of shareholders' equity. At December 31, 1994, $331 million of retained earnings were unrestricted as to the payment of dividends. Total indebtedness for all types of borrowed money is limited under the company's credit agreement covenants. At December 31, 1994, indebtedness was limited to $3.5 billion.

Long-term debt consisted of the following:

$ in millions	1994	1993	1992	1991	1990
Notes due 1999, 8.4%	$ 153	$	$	$	$
Notes due 2004, 8.625%	350				
Debentures due 2024, 9.375%	250				
Notes payable to institutional investors		160	370	370	550
Mortgages and notes payable at rates from 4.3% to 12.5% with maturities through 2001	10				
Term loans payable to banks due in quarterly installments through 1999 at floating rates	1,000				
Term loans payable to banks at floating rates			40	180	400
	1,763	160	410	550	950
Less current portion	130		250	80	260
	$1,633	$ 160	$ 160	$ 470	$ 690

In October 1994, the company issued $350 million of 8.625 percent notes and $250 million of 9.375 percent debentures, pursuant to a public offering. The net proceeds from the offering were used to prepay $600 million of indebtedness under the company's existing term loan facility. In September 1994, the company paid the $160 million notes payable to institutional investors due in 1995, incurring an early payment penalty of $7 million. In 1994 the company also acquired in the open market $58 million of the notes due in 1999 and recorded a gain of $2 million. The notes due in 1999 are callable at any time after January 1, 1996 at par and the debentures due in 2024 are callable after October 15, 2004 at a premium of 4 percent declining to par after 2013.

The borrowings under the term loans bear interest at various rates generally equal to the London Interbank Offered Rate (LIBOR) plus .43 percent. To mitigate the variable rate characteristic of the term loans, the company entered into interest rate swap agreements with several banks resulting in a fixed interest rate of 6.47 percent on $200 million through May 1997. The maximum outstanding under the term loan during 1994 was $2 billion from August 31 to September 21 at a weighted average interest rate of 5.46 percent and the average outstanding in 1994 was $1.5 billion at a weighted average interest rate of 5.58 percent. Principal payments permanently reduce the amount available under this agreement as well as the debt outstanding.

The principal amount of long-term debt outstanding at December 31, 1994, is due in: 1995 - $130 million, 1996 - $255 million, 1997 - $253 million, 1998 - $252 million, 1999 - $272 million and after five years $601 million.

The fair value of long-term debt at each yearend was calculated based on interest rates available for debt with terms and due dates similar to the company's. The estimated fair value of debt outstanding at each respective year-end was: 1994 - $1,758 million, 1993 - $160 million and 1992 - $443 million.

Retirement Benefits

The company sponsors several defined-benefit pension plans covering substantially all employees. Pension benefits for most employees are based on the employee's years of service and compensation during the last ten years before retirement. It is the policy of the company to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations, by making payments into a trust separate from the company. Three of the eight qualified plans, including two of the three main plans which cover over 80 percent of all employees, were in a legally defined full-funding limitation status. No contributions have been made to the Northrop Grumman Retirement Plan since 1986. To protect the surplus of assets in the master trust from a "change in control" the trust agreement and the Northrop Grumman Retirement Plan were appropriately amended during 1991.

The company and subsidiaries also sponsor defined-contribution plans in which all employees are eligible to participate. Company contributions, up to 4 percent of compensation, are based on a formula resulting in the matching of employee contributions.

In addition, the company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Employees achieve eligibility to participate in these contributory plans upon retirement from active service and if they meet specified age and years of service requirements. Election to participate must be made at the date of retirement. Qualifying dependents are also eligible for medical coverage. Approximately 80 percent of the company's current retirees participate in the medical plans. The cost and funded status for the medical and life benefits are combined in the tables that follow because (1) life benefits constitute an insignificant amount of the combined cost, and (2) for those plans with assets, the assets in trust for each plan can be used to pay benefits under either plan. Plan documents reserve the company's right to amend or terminate the plans at any time. Premiums charged retirees for medical coverage are based on years of service and are annually adjusted for the cost of the plan as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plan also has provisions for deductibles, copayments, coinsurance percentages, out-of-pocket limits, schedule of reasonable fees, managed care providers, maintenance of benefits with other plans, Medicare carve-out and a maximum lifetime benefit of from $250,000 to $1,000,000 per covered individual. It is the policy of the company to fund the maximum amount deductible for income taxes into the VEBA trust established for the Northrop Retiree Health Care Plan for Retired Employees for payment of benefits. Until 1991, the costs accrued for these plans were determined by the aggregate actuarial cost method with such amounts paid by the company, along with retiree contributions, into a separate trust. The company elected to implement the new accounting standard, FASB Statement No. 106 Employer's Accounting for Postretirement Benefits Other Than Pensions, for 1991 by immediately recognizing the January 1, 1991, accumulated postretirement benefit obligation of $437 million. This amount was offset by $292 million, the fair value of plan assets held in trust outside the company, in recording a net obligation and pretax charge to operations of $145 million.

The cost to the company of these plans in each of the last five years is shown in the following table.

$ in millions	1994	1993	1992	1991	1990
Defined-benefit pension plans					
Actual return on assets	$ 25	$(449)	$(298)	$(825)	$ 26
Deferral of actual return on assets	(541)	153	38	604	(255)
Expected return on assets	(516)	(296)	(260)	(221)	(229)
Service cost	176	104	99	88	92
Interest cost	372	190	175	158	147
Amortization of unrecognized items					
Transition asset, net	(42)	(42)	(42)	(42)	(42)
Prior service costs	14	15	13	14	14
Net gain from previous years	(40)	(42)	(68)	(20)	(35)
Net periodic pension income	$ (36)	$ (71)	$ (83)	$ (23)	$ (53)
Defined-contribution plans	$ 59	$ 47	$ 48	$ 45	$ 44
Retiree health care and life insurance benefit plans					
Actual return on assets	$ 22	$ (19)	$ (10)	$ (85)	
Deferral of actual return on assets	(42)	(1)	(10)	69	
Expected return on assets	(20)	(20)	(20)	(16)	
Service cost	28	21	25	24	
Interest cost	61	37	39	39	
Amortization of unrecognized gain from previous years	(2)	(6)	(3)		
Excess dependent cost	2				
Net periodic postretirement benefit cost	$ 69	$ 32	$ 41	$ 47	$ 29

In addition to the net periodic pension income and postretirement benefit cost, in 1994 the company recognized the effect of an early retirement incentive program of $250 million for pension and $32 million for postretirement benefits. The total $282 million effect on the company's 1994 operating margin is shown in the Consolidated Statements of Income under the caption Special Termination Benefits.

NORTHROP GRUMMAN CORPORATION

Major assumptions as of each year-end used in the accounting for the defined-benefit plans are shown in the following table. Pension cost is determined using all three factors as of the beginning of each year, whereas the funded status of the plans, shown later, uses only the first two factors, as of the end of each year.

The company changed the discount rate for obligations and rate of increase for compensation assumptions in calculating the funded status of the plans at December 31, 1994. The changes resulted in a $499 million decrease in the projected benefit obligation for pension plans and an $85 million decrease in the accumulated postretirement benefit obligation.

	1994	1993	1992	1991	1990
Discount rate for obligations	8.25%	7.00%	8.00%	8.00%	8.50%
Rate of increase for compensation	5.25	5.50	5.50	5.50	5.50
Expected long-term rate of return on plan assets	8.75	8.25	8.25	8.25	8.25

These assumptions were also used in retiree health care and life insurance benefit calculations with one modification. Since, unlike the pension trust, the earnings of the VEBA trust are taxable, the above 8.75 percent expected rate of return on plan assets was reduced accordingly to 5.25 percent after taxes. A significant factor used in estimating future per capita cost, for the company and its retirees, of covered health care benefits is the health care cost trend rate assumption. The rate used was 9 percent for 1994 and is assumed to decrease gradually to 6 percent for 2006 and remain at that level thereafter. An additional one-percentage-point of increase each year in that rate would result in an $11 million annual increase in the aggregate of the service and interest cost components of net periodic postretirement benefit cost, and a $109 million increase in the accumulated postretirement benefit obligation at December 31, 1994.

NORTHROP GRUMMAN CORPORATION

The following tables set forth the funded status and amounts recognized in the Consolidated Statements of Financial Position at each year-end for the company's defined-benefit pension and retiree health care and life insurance benefit plans. The summary showing pension plans whose accumulated benefits are in excess of assets at December 31, 1994, is comprised of five qualified plans along with ten unfunded nonqualified plans for benefits provided to directors, officers and employees either beyond those provided by, or payable under, the company's main plans.

$ in millions	1994	1993	1992	1991	1990
Pension plans whose assets exceed accumulated benefits					
Actuarial present value of benefit obligations					
Vested benefits	$ 2,487	$ 2,059	$ 1,690	$ 1,538	$ 1,335
Nonvested benefits	228	175	153	147	125
Accumulated benefit obligations	2,715	2,234	1,843	1,685	1,460
Effect of assumed salary rate increases	409	453	421	387	325
Projected benefit obligations	3,124	2,687	2,264	2,072	1,785
Less market value of plan assets	4,210	3,970	3,642	3,458	2,708
Excess of assets over projected benefit obligations	(1,086)	(1,283)	(1,378)	(1,386)	(923)
Unrecognized items					
Net transition asset	332	374	415	458	501
Prior service costs	(307)	(114)	(133)	(135)	(146)
Net gain	897	764	916	972	513
Accrued retiree benefits pension asset					

included in Consolidated Statements of Financial Position	$ (164)	$ (259)	$ (180)	$ (91)	$ (55)

Pension plans whose accumulated benefits exceed assets					
Actuarial present value of benefit obligations					
Vested benefits	$ 2,865	$ 57	$ 33	$ 32	$ 38
Nonvested benefits	252	3			2
Accumulated benefit obligations	3,117	60	33	32	40
Effect of assumed salary rate increases	16	19	3	3	3
Projected benefit obligations	3,133	79	36	35	43
Less market value of plan assets	2,872	16			10
Excess of projected benefit obligations over assets	261	63	36	35	33
Unrecognized items					
Net transition obligation	(4)	(5)	(4)	(5)	(7)
Prior service costs	(8)	(14)	5	(7)	(10)
Net gain(loss)	1	(7)	(3)	9	13
Additional minimum liability	6	12	7	3	3
Accrued retiree benefits liability included in Consolidated Statements of Financial Position	$ 256	$ 49	$ 41	$ 35	$ 32

NORTHROP GRUMMAN CORPORATION

Pension plan assets at December 31, 1994, were comprised of 46 percent domestic equity type investments in listed companies (including five percent in Northrop Grumman common stock), 11 percent equity investments listed on international exchanges, three percent in cash and venture capital real estate and 40 percent in fixed income type investments, principally in U.S. Government securities. The investment in Northrop Grumman represents 5,985,060 shares, or 12 percent of the company's total shares outstanding.

Effective January 1, 1995, the company adopted amendments to two of the company's retirement plans to cap the maximum years of service credit that an employee can earn and adjusted the amount of service credit earned each year. The effect of these changes was to increase the projected benefit obligation at December 31, 1994 by $210 million.

$ in millions	1994	1993	1992	1991	1990
Retiree health care and life insurance benefit plans					
Accumulated postretirement benefit obligation (APBO)					
Retirees	$ 575	$ 274	$ 243	$ 240	$ 206
Fully eligible active employees	172	86	82	97	83
Active employees not yet eligible	258	192	194	172	148
	1,005	552	519	509	437
Less market value of plan assets	353	373	369	372	292
Excess of APBO over assets	652	179	150	137	145
Unrecognized items					
Net transition obligation					(145)
Net gain	156	74	72	45	
Accrued retiree benefits liability included in Consolidated Statements of Financial Position	$ 808	$ 253	$ 222	$ 182	$

Retiree health care and life insurance plan assets at December 31, 1994, were almost entirely comprised of equity type investments in listed companies.

NORTHROP GRUMMAN CORPORATION

Contingencies

The corporation and its subsidiaries have been named as defendants in various legal actions. Based upon available information, it is the company's expectation that those actions are either without merit or will have no material adverse effect on the company's results of operations or financial position. Minimum rental commitments under long-term noncancellable operating leases total $226 million which is payable as follows; 1995 - $66 million, 1996 - $43 million, 1997 - $33 million, 1998 - $23 million, 1999 - $19 million, and

2000 and thereafter - $42 million.

Stock Rights
On September 21, 1988, the company adopted a Common Stock Purchase Rights plan. One right for each outstanding share of common stock was issued to shareholders of record on October 5, 1988. The rights will become exercisable on the tenth business day after a person or group has acquired 15 percent or more of the general voting power of the company, or announces an intention to make a tender offer for 30 percent or more of such voting power, without the prior consent of the Board of Directors. If the rights become exercisable, a holder will be entitled to purchase one share of common stock from the company at an initial exercise price of $105.

If a person acquires more than 15 percent of the then outstanding voting power of the company or if the company is combined with an acquiror, each right will entitle its holder to receive, upon exercise, shares of the company's or the acquiror's (depending upon which is the surviving company) common stock having a value equal to two times the exercise price of the right.

The company will be entitled to redeem the rights at $.02 per right at any time prior to the earlier of the date that a person has acquired or obtained the right to acquire 15 percent of the general voting power of the company or the expiration of the rights in October 1998. The rights are not exercisable until after the date on which the company's prerogative to redeem the rights has expired. The rights do not have voting or dividend privilege and cannot be traded independently from the company's common stock until such time as they become exercisable.

Long-Term Incentive Stock Plan
The company's 1993 Long-Term Incentive Stock Plan provides for stock options, stock appreciation rights (SARs) and stock awards to key employees. This plan added 2,300,000 shares, of which up to one-half may be in the form of stock awards, to the pool available for future grants. The number of shares reserved for future grants shown in the following table reflects both stock options and stock awards.

Stock awards, in the form of restricted performance stock rights, are granted to key employees without payment to the company. Recipients of the rights earn shares of stock based on a total shareholder return measure of performance over a five year period with interim distributions beginning three years after grant. If at the end of the five year period the performance objectives have not been met, 70 percent of the original grant will be forfeited. Compensation expense is estimated and accrued over the vesting period.

Each grant of a stock option is made at the closing market price on the date of the grant. When stock options are exercised, the amount of the cash proceeds to the company is added to paid-in capital. Under current accounting standards there are no additions to or deductions from income in connection with these options.

Termination of employment can result in forfeiture of some or all of the benefits extended under the plans.

Stock option activity for the last five years is summarized below:

	Shares Under Option	Shares Exercisable	Shares Reserved for Future Grants
Outstanding at January 1, 1990, nonstatutory options with 1,800,000 SARs, at $17 to $47 per share	2,143,520	1,419,120	2,056,467
Granted	739,600		
Cancelled	(36,800)		
Outstanding at December 31, 1990, nonstatutory options with 1,800,000 SARs, at $15 to $47 per share	2,846,320	1,491,420	1,161,149
Granted	67,000		
Cancelled	(54,420)		
Exercised or surrendered, at $17 to $19 per share	(35,030)		
Outstanding at December 31, 1991, nonstatutory options with 1,800,000 SARs, at $15 to $47 per share	2,823,870	1,841,070	1,152,902
Granted	635,700		
Cancelled	(43,380)		
Exercised or surrendered, at $16 to $29 per			

share	(281,660)		
Outstanding at December 31, 1992, nonstatutory options at $15 to $47 per share	3,134,530	1,798,550	413,780
Granted	515,300		
Cancelled	(96,640)		
Exercised or surrendered, at $15 to $30 per share	(1,405,330)		
Outstanding at December 31, 1993, nonstatutory options at $15 to $36 per share	2,147,860	738,300	1,618,640
Granted	708,700		
Cancelled	(61,215)		
Exercised or surrendered, at $15 to $36 per share	(265,430)		
Outstanding at December 31, 1994, nonstatutory options at $15 to $43 per share	2,529,915	817,660	816,485

NORTHROP GRUMMAN CORPORATION

Unaudited Selected Quarterly Data
Quarterly financial results, previously reported in unaudited quarterly reports to shareholders, are set forth in the following tables together with dividend and common stock price data. Operating margin(loss) for 1993 and the first three quarters of 1994 has been restated to reflect the reclassification of losses on disposals of machinery and other equipment previously included in the "Other, net" classification in the Consolidated Statements of Income.

1994 Quarters, $ in millions, except per share	4	3	2	1
Net sales	$1,880	$1,927	$1,686	$1,218
Operating margin(loss)	(107)	99	126	81
Net income(loss)	(121)	39	65	52
Earnings(loss) per share	(2.45)	.79	1.33	1.05
Dividend per share	.40	.40	.40	.40
Stock price:				
High	47 3/8	45 3/8	39 3/4	45 7/8
Low	40 1/4	35 3/4	34 1/2	36 7/8

The operating loss in the fourth quarter of 1994 resulted from a $282 million charge for a voluntary early retirement incentive program offered in 1994 and a $42 million provision for the planned disposal of real estate and other assets.

1993 Quarters, $ in millions, except per share	4	3	2	1
Net sales	$1,256	$1,220	$1,312	$1,275
Operating margin(loss)	(56)	77	89	83
Net income(loss)	(35)	26	53	52
Earnings(loss) per share	(.73)	.54	1.12	1.09
Dividend per share	.40	.40	.40	.40
Stock price:				
High	39 1/4	42 3/8	42 5/8	37 3/8
Low	34	33 7/8	35 3/8	30 1/2

NORTHROP GRUMMAN CORPORATION

The sum of quarterly earnings per share for 1993 does not equal earnings per share for the year because the average number of common shares outstanding for the second half of 1993 was disproportionately higher than the full year average due to the stock options exercised during the second half.

Net income and earnings per share in the third quarter of 1993 were reduced for the cumulative effect of the retroactive application of The Revenue Reconciliation Act of 1993 signed into law August 10, 1993. The one percentage point increase in the federal statutory income tax rate required the redetermination of prior deferred tax asset and liability balances as well as an increase in the taxes provided on pretax earnings for the first three quarters of 1993. Third quarter 1993 net income and earnings per share were accordingly reduced by $18 million, 38 cents per share, and $2 million, 5 cents per share, respectively.

The operating loss in the fourth quarter of 1993 resulted from a $164 million provision for an increase in the estimated cost to complete the TSSAM development contract. This provision followed similar ones amounting to $14 million, $5 million and $18 million in each of the three preceding quarters, respectively.

The corporation's common stock is traded on the New York and Pacific Stock Exchanges (trading symbol NOC). The approximate number of holders of record of the corporation's common stock at January 31, 1995, was 11,195.

NORTHROP GRUMMAN CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Northrop Grumman Corporation
Los Angeles, California

We have audited the accompanying consolidated statements of financial position of Northrop Grumman Corporation and Subsidiaries as of December 31 for each of the years 1990 through 1994, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Northrop Grumman Corporation and Subsidiaries at December 31 for each of the years 1990 through 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in the footnotes to the consolidated financial statements, in 1991 the company changed its method of computing income taxes by adopting Financial Accounting Standards Board Statement No. 109 - Accounting for Income Taxes and its accounting for nonpension benefit plans by adopting Financial Accounting Standards Board Statement No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions.

Deloitte & Touche LLP
Los Angeles, California
February 15, 1995

NORTHROP GRUMMAN CORPORATION

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No information is required in response to this Item.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information as to Directors will be incorporated herein by reference to the Proxy Statement for the 1995 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

The information as to Executive Officers is contained in Part I of this report as permitted by General Instruction G(3).

Item 11. Executive Compensation

The information required by this Item will be incorporated herein by reference to the Proxy Statement for the 1995 Annual Meeting of

Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item will be incorporated herein by reference to the Proxy Statement for the 1995 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 13. Certain Relationships and Related Transactions

The information required by this Item will be incorporated herein by reference to the Proxy Statement for the 1995 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

NORTHROP GRUMMAN CORPORATION

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements

Consolidated Statements of Financial Position
Consolidated Statements of Income
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Independent Auditors' Report

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

Separate financial statements of the parent company are omitted since it is primarily an operating company and minority equity interests in and/or nonguaranteed long-term debt of subsidiaries held by others than the company are in amounts which together do not exceed 5 percent of the total consolidated assets at December 31, 1994.

NORTHROP GRUMMAN CORPORATION

Exhibits:

3(a) Certificate of Incorporation, as amended (incorporated by reference to Form S-3 Registration Statement, filed August 18, 1994)

3(b) Northrop Grumman Corporation Bylaws, as amended (incorporated by reference to Form S-3 Registration Statement, filed August 18, 1994).

4(a) Common Stock Purchase Rights Agreement (incorporated by reference to Form 8-A filed September 22, 1988, amended on August 2, 1991 (incorporated by reference to Form 8 filed August 2, 1991) and amended on September 28, 1994 (incorporated by reference to Form 8/A-A filed October 7, 1994).

4(b) Indenture Agreement dated as of October 15, 1994 (incorporated by reference to Form 8-K filed October 25, 1994).

10(a) Northrop Grumman Corporation Amended and Restated Credit Agreement dated as of April 15, 1994, as amended and restated as of April 18, 1994 (incorporated by reference to Report on Form 10-Q filed May 9, 1994), amended as of May 11, 1994, and amended as of December 9, 1994.

10(b) Uncommitted Credit Facility dated October 10, 1994, between Northrop Grumman Corporation and Wachovia Bank of Georgia, N.A., which is substantially identical to facilities between Northrop Grumman Corporation and certain banks some of which are parties to the Credit Agreement filed as Exhibit (10)(a) hereto.

*10(c) 1973 Incentive Compensation Plan (incorporated by reference to

Form 8-B filed June 21, 1985).

*10(d) 1973 Performance Achievement Plan (incorporated by reference to Form 8-B filed June 21, 1985).

*10(e) Northrop Supplemental Plan 2 (incorporated by reference to Form 10-K filed February 28, 1994)

*10(f) Northrop Corporation ERISA Supplemental Plan 1 (incorporated by reference to Form 10-K filed February 28, 1994).

*10(g) Retirement Plan for Independent Outside Directors (incorporated by reference to Form SE filed March 29, 1991), amended September 21, 1994.

*10(h) 1987 Long-Term Incentive Plan, as amended (incorporated by reference to Form SE filed March 30, 1989).

*10(i) Deferred Compensation Arrangement under Performance Achievement Plan (incorporated by reference to Form 8-B filed June 21, 1985).

*10(j) Supplemental Life Insurance Policy (incorporated by reference to Form 8B filed June 21, 1985).

*10(k) Supplemental Accidental Death and Dismemberment Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).

*10(l) Supplemental Long-Term Disability Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).

*10(m) Supplemental Health Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).

*10(n) Supplemental Dental Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).

*10(o) Employment Agreement dated October 18, 1989 between Northrop Corporation and Oliver C. Boileau, Jr. (incorporated by reference to Form SE filed March 30, 1993), and Amended on May 15, 1994.

*10(p) Northrop Corporation 1993 Long-Term Incentive Stock Plan (incorporated by reference to Northrop Corporation 1993 Proxy Statement filed March 30, 1993).

*10(q) Northrop Corporation 1993 Stock Plan for Non-Employee Directors (incorporated by reference to Northrop Corporation 1993 Proxy Statement filed March 30, 1993), amended as of September 21, 1994.

*10(r) Northrop Corporation Special Severance Pay Agreement (incorporated by reference to Northrop Corporation Report on Form 10-K filed February 28, 1994.)

*10(s) Employment Agreement dated October 14, 1993 between Vought Aircraft Company (acquired by Registrant in 1994) and Gordon L. Williams.

*10(t) Executive Deferred Compensation Plan Design Outline and Election Form executed by Kent Kresa on December 29, 1994.

*10(u) Northrop Grumman Transition Project Incentive Plan.

NORTHROP GRUMMAN CORPORATION

11	Statement Re Computation of Per Share Earnings
21	Significant subsidiaries of registrant
23	Independent Auditors' Consent
24	Power of Attorney
27	Financial data schedule

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* Listed as Exhibits pursuant to Item 601(b)(10) of Regulation S-K

(b) One Report on Form 8-K was filed during the last quarter of the period covered by this report. The Report on Form 8-K was filed October 25, 1994 in connection with the offer and sale by Northrop Grumman Corporation of $600,000,000 aggregate principal amount of debt securities consisting of 8-5/8% Notes due 2004 and 9-3/8% Debentures due 2024.

NORTHROP GRUMMAN CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 20th day of March 1995.

Northrop Grumman Corporation

By: &&PINAZ2928
Nelson F. Gibbs
Corporate Vice President and Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant this 20th day of March 1995, by the following persons and in the capacities indicated.

Signature	Title
Kent Kresa*	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)
Jack R. Borsting*	Director
John T. Chain, Jr.*	Director
Jack Edwards*	Director
Barbara C. Jordan*	Director
Aulana L. Peters*	Director
John E. Robson*	Director
Richard R. Rosenberg*	Director
William F. Schmied*	Director
Brent Scowcroft*	Director
John Brooks Slaughter*	Director
Wallace C. Solberg*	Director
Richard J. Stegemeier*	Director
Richard B. Waugh, Jr.*	Corporate Vice President and Chief Financial Officer

*By: &&PINAD1368
Sheila M. Gibbons, Attorney-in-Fact
pursuant to a power of attorney

NORTHROP GRUMMAN CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

COL. A	COL. B	COL. C	COL. D	COL. E
Classification	Balance at Beginning of Period	Additions At Cost	Other Changes-- Add (Deduct)(1)	Balance at End of Period
Description:				
Year ended December 31, 1990				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts	$72,844	$27,862	$(18,625)	$82,081
Year ended December 31, 1991				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts	$82,081	$ 8,900	$(38,980)	$52,001
Year ended December 31, 1992				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts	$52,001	$ 7,571	$ (2,412)	$57,160

Year ended December 31, 1993				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts	$57,160	$ 9,304	$ (9,759)	$56,705
Year ended December 31, 1994				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts	$56,705	$25,283(2)	$(18,262)	$63,726

(1) Uncollectible amounts written off, net of recoveries.
(2) Additions include $15,625 of allowance for bad debts from acquired company.

NORTHROP GRUMMAN CORPORATION

EXHIBIT 11

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

Primary:	1994	1993	1992	1991	1990
Average shares outstanding	49,139	48,085	47,179	47,075	46,963
Net effect of the assumed exercise of stock options - based on the treasury stock method	758	792	251	187	1
Totals	49,897	48,877	47,430	47,262	46,964
Income before cumulative effect of accounting principle changes	$ 35,264	$ 95,755	$120,922	$268,256	$210,424
Cumulative effect on prior years of changes in accounting principles:					
Income Taxes				20,282	
Retiree healthcare and life insurance benefits				(87,717)	
Net Income	$ 35,264	$ 95,755	$120,922	$200,821	$210,424
Earnings per share before cumulative effect of accounting principle changes	$ .71	$ 1.96	$ 2.55	$ 5.68	$ 4.48
Cumulative effect on prior years of change in accounting principles, per share:					
Income Taxes				.43	
Retiree healthcare and life insurance benefits				(1.86)	
Earnings per share(1)	$ .71	$ 1.96	$ 2.55	$ 4.25	$ 4.48
Fully diluted:					
Average shares outstanding	49,139	48,085	47,179	47,075	46,963
Net effect of the assumed exercise of stock options - based on the treasury stock method	837	872	805	225	4
Totals	49,976	48,957	47,984	47,300	46,967
Income before cumulative effect of accounting principle changes	$ 35,264	$ 95,755	$120,922	$268,256	$210,424
Cumulative effect on prior years of changes in accounting principles:					
Income Taxes				20,282	
Retiree health care and life insurance benefits				(87,717)	
Net Income	$ 35,264	$ 95,755	$120,922	$200,821	$210,424
Earnings per share before cumulative effect of accounting principle changes	$ .71	$ 1.96	$ 2.52	$ 5.67	$ 4.48
Cumulative effect on prior years of change in accounting principles, per share:					
Income Taxes				.43	
Retiree healthcare and life insurance benefits				(1.85)	
Earnings per share(1)	$ .71	$ 1.96	$ 2.52	$ 4.25	$ 4.48

(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%.

NORTHROP GRUMMAN CORPORATION

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 2-73293, 2-98614, 33-15764, 33-49667, 33-55141 and 33-55146 of Northrop Grumman Corporation (formerly Northrop Corporation) on Form S-8 of our report dated February 15, 1995, appearing in this Annual Report on Form 10-K of Northrop Grumman Corporation for the year ended December 31, 1994.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 20, 1995

Exhibit 10(a)

AMENDMENT NO. 1

AMENDMENT NO. 1 dated as of May 11, 1994, between NORTHROP CORPORATION, a corporation duly organized and validly existing under the laws of the State of Delaware (the "Company") and each of the Banks party to the Credit Agreement referred to below.

The Company, the Banks and the Administrative Agent are parties to a Credit Agreement dated as of April 15, 1994, as amended and restated as of April 18, 1994 (as heretofore modified and supplemented and in effect on the date hereof, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for loans to be made by said Banks to the Company in an aggregate principal amount not exceeding $2,800,000,000. The Company and the Banks wish to amend the Credit Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. AMENDMENTS. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date of this Amendment No. 1, the Credit Agreement shall be amended as follows:

Section 2.01. References in the Credit Agreement to "this Agreement" and "the Notes" shall be deemed to be references to the Credit Agreement as amended hereby, and to the Notes (including the New Notes under and as defined in Section 4.02 hereof), respectively.

Section 2.02. Section 1.01 of the Credit Agreement shall be amended by amending the following definitions to read in their entirety as follows:

"Prime Rate" shall mean the arithmetic mean (rounded, if necessary, to the nearest 1/16 of 1%), as determined by the Administrative Agent, of the rate of interest from time to time announced by each Reference Bank at its principal office as its prime commercial lending rate.

"Revolving Credit Commitment" shall mean, for each Revolving Credit Bank, the obligation of such Bank to make Revolving Loans in an aggregate principal amount at any one time outstanding up to but not exceeding the amount set opposite the name of such Bank on Schedule I hereto under the caption "Revolving Credit Commitment" (as the same may be reduced from time to time pursuant to Section 2.04 hereof). The original aggregate principal amount of the Revolving Credit Commitments is $800,000,000.

"Term Loan Commitment" shall mean, for each Term Loan Bank, the obligation of such Bank to make one or more Term Loans in an aggregate amount up to but not exceeding the amount set opposite the name of such Bank on Schedule I hereto under the caption "Term Loan Commitment" (as the same may be reduced from time to time pursuant to Section 2.04 hereof). The original aggregate principal amount of the Term Loan Commitments is $2,000,000,000.

"Term Loan Commitment Termination Date" shall mean September 1, 1994.

Section 2.03. References in Section 3.01(c) of the Credit Agreement to "$110,000,000" and "$220,000,000" are amended to read as "$100,000,000" and "$200,000,000", respectively.

Section 2.04. Schedule I attached to the Credit Agreement is deleted and Schedule I attached to this Amendment No. 1. is substituted therefor.

Section 3. Representations and Warranties. The Company represents and warrants to the Banks that the representations and warranties set forth in Section 7 of the Credit Agreement are true in all material respects on the date of this Amendment No. 1 as if made on and as of the date of this Amendment No. 1.

Section 4. Condition Precedent. As provided in Section 2 above, the amendments to the Credit Agreement set forth in said Section 2 shall become effective, as of the date of this Amendment No. 1, upon the satisfaction of the following conditions precedent:

4.01. Execution by All Parties. This Amendment No. 1 shall have been executed and delivered by the Company and each of the Banks.

4.02. Notes. The Company shall have delivered to the Administrative Agent for each Bank, in exchange for the Term Note and Revolving Note heretofore delivered to such Bank pursuant to Section 2.08(a) of the Credit Agreement, a new Term Note and a new Revolving Note, each dated the date of the Notes being exchanged, payable to such Bank in a principal amount equal to the amount of the Term Loan Commitment and the Revolving Loan Commitment, respectively, set forth opposite such Bank's name in Schedule I attached hereto and otherwise duly completed, and each of such Term Notes and Revolving Notes delivered to the Banks shall constitute a "Note" under the Credit Agreement as amended hereby.

Section 5. Miscellaneous. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

NORTHROP CORPORATION

By___________________________
Title:

THE BANKS

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By
Title:

CHEMICAL BANK

By
Title:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By____________________________
Title:

BANK OF MONTREAL

By__________________________
Title:

THE BANK OF NEW YORK

By_____________________________
Title:
THE BANK OF NOVA SCOTIA

By___________________________
Title:

By___________________________
Title:
BANKERS TRUST COMPANY

By_________________________
Title:
CANADIAN IMPERIAL BANK OF
COMMERCE

By_____________________________
Title:
CITICORP USA, INC.

By_____________________________
Title:

CREDIT LYONNAIS CAYMANISLAND
BRANCH

By____________________________
Title:
THE FIRST NATIONAL BANK
OF CHICAGO

By___________________________
Title:
FIRST INTERSTATE BANK OF
CALIFORNIA

By___________________________
Title:

By___________________________
Title:
THE LONG-TERM CREDIT BANK OF
JAPAN, LTD., LOS ANGELES
AGENCY

By_____________________________
Title:
NATIONSBANK OF TEXAS, N.A.

By___________________________
Title:
NATIONAL WESTMINSTER BANK PLC
LOS ANGELES OVERSEAS BRANCH

By_____________________________
Title:
ROYAL BANK OF CANADA

By______________________________
Title:
SOCIETE GENERALE

By___________________________
Title:
CREDIT SUISSE

By_________________________
Title:

By_________________________
Title:
THE INDUSTRIAL BANK OF JAPAN,
LIMITED, LOS ANGELES AGENCY

By___________________________
Title:
NBD BANK, N.A.

By____________________________
Title:
THE SUMITOMO BANK, LIMITED
LOS ANGELES BRANCH

By___________________________
Title:
MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By___________________________
Title:
BANCO CENTRAL
HISPANOAMERICANO,
SAN FRANCISCO AGENCY

By___________________________
Title:
LLOYDS BANK PLC

By___________________________
Title:
MELLON BANK, N.A.

By_________________________
Title:
SHAWMUT BANK, N.A.

By___________________________
Title:
WACHOVIA BANK OF GEORGIA, N.A.

By___________________________
Title:
J.P. MORGAN DELAWARE

By____________________________
Title:

SCHEDULE I

BANKS	TERM LOAN COMMITMENTS	REVOLVING LOAN COMMITMENTS	TOTAL COMMITMENTS
The Chase Manhattan Bank (National Assn)	$96,428,571.47	$38,571,428.53	$135,000,000
Chemical Bank	96,428,571.46	38,571,428.54	135,000,000
Bank of American National Trust and Savings Assn	85,714,285.71	34,285,714.29	120,000,000
Bank of Montreal	85,714,285.71	34,285,714.29	120,000,000
The Bank of New York	85,714,285.71	34,285,714.29	120,000,000
The Bank of Nova Scotia	85,714,285.71	34,285,714.29	120,000,000
Bankers Trust Company	85,714,285.71	34,285,714.29	120,000,000
Canadian Imperial Bank of Commerce	85,714,285.71	34,285,714.29	120,000,000
Citicorp USA, Inc.	85,714,285.71	34,285,714.29	120,000,000
Credit Lyonnais Cayman Island Branch	85,714,285.71	34,285,714.29	120,000,000
First National Bank of Chicago	85,714,285.71	34,285,714.29	120,000,000
First Interstate Bank of California	85,714,285.71	34,285,714.29	120,000,000
The Long-Term Credit Bank of Japan, Lts., Los Angeles Agency	85,714,285.71	34,285,714.29	120,000,000
NationsBank of Texas, N.A.	85,714,285.71	34,285,714.29	120,000,000
National Westminster Bank Plc Los Angeles Overseas Branch	85,714,285.71	34,285,714.29	120,000,000
Royal Bank of Canada	85,714,285.71	34,285,714.29	120,000,000
Societe Generale	85,714,285.71	34,285,714.29	120,000,000
Credit Suisse	64,285,714.29	25,714,285.71	90,000,000
The Industrial Bank of Japan, Limited, Los Angeles Agency	64,285,714.29	25,714,285.71	90,000,000
NBD Nank, N.A.	64,285,714.29	25,714,285.71	90,000,000
The Sumitomo Bank, Limited, Los Angeles Branch	64,285,714.29	25,714,285.71	90,000,000
Morgan Guaranty Trust Company of New York	57,142,857.14	22,857,142.86	80,000,000
Banco Central Hispano-americano, San Fran-cisco Agency	35,714,285.71	14,285,714.29	50,000,000
Lloyds Bank Plc	35,714,285.71	14,285,714.29	50,000,000
Mellon Bank, N.A.	35,714,285.71	14,285,714.29	50,000,000
Shawmut Bank, N.A.	35,714,285.71	14,285,714.29	50,000,000
Wachovia Bank of Georgia, N.A.	35,714,285.71	14,285,714.29	50,000,000
J.P. Morgan Delaware	28,571,428.57	11,428,571.43	40,000,000
TOTAL	$2,000,000,000	$800,000,000	$2,800,000,000

NORTHROP GRUMMAN CORPORATION

AMENDMENT NO. 2

Dated as of December 9, 1994

TO

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of April 15, 1994

Amended and Restated as of April 18, 1994

$1,800,000,000

THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION)

CHEMICAL BANK

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as Co-Agents

THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION),
as Administrative Agent

AMENDMENT NO. 2 dated as of December 9, 1994, between NORTHROP GRUMMAN CORPORATION (formerly named Northrop Corporation), a corporation duly organized and validly existing under the laws of the State of Delaware (the "Company") and each of the Banks party to the Credit Agreement referred to below.

The Company, the Banks and the Administrative Agent are parties to an Amended and Restated Credit Agreement dated as of April 15, 1994, as amended and restated as of April 18, 1994 (as heretofore modified and supplemented and in effect on the date hereof, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for loans to be made by said Banks to the Company in an aggregate principal amount not exceeding $2,800,000,000. Pursuant to Section 2.01.A.(a) of the Credit Agreement, the Company borrowed $2,000,000,000 of the Term Loans, $1,000,000,000 of which has been prepaid and $1,000,000,000 is the aggregate remaining balance of the Term Loans. The Company and the Banks wish to amend the Credit Agreement in certain respects, and accordingly, the parties hereto hereby agree as follows:

Section 1. Definitions. Except as otherwise defined in this Amendment No. 2, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. Amendments. Subject to the satisfaction of the conditions precedent specified in Section 4 below, but effective as of the date of this Amendment No. 2, the Credit Agreement shall be amended as follows:

Section 2.01. References in the Credit Agreement to "this Agreement" shall be deemed to be references to the Credit Agreement as amended hereby.

Section 2.02. Section 1.01 of the Credit Agreement shall be amended by adding the following definitions in their appropriate alphabetic order:

"Amendment No. 2" shall mean Amendment No. 2 dated as of December 9, 1994 to this Agreement.

"Special Charges" shall mean pre-tax non-cash charges to income on or before June 30, 1996 up to but not exceeding $500,000,000 in the aggregate in connection with (i) the Company's early retirement incentive program implemented on October 1, 1994 and (ii) the sale or intended sale of plant and equipment.

Section 2.03. Section 1.01 of the Credit Agreement shall be amended by amending the following definitions to read in their entirety as follows:

"Applicable Facility Fee Rate" with respect to the Revolving Credit Commitments, and "Applicable Margin" for each Type of Syndicated Loan, shall mean: (a) during the period from the date Amendment No. 2 becomes effective to December 31, 1994, (i) the Applicable Facility Fee Rate shall be 0.1750%, (ii) the Revolving Loan Applicable Margin for Base Rate Loans shall be 0% and for Eurodollar Loans shall be 0.2500% and (iii) the Term Loan Applicable Margin for Base Rate Loans shall be 0% and for Eurodollar Loans shall be 0.4250%, and (b) during each Quarterly Period occurring after December 31, 1994, provided that the Administrative Agent shall have received (i) the financial statements described in Section 8.01 hereof as at and for the fiscal period ending on the preceding Quarterly Date and (ii) the certificate required to be delivered under Section 8.01(h) hereof, the respective rates set forth below opposite the range of the Leverage Ratio set forth below which encompasses the Leverage Ratio set forth in such certificate delivered under Section 8.01(h) hereof (provided, further, that if the Company shall fail to deliver such financial statements and certificate, the "Applicable Facility Fee Rate" with respect to the Revolving Credit Commitments, and the "Applicable Margin" for each Type of Syndicated Loan, during such Quarterly Period shall be determined as if the relevant Leverage Ratio were greater than 65%):

	REVOLVING CREDIT COMMITMENTS			TERM LOAN COMMITMENTS	
		APPLICABLE MARGIN		APPLICABLE MARGIN	
Range of Leverage Ratio	Applicable Facility Fee Rate	Base Rate Loan	Eurodollar Loan	Base Rate Loan	Eurodollar Loan
Greater than or equal to 65%	0.2250%	0%	0.3750%	0%	0.6000%
Less than 65% but greater than or equal to 50%	0.1750%	0%	0.2500%	0%	0.4250%
Less than 50% but greater than or equal to 40%	0.1250%	0%	0.2250%	0%	0.3500%
Less than 40% but greater than or equal to 30%	0.1000%	0%	0.2000%	0%	0.3000%
Less than 30%	0.0850%	0%	0.1650%	0%	0.2500%

provided that, during any period that the Company does not have senior unsecured long term public debt that is rated at least Baa3 or BBB-, respectively, by Moody's Investors Service, Inc. (or any successor thereto) or by Standard & Poor's Ratings Group (or any successor thereto), the Applicable Facility Fee Rate shall be 0.3000% and the Applicable Margin for Eurodollar Loans shall be 0.7000% for Revolving Loans and 1.0000% for Term Loans.

"Consolidated Shareholders' Equity" shall mean the amount of shareholders' equity of the Company and the Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) plus the cumulative after-tax reduction in consolidated net income of the Company and the Subsidiaries resulting from Special Charges.

"Net Income" shall mean, for the Company and the Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for any fiscal period, an amount equal to the consolidated net income for, but before being reduced by the after-tax effect of any Special Charges taken in, such fiscal period.

"Principal Payment Dates" shall mean the Quarterly Dates falling on or nearest to March 31, June 30, September 30 and December 31 of each year, commencing with September 30, 1995 through and including March 31, 1999.

Section 2.04. Section 2.10(b) of the Credit Agreement shall be amended by revising the first parenthetical therein to read in its entirety as follows: "(other than (x) the Loans and (y) borrowings under unsecured short-term credit lines)".

Section 2.05. Section 3.01(c) of the Credit Agreement shall be amended to read in its entirety as follows:

"(c) The Company hereby promises to pay to the Administrative Agent for account of the Banks the aggregate principal amount of the Term Loans outstanding on the effective date of Amendment No. 2 in 15 consecutive quarterly installments payable on the Principal Payment Dates, each of the first 14 installments being in the aggregate amount of $62,500,000 and the last installment being in the aggregate amount of $125,000,000; provided that, if after the effective date of Amendment No. 2 the Company repays the Refinanced Indebtedness of Grumman in full, then (i) first, the remaining installments shall be reduced by an amount equal to the amount of such repayment in the direct order of their maturity and (ii) then the remaining installments (after giving effect to the reductions referred to in clause (i)) shall be increased ratably by an aggregate amount equal to the amount of such repayment."

Section 2.06. Section 8.08 of the Credit Agreement shall be amended by revising clause (b) thereof to read in its entirety as follows: "the cumulative sum of 50% of Net Income for each fiscal quarter of the Company (for which purpose Net Income that is not a positive number for any such fiscal quarter shall be deemed to be Net Income of zero) commencing with the fiscal quarter ending on March 31, 1994 (determined on a consolidated basis without duplication in accordance with GAAP)".

Section 2.07. Section 8.09 of the Credit Agreement shall be amended by changing the percentage "30%" appearing therein to "40%".

Section 2.08. Section 8.10 of the Credit Agreement shall be amended by deleting the word "unless" appearing in clause (a) thereof and substituting therefor the words "so long as".

Section 2.09. Section 8.12(c) of the Credit Agreement shall be amended by deleting the parenthetical appearing therein.

Section 2.10. Section 10.10 of the Credit Agreement shall be amended to read in its entirety as follows:

> "10.10 Co-Agents. The Co-Agents identified on the front page of this Agreement or of any amendment thereto shall have no duties or responsibilities hereunder other than as Banks hereunder or, in the case of Chase, as Administrative Agent."

Section 3. Representations and Warranties. The Company represents and warrants to the Banks that the representations and warranties set forth in Section 7 of the Credit Agreement are true in all material respects on the date of this Amendment No. 2 as if made on and as of the date of this Amendment No. 2.

Section 4. Condition Precedent. As provided in Section 2 above, the amendments to the Credit Agreement set forth in said Section 2 shall become effective, as of the date of this Amendment No. 2, upon this Amendment No. 2 being executed and delivered by the Company and each of the Banks and consented to by Grumman Corporation.

Section 5. Miscellaneous. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Amendment No. 2 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 2 by signing any such counterpart. This Amendment No. 2 shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered as of the day and year first above written.

NORTHROP GRUMMAN CORPORATION

By____________________________
Title:

THE BANKS

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By____________________________

Title:

CHEMICAL BANK

By__________________________

Title:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By____________________________
Title:

BANK OF MONTREAL

By____________________________
Title:

THE BANK OF NEW YORK

By____________________________
Title:

THE BANK OF NOVA SCOTIA

By____________________________
Title:

By____________________________
Title:

BANKERS TRUST COMPANY

By____________________________
Title:

CANADIAN IMPERIAL BANK OF
COMMERCE

By____________________________
Title:

CITICORP USA, INC.

By____________________________
Title:

CREDIT LYONNAIS CAYMAN ISLAND
BRANCH

By____________________________
Title:

THE FIRST NATIONAL BANK
OF CHICAGO

By____________________________
Title:

FIRST INTERSTATE BANK OF
CALIFORNIA

By____________________________
Title:

By____________________________
Title:

THE LONG-TERM CREDIT BANK OF
JAPAN, LTD., LOS ANGELES
AGENCY

By____________________________
Title:

NATIONSBANK OF TEXAS, N.A.

By____________________________
Title:

NATIONAL WESTMINSTER BANK PLC
LOS ANGELES OVERSEAS BRANCH

By_____________________________
  Title:
ROYAL BANK OF CANADA

By______________________________
  Title:
SOCIETE GENERALE

By_____________________________
  Title:
CREDIT SUISSE

By___________________________
  Title:

By___________________________
  Title:
THE INDUSTRIAL BANK OF JAPAN,
  LIMITED, LOS ANGELES AGENCY

By_____________________________
  Title:
NBD BANK, N.A.

By______________________________
  Title:
THE SUMITOMO BANK, LIMITED
  LOS ANGELES BRANCH

By_____________________________
  Title:
MORGAN GUARANTY TRUST COMPANY
  OF NEW YORK

By_____________________________
  Title:
BANCO CENTRAL
HISPANOAMERICANO,
  SAN FRANCISCO AGENCY

By_____________________________
  Title:
LLOYDS BANK PLC

By_____________________________
  Title:
MELLON BANK, N.A.

By___________________________
  Title:
SHAWMUT BANK, N.A.

By_____________________________
  Title:
WACHOVIA BANK OF GEORGIA, N.A.

By_____________________________
  Title:
J.P. MORGAN DELAWARE

By______________________________
  Title:

CONSENT:

GRUMMAN CORPORATION

By______________________________

TORONTO DOMINION (TEXAS) INC.

By______________________________
Title:

DRESDNER BANK AG,
LOS ANGELES AGENCY AND
GRAND CAYMEN BRANCH

By______________________________
Title:

By______________________________
Title:

EXHIBIT 10(b)

PROMISSORY NOTE

$25,000,000.00 October 10, 1994

FOR VALUE RECEIVED, the undersigned, NORTHROP GRUMMAN CORPORATION (the "Borrower"), hereby promises to pay to the order of Wachovia Bank of Georgia, N.A. (the "Bank"), or any branch, office, or agency of the Bank, the lesser of:

(a) the principal sum of U.S. $25,000,000.00 ; or

(b) the aggregate unpaid principal amount of all Advances made by the Bank to the Borrower and endorsed on the reverse of this Note and made a part hereof.

Such principal amount shall be due and payable, with respect to any Advance, on the earlier of (a) the maturity date of such Advance or (b) one (1) business day following the date on which the Bank makes demand for payment hereunder. The Borrower promises to pay interest (computed for the actual number of days elapsed on the basis of a year of 360 days, which results in greater interest than if a 365 day year were used) in respect of the unpaid principal amount hereof from the date of each Advance until paid, at such rates as shall be agreed upon from time to time between the Borrower and the Bank and endorsed on the reverse hereof. Interest shall be payable at the maturity of each Advance and calculated as to each interest period from and including the first day thereof, but not including the last day thereof. Interest not paid when due shall thereafter bear like interest as the principal.

The Bank is authorized and directed to endorse on the reverse hereof the date, amount, interest rate, and maturity date of each Advance made by the Bank to the Borrower hereunder, as well as the date and the amount of each payment of the principal amount of, and interest on, such Advances; provided, however, that the failure by the Bank to make such endorsement shall not relieve the Borrower of any of its obligations hereunder.

Both principal and interest are payable in lawful money of the United States of America at the office of the Bank located at 191 Peachtree Street, Atlanta, Georgia, 30303 .

The Borrower promises to pay the cost of collection, including reasonable attorney's fees (including, without limitation, the reasonable estimate of the allocated cost of in-house legal staff and counsel).

The makers and endorsers severally waive presentment of the payment, protest, notice of protest, and notice of non-payment of this Note.

This Note and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the State of California.

NORTHROP GRUMMAN CORPORATION

By: ________________________
James L. Sanford
Assistant Treasurer

EXHIBIT 10(g)

AMENDMENT TO
NORTHROP CORPORATION
BOARD OF DIRECTORS RETIREMENT PLAN

This amendment to the Northrop Corporation Board of Directors Retirement Plan is intended to reflect the name change of Northrop Corporation to Northrop Grumman Corporation and to add a change of control provision:

1. The name of the Plan shall be amended, to reflect the name change of Northrop Corporation to Northrop Grumman Corporation, as follows:

Northrop Grumman Corporation Board of Directors Retirement Plan

2. A new subsection 1.12 shall be added as follows:

1.12 "Change of Control" shall have the meaning set forth in Section 4.04.

3. A new subsection 4.04 shall be added as follows:

4.04 VESTING OF BENEFIT

In the event of a Change of Control, all Outside Directors serving on the Board of Directors at the time of the Change of Control shall be immediately vested and entitled to an Annual Benefit Amount for each year (or if less than one year, for each fraction of a year to the nearest quarter) of consecutive service. For purposes of this Plan, Change of Control herein shall be deemed to have occurred if any of the following events occur:

(1) any "person," as such term is used in Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act") or any successor provisions, other than a trustee or other fiduciary holding securities under the Plan or any other employee benefit plan of the Company or an Affiliate, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act or any successor provision), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities (unless the event causing the fifteen (15%) threshold to be crossed is an acquisition of securities directly from the Company).

(2) during any period of two consecutive years (not including any period prior to the adoption of this Trust Agreement), individuals who at the beginning of such period constitute the Board of Directors of the Company ("the Board"), and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (1) or (3) of this paragraph (d)) whose nomination by the Board or election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (the "Continuing Directors"), cease for any reason to constitute at least a majority thereof.

(3) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(4) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition of the Company of all or substantially all of the Company's assets.

Transactions described in this paragraph 4.04 shall not constitute Changes in Control if, immediately prior to the change in ownership, merger, consolidation, sale or other disposition, liquidation or change in the Board, the Board shall pass resolution approved by a vote of the majority of the Continuing Directors to the effect that it has determined that such transaction does not constitute a Change in Control within the intention of this paragraph 4.04. In addition, for purposes of this paragraph 4.04, if a Change in Control has occurred, no subsequent event shall result in another Change in Control.

EXHIBIT 10(o)

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

1. PARTIES: The parties to this First Amendment to Employment Agreement ("Amendment") are Northrop Corporation ("Northrop") and Oliver C. Boileau ("Executive").

2. RECITALS: This Amendment is made with reference to the following facts:

2.1 On October 18, 1989 Northrop and Executive entered into an Employment Agreement ("Agreement"), a copy of which is attached hereto as Exhibit A and incorporated herein by reference.

2.2 Pursuant to the terms of the Agreement, Executive was employed by Northrop to serve as the President and General Manager of Northrop's B-2 Division from December 11, 1989 to December 10, 1994.

2.3 Northrop has recently acquired the Grumman Corporation ("Grumman"), and now wishes Executive to serve as President of Grumman effective immediately.

2.4 Northrop wishes to provide certain additional benefits to Executive in consideration for his agreement to serve in this critical new assignment.

2.5 Accordingly, subject to the approval of Northrop's Board of Directors, the parties hereby agree to amend the Agreement, pursuant to Section 12 thereof, in accordance with the amendments set forth below.

3. TERM: Section 2 of the Agreement is hereby amended to extend the expiration date of the Agreement from December 10, 1994 to and including January 31, 1995.

4. POSITION AND DUTIES: Section 3 of the Agreement is hereby amended by adding the following sentence at the end thereof:

> "For the period April 19, 1994 through January 31, 1995, Executive shall serve as President of Grumman in addition to his other job duties."

5. SALARY: Section 4 of the Agreement is hereby amended by adding the following sentence at the end thereof:

> "For the period April 19, 1994 through January 31, 1995, Executive shall be paid a base salary of $41,667 per month, equivalent to $500,000 per year."

6. LONG TERM INCENTIVE PLAN: Section 6 of the Agreement is hereby amended by adding the following sentence at the end thereof:

> "In consideration for his acceptance of the Grumman assignment, Northrop's management shall recommend to the Northrop Board of Directors that Executive receive 15,000 Northrop stock options pursuant to the terms of Northrop's 1993 Long Term Incentive Stock Plan, with all of the options to vest on January 31, 1995."

7. NEW SECTION: The Agreement is hereby amended by adding the following new Section 8.5 immediately following Section 8, "Housing Assistance":

> "8.5 SPECIAL HOUSING AND EXPENSE PROVISIONS FOR GRUMMAN ASSIGNMENT: In consideration of Executive's acceptance of the Grumman assignment, he will be provided with the following special benefits:
>
> 8.5.1 Northrop will purchase Executive's home in Long Beach, California for $1,025,000 in accordance with the valuation determined by the Los Angeles County Assessor for 1993.
>
> 8.5.2 Northrop will provide Executive with a furnished condominium or town house in the Long Island area at Northrop's expense through January 31, 1995.
>
> 8.5.3 It is anticipated that Executive will arrange for the transportation of his household goods and automobiles from his

current home in Long Beach to locations in Wyoming and St. Louis, Missouri prior to May 31, 1994. Northrop will reimburse Executive for the actual and reasonable cost of transporting these goods, as well as for transporting certain personal effects to Long Island. In addition, Northrop will reimburse Executive for the actual and reasonable cost incurred by him for storing household goods in St. Louis and Wyoming through January 31, 1995.

8.5.4 Executive will be provided with an automobile in Long Island at Northrop's expense through January 31, 1995. At Northrop's option, it will either pay to transport Executive's current company provided automobile to Long Island or lease a comparable automobile for him.

8.5.5 It is anticipated that Executive may be required to stay at a hotel for a short period of time prior to moving into the Northrop provided condominium or town house. In such event, Northrop will reimburse Executive for actual and reasonable living expenses.

8.5.6 Northrop will reimburse Executive for the following miscellaneous costs incurred by him in connection with his Grumman assignment:

(i) the differential between the state and local income taxes paid by him for tax year 1994 as a result of this assignment and those which would have been paid by him had he remained in California. This differential shall be provided to Executive on a "grossed up" basis, with the "grossed up" amount to be based on the highest statutory tax rate for each jurisdiction.

(ii) actual and reasonable accounting fees incurred by Executive for preparing his 1994 California, New York and federal tax returns.

(iii) actual and reasonable costs for the connection of utility services (telephone, gas, electric, water, and cable television) at the condominium or town house to be provided to Executive.

(iv) actual and reasonable monthly utility costs incurred by Executive at the Northrop provided condominium or town house for telephone, gas, electric, water, and cable television."

DATED:____________________ OLIVER C. BOILEAU

By____

DATED:____________________ NORTHROP CORPORATION

By_____________________________
Marvin Elkin
Corporate Vice President and Chief Human
Resources and Administrative Officer

EXHIBIT 10(q)

STOCK PLAN FOR AMENDMENT TO 1993 NON-EMPLOYEE DIRECTORS

8. Grants

The annual cash retainer payable to each Eligible Director for services as a director, excluding any fees payable for meetings of the Board or Board committees or for extraordinary services, shall be payable partly in shares of common stock as provided under the Plan. Accordingly, for Plan purposes only, the amount of the annual retainer payable to each Eligible Director in cash shall be reduced by 30%. As soon as practicable, but no later than 30 days following the end of each calendar year of the Plan, each Eligible Director shall automatically be granted a number of shares of common stock having a Fair Market Value equal to 30% of the annual retainer earned for the prior year ("stock retainer portion"). Notwithstanding the foregoing, for the first calendar year of the Plan in which the amount of the annual retainer payable in cash or stock is adjusted, each Eligible Director shall receive an adjusted payment in shares under this Section 8 as is appropriate.

EXHIBIT 10(s)

EMPLOYMENT AGREEMENT

This Agreement is entered into effective as of October 14, 1993, by and between Vought Aircraft Company, a Delaware corporation ("Vought"), and Gordon L. Williams ("Williams"), an individual residing in Tarrant County, Texas.

WHEREAS, Vought desires to continue to employ Williams and Williams desires to continue to be employed by Vought upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, it is agreed as follows:

1. Employment

Vought hereby offers to continue to employ Williams as President and Chief Executive Officer, and Williams hereby accepts continued employment by Vought, upon the terms and conditions herein set forth.

2. Term

The term of this Agreement shall commence as of October 14, 1993, and, subject to the provisions of paragraph 6 below, shall expire on January 1, 1996, unless sooner terminated as hereinafter set forth.

3. Duties

Williams will, during the term hereof:

(a) Faithfully and diligently do and perform all such acts and duties and furnish such services as the Board of Directors of VAC Acquisition Corp., parent company of Vought ("VAC Board"), or the Board of Directors of Vought ("Vought Board") shall direct, and do and perform all acts in the ordinary course of Vought's business (within such limits as the VAC Board or the Vought Board may prescribe) necessary and conducive to Vought's best interests; and

(b) Devote his full time, energy and skill to the business of Vought and to the promotion of Vought's best interests, except for vacations and absences made necessary because of illness.

4. Compensation

(a) Subject to the provisions of subparagraph 4(b) and paragraph 5 below, Vought shall pay to Williams for all services to be performed by him during the term of this Agreement: (i) a fixed salary at the rate of $309,276.00 per annum through December 31, 1993, and $420,000.00 per annum effective January 1, 1994, payable in periodic payments in accordance with Vought's practices for other executive and managerial employees, as such practices may be determined from time to time. The Vought Board (or its delegate) or VAC Board (or its delegate), as the case may be, will review such fixed salary annually and, in its discretion, may grant increases thereof based upon Williams' performance; and (ii) any additional incentive compensation under the Vought Aircraft Variable Incentive Compensation Plan or any successor or replacement plan ("Variable Compensation Plan") as the VAC Board (or its delegate) in its discretion may from time to time determine. Williams shall be assigned a target level of 60% for purposes of the Variable Compensation Plan, which target level may be increased by the VAC Board (or its delegate) in its discretion.

All such payments will be subject to such deductions as may be required to be made pursuant to law, government regulation or order, or by agreement with, or consent of, Williams.

(b) If Williams incurs a disability during the term of this Agreement which would make him eligible to receive the disability benefits provided for under the Vought Aircraft

Supplemental Executive Retirement Plan and Vought's disability income plan, then the payment of Williams' fixed salary pursuant to subparagraph 4(a) above shall be suspended for the period of time during which Williams remains entitled to the payment of such disability benefits.

Williams' fixed salary and/or incentive compensation payable pursuant to subparagraph 4(a) above shall be reduced by the amount of any annuity payments made to Williams during the term of this Agreement under the Vought Aircraft Supplemental Executive Retirement Plan, in the manner determined by the Compensation Committee of the VAC Board (or its successor) in its sole and absolute discretion.

(c) In addition to the payments set forth above, Vought agrees that during the term of this Agreement: (i) Williams shall continue to be a participant in the Vought Aircraft Supplemental Executive Retirement Plan (or any successor or replacement plan with substantially identical benefits); (ii) Williams shall be entitled to participate in any group life insurance, medical, dental, disability, vacation, pension, profit sharing or other employee benefit plan, compensation program, or perquisites maintained by Vought during the term of this Agreement and which is available to officers of Vought, but excluding, however, the LTV Key Employee Retention Plan and the Vought Key Employee Retention Plan; and (iii) Williams shall be entitled to reimbursement by Vought for all reasonable expenses actually and necessarily incurred by him on its behalf in the course of his employment hereunder.

5. Termination

(a) If Williams' employment with Vought shall terminate for "cause," or due to death, retirement or voluntary termination (except for "good reason" as defined in subparagraph (b) below), then all obligations of Vought hereunder shall terminate; provided, however, that any portion of Williams' fixed salary pursuant to subparagraph 4(a) above which is earned but unpaid as of the date of death shall be paid to the duly appointed personal representative of Williams' estate; and further provided, however, that participation in the Vought Aircraft Salaried Health Care Plan (or any successor or replacement plan) as amended from time to time, shall be continued for the remainder of the lives of Williams and Williams' legally recognized spouse on the effective date of this Agreement. For purposes of this Agreement, "cause" shall be deemed to exist upon (i) the willful and continued failure by Williams to perform substantially the duties of his position (other than any actual or anticipated failure resulting from termination by Williams for "good reason") or (ii) the willful engaging by Williams in conduct which is demonstrably injurious to Vought, monetarily or otherwise. Solely for purposes of determining "cause," an act or failure to act by Williams shall be deemed "willful" if done, or omitted to be done, by him in bad faith and without reasonable belief that such act or omission was in the best interest of Vought. The Executive Committee of the VAC Board shall have the sole discretion to determine in good faith whether the conditions constituting a termination for cause have occurred.

(b) In the event of (i) a reduction in Williams' fixed salary and/or target level percentage established pursuant to subparagraph 4(a), (ii) a material adverse alteration or diminution of Williams' position, duties, responsibilities, reporting relationships, authority or status (including corresponding perquisites) from those in effect, or otherwise accorded to Williams, on the effective date of this Agreement, or (iii) the failure of Vought to obtain an agreement from any successor to expressly assume and agree (by an instrument in writing) to perform the obligations to Williams under this Agreement, any of which occurs without the express written consent of Williams, then Williams shall have the right to terminate employment with Vought for "good reason" and thereby be entitled to the benefits described in subparagraph 5(c) below.

(c) If Williams' employment with Vought shall terminate for "good reason" as described in subparagraph (b) above, or other than for cause, retirement or voluntary termination (except for "good reason"), or death, then Williams shall be entitled to (i) payment of any portion of his fixed salary established pursuant to subparagraph 4(a) which is earned but unpaid as of the date of termination; (ii) continued payment of Williams' then current base salary increased by that percentage equal to 150% of Williams' then current target level percentage under the Variable Compensation Plan, in substantially equal amounts payable in arrears at regular payroll intervals through the earlier of (A) the end of the 12-month period following termination of employment, or (B) the Expiration Date, and thereafter Williams' then current base salary increased by that percentage equal to Williams' then current target level percentage under the Variable Compensation Plan, in substantially equal amounts payable in arrears at regular payroll intervals through the Expiration Date, provided, however, that such payments shall abate (x) to the extent of any and all compensation earned by Williams in the course of employment with a subsequent employer (including self-employment which commences subsequent to Williams' termination of employment), without regard to the time of payment of such compensation, and (y) in their entirety as of Williams' date of death, except that any payment for the payroll period in which Williams dies shall be prorated through such date of death; (iii) continued participation in the Vought Aircraft Salaried Health Care Plan (or any successor or replacement plan) as amended from time to time, for the remainder of the lives of Williams and Williams' legally recognized spouse on the effective date of this Agreement; (iv) continued participation in the Vought Aircraft Supplemental Executive Retirement Plan (or any successor or replacement plan with substantially identical benefits) through January 1, 1996, including the purchase of annuities from time to time pursuant to the terms of such plan; and (v) continued participation in any life insurance plan, health care plan, and health care flexible spending account maintained from time to time by Vought to the same extent and at the same level of participant contributions ("Employee Cost"), if any, as if Williams had not had a termination of employment (or if such participation is not possible under the terms of any such plan, Williams shall be provided by Vought with benefits or a cash payment or payments sufficient to enable him to obtain benefits which are comparable to the coverage provided by such plan, in each case subject to payment by Williams of the Employee Cost) until Williams becomes eligible for benefits under any employee welfare benefit plan(s), as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, in connection with new employment, or until January 1, 1996, if earlier.

6.   Consulting Services

(a) Upon termination of Williams' employment for reasons other than "cause" or death, Vought at its sole discretion may retain Williams as an independent consultant, and not as an employee, for the period of twelve consecutive months following termination of employment ("Consulting Period").

(b) During the Consulting Period:

(i) Williams will devote his best efforts to his position as an independent consultant and will faithfully perform such duties as determined by the Vought Board or the VAC Board. Williams will render to Vought such services of an advisory or consultative nature as Vought may reasonably request, so that Vought may continue to have the benefit of Williams' experience and special knowledge of the affairs of Vought and of Williams' reputation and contacts.

(ii) During the Consulting Period, Williams will neither serve as a consultant to nor as an employee, officer, director or agent of any person, firm or corporation who is in competition with Vought without the prior written consent of Vought as given through the Vought Board, which consent shall not be unreasonably withheld.

(c) Williams will be available for advice and counsel to the officers and directors of Vought at all reasonable times by telephone, letter, or, upon receipt of five days' written notice from Vought, in person; provided, however, Williams shall neither be obligated to render in excess of 5 days of service during any month, nor in excess of 60 days of service during the entire Consulting Period. Williams shall not be obligated to render any consulting services during any period when he is unable to do so due to illness, disability or injury, and Williams' inability to do so shall not affect his right to receive the compensation described in subparagraph 6(d) below during the Consulting Period.

(d) Vought agrees to pay Williams for rendering consulting services and for merely being available to render services hereunder, at the rate of $10,000 per month through the earlier of (i) the end of the Consulting Period, or (ii) the date of Williams' death, except that any payment for the period in which Williams dies shall be prorated through such date of death.

(e) Williams shall be entitled to reimbursement during the Consulting Period for all reasonable and customary expenses actually incurred by him in the performance of his duties hereunder.

7. Complete Agreement

This Agreement represents the complete agreement and understanding between Vought and Williams pertaining to the subject matter contained herein, and supersedes all prior agreements or understandings, written or oral, between the parties with respect to such subject matter, except, however, the Stock Appreciation Right Agreement dated as of September 1, 1992 by and between Vought and Williams. No attempted modification or waiver of any of the provisions hereof shall be binding on either party unless in writing and signed by both Vought and Williams.

8. Assignment

This Agreement is personal to Williams and shall not be assigned by him. Vought may assign this Agreement without Williams' consent to any other entity succeeding to all or substantially all of the assets or business of Vought, whether by merger, consolidation, acquisition or otherwise. This Agreement shall be binding upon Vought, its successors and permitted assigns, and Williams.

9. Applicable Law

This Agreement shall be construed and enforced in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Agreement on October _____, 1993.

GORDON L. WILLIAMS	VOUGHT AIRCRAFT COMPANY
___________________________	By:___________________________ J. P. Carr Senior Vice President - Administration and Support

EXHIBIT 10(t)

NORTHROP GRUMMAN CORPORATION

EXECUTIVE DEFERRED COMPENSATION PLAN

Plan Design Outline

PLAN PURPOSE:

To provide executives with a capital accumulation opportunity through deferrals of compensation that is disallowed for tax deduction under IRS Code Section 162(m)

PLAN YEAR: January 1 to December 31

ADMINISTRATIVE COMMITTEE:

The Compensation and Management Development Committee of the Board of Directors will administer the Plan

ELIGIBILITY FOR PARTICIPATION:

Selected employees of Northrop Grumman designated by the Committee

SOURCES OF DEFERRALS:

Compensation that is disallowed for tax deduction under IRS Code Section 162(m)

DEFERRAL ACCOUNT:

Amounts of compensation deferrals and investment returns thereon will be credited to a participant's Deferral Account

INTEREST CREDITING RATE:

Interest will be credited to the Account Balance at a rate equal to 115% of the fourth quarter monthly rate of Moody's Average Corporate Bond rate for each Plan year

VESTING:

Deferral amounts and investment return credited to Deferral Account are always 100% vested

DISTRIBUTION OF ACCOUNT BALANCES:

In the event of retirement or long-term disability, the normal form of distribution will be lump sum, 5 or 10 years

In the event of any other termination of employment, the distribution will be in a single lump sum

RISK OF LOSS:

In the event of the Company's bankruptcy or insolvency, amounts deferred under the Plan and earnings on these amounts are treated as Company assets and the rights of Plan Participants would be no greater than those of general creditors of the Company

PLAN AMENDMENT AND TERMINATION:

Board of Directors may amend or terminate the Plan at any time but may not reduce benefits

NORTHROP GRUMMAN CORPORATION

EXECUTIVE DEFERRED COMPENSATION PLAN

Election Form

I hereby elect to participate in the Northrop Grumman Corporation Executive Deferred Compensation Plan (the "Plan").

ELECTION TO DEFER COMPENSATION:

____ I hereby irrevocably elect to defer 100% of compensation that is disallowed for tax deduction under IRS Code Section 162(m) for the year 1995.

ELECTION TO RECEIVE BENEFIT AMOUNTS:

I hereby irrevocably elect to receive my distribution from the Plan in one of the following payment forms. Please check one.

_____ Lump Sum

_____ Annual Installments Of:

_____ 5 years
_____ 10 years

I understand that the Company's obligation to pay benefits under the Plan will be that of an unfunded and unsecured promise of the Company to pay benefits in the future, and my rights to benefits under the Plan will be no greater than those of the Company's unsecured general creditors.

____________________________________ ______________________
Employee Name (please print or type) Social Security Number

____________________________________ ______________________
Signature Date

EXHIBIT 10(u)

NORTHROP GRUMMAN

TRANSITION PROJECT INCENTIVE PLAN

1. Purpose

The purpose of the Northrop Grumman Transition Project Incentive Plan (the "Plan") is to impel leadership, decisions and actions of managers to reduce costs of operations and promote consolidations and efficiencies with respect to the acquisition of Grumman Corporation by Northrop Grumman Corporation ("Company"). Accomplishing this purpose while maintaining long-term high performance and meeting customer requirements will add significantly to total shareholder value.

2. Term

The Plan shall become effective upon approval by the Northrop Grumman Board of Directors ("Board") and compensate managers according to stated provisions for verified cost reductions attained during the "Plan Measurement Period," defined as the period between 1 July 1994 and 31 December 1995. This interval spans the crucial time from commencement of the opportunity for Northrop Grumman management to affect change in the operations of Grumman Corporation, to the time by which the purpose of the Plan must be accomplished. The Plan shall terminate at the close of business on 1 March 1996. After termination of the Plan, no future awards may be granted but previously granted awards may be paid if they are outstanding in accordance with the terms and conditions of the Plan.

3. Plan Administration

The Compensation and Management Development Committee ("Committee") of the Board shall be responsible for administration of the Plan. The Committee shall have full and exclusive power to administer the plan and to adopt such rules, regulations and guidelines--consistent with the bylaws of the Corporation--for carrying out the Plan as it may deem necessary and proper, all of which power shall be exercised in the best interests of the Company and in keeping with the objectives of the Plan. This power includes, but is not limited to, establishing all awards terms and conditions and adopting Plan modifications, amendments and procedures.

4. Eligibility

Employees in management positions of the Company designated by the Chief Executive Officer as participants shall be eligible to receive awards under the Plan. "Employees" shall include persons on the active payroll of the Company during the term of the Plan Measurement Period. "Management" shall include any Employee in a position classification titled manager, director or vice president. Eligible Managers shall be assigned to one of two groups designated i) "Senior Executive Group" and ii) "Executive Group." Assignment to the Senior Executive Group shall be limited to twenty (20) Managers. Payments of awards under the Plan on a pro rata basis to participants who, during the Measurement Period, become disabled or who terminate for any reason--including retirement and resignation-- -shall be at the sole discretion of the Committee and the Board in accordance with provisions of Section 5.

5. Awards

Awards under the Plan to elected officers of the Company, including the Chief Executive Officer, shall be reviewed by the Committee and submitted for approval to the Board. The Committee shall submit to the Board its recommendation for award under the Plan to the Chief Executive Officer. The Board, absent employee directors, shall determine all such awards to elected officers, including the Chief Executive Officer. The Committee shall determine awards under the Plan to each other participant. Recommendations for awards and justifications under the Plan shall be submitted to the Committee by the Chief Executive Officer within the term of the Plan. Such awards will be in cash payment to designated recipients before 31 March 1996, net of tax withholding and other deductions and adjustments consistent with Company policy and payroll practices. Awards to all participants may not exceed the amount determined by calculations defined in Section 7 below. Within this limitation, individual awards under the Plan may vary at the discretion of the Committee and the Board.

6. Justification for Awards

Awards under the Plan may be granted by the Committee only for Verified Cost Savings. "Verified Cost Savings" are dollar value reductions in Company expense that are reflected in official financial records of the Company in areas such as, but not limited to, plant, equipment, real estate, production and overhead costs, scrap, surplus, inventory, debt and capital cost. The Chief Executive Office shall only submit to the Committee recommendations for awards under the Plan that are authenticated and corroborated by tangible, measured dollar value savings instituted and affected by Plan participants. Notwithstanding this or such other justifications or assertions of savings attributed to Plan participants, the decisions of the Committee and the Board as to Verified Cost Savings, awards and any other factual matters under the Plan shall not be subject to review or appeal by participants or any other persons.

7. Award Schedule

When determined by the Committee, awards under the Plan are paid according to a schedule establishing a defined fraction of total cost savings payable. The Awards Schedule is derived by the following formula: (Savings > $250M) X Percentage to Margin X Performance Coefficient X Percentage Share, where: i) "Savings > $250M" equals Verified Cost Savings under the Plan exceeding $250,000,000, and a value that defines the term "Qualified Cost Savings;" ii) "Percentage to Margin" equals the percentage of Qualified Cost Savings for the Measurement Period reflected in the Company's profit in its official financial records; iii) "Performance Coefficient" equals a percentage of Qualified Cost Savings eligible for payment to participants; and iv) "Percent Share" equals the percentage of the product of i, ii and iii to be distributed among participants of the Senior Executive Group and the Executive Group. For purposes of this Plan, Percentage to Margin shall equal 40%. For Qualified Costs Savings greater than $250,000,000 and less than $260,000,000, Performance Coefficient shall equal 10%; for Qualified Costs Savings greater than $260,000,000 but less than $275,000,000, Performance Coefficient shall equal 15%; for Qualified Costs Savings greater than $275,000,000 but less than $300,000,000, Performance Coefficient shall equal 20%; for Qualified Costs Savings greater than $300,000,000, Performance Coefficient shall equal 25%; for Qualified Costs Savings greater than $350,000,000, Performance Coefficient shall equal 0%. Finally, Percent Share shall equal 40% for the Senior Executive Group and 60% for the Executive Group. For illustration, the Appendix contains a graphical representation of Plan awards at the thresholds of saving defined above for an assumed number of participants.

8. Adjustments and Reorganizations

In the event the Company undergoes a change in control (as defined by the Committee), or is not the surviving company in a merger or consolidation with another company or in the event of a liquidation or reorganization of the Company during the Term of the Plan, the Committee may provide for adjustments and settlements of awards as, and at a time, it deems appropriate.

9. Plan Amendment or Termination

Notwithstanding any other provision of the Plan, the Plan may be amended or terminated by the Committee in its sole and absolute discretion. Nothing herein creates or shall be deemed to create a vested right in any participant.

10. Company Benefit Programs

Awards under the Plan shall be deemed a part of a participants incentive or bonus compensation for purposes of calculating payment of benefits from any Company benefit plan.

11. Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any participant or other person.

12. Future Rights

No person shall have any claim or rights to be granted an award under the Plan, and no participant shall have any rights under the Plan to be retained in the employ of the Company.

13. Governing Law

The validity, construction and effect of the Plan and any action taken or relating to the Plan shall be determined in accordance with the laws of the State of California and applicable Federal Law.

14. Successors and Assigns

The Plan shall be binding on all successors and assigns of a participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of a participant's creditors.

APPENDIX

GRAPHIC PRESENTATION OF TRANSITION PROJECT INCENTIVE PLAN AWARDS AT THE THRESHOLDS OF SAVINGS AS DESCRIBED IN CLAUSE 7 OF THE PLAN. THE GRAPH ILLUSTRATES EXAMPLES OF AVERAGE INDIVIDUAL PAYOUTS AT VARYING COST SAVINGS:

SAVINGS (in millions)	GROUP A SENIOR EXECUTIVES (in thousands)	GROUP B EXECUTIVES (in thousands)
Less than 250	0	0
260	8.0	2.4
275	26.0	7.8
300	66.0	19.8
325	116.0	34.8
350	166.0	49.8

EXHIBIT 21

Significant Subsidiaries of Registrant as of December 31, 1994

SIGNIFICANT SUBSIDIARIES:	INCORPORATED IN:
Grumman Corporation	New York
Grumman Aerospace Corporation	New York
Grumman Data Systems Corporation	Delaware

Note: The other subsidiaries of the Registrant are not "significant subsidiaries", as defined by Rule 1.02 of Regulation S-X, and therefore are not listed herein.

5

YEAR
DEC-31-1994
DEC-31-1994
17
0
1,266
64
1,043
2,431
3,146
1,768
6,047
1,964
1,633
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25
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1,025
6,047
6,711
6,711
6,512
6,512
31
0
109
65
30
35
0
0
0
35
.72
.72

EXHIBIT 24

POWER OF ATTORNEY IN CONNECTION WITH THE
1994 ANNUAL REPORT ON FORM 10-K

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of NORTHROP GRUMMAN CORPORATION, a Delaware corporation, does hereby appoint RICHARD R. MOLLEUR and SHEILA M. GIBBONS, and each of them as his agents and attorneys-in-fact (the "Agents"), in his respective name and in the capacity or capacities indicated below to execute and/or file the Annual Report on Form 10-K for the fiscal year ended December 31, 1994 (the "Report") under the Securities Exchange Act of 1934, as amended (the "Act"), and any one or more amendments to any part of the Report that may be required to be filed under the Act (including the financial statements, schedules and all exhibits and other documents filed therewith or constituting a part thereof) and to any part or all of any amendment(s) to the Report, whether executed and filed by the undersigned or by any of the Agents. Further, each of the undersigned does hereby authorize and direct the Agents to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "Commission"), which they deem necessary or advisable to comply with the act and the rules and regulations or orders of the Commission adopted or issued pursuant thereto, to the end that the Report shall be properly filed under the Act. Finally, each of the undersigned does hereby ratify each and every act and documents which the Agents may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such document had been executed or filed by the undersigned, respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the Commission.

IN WITNESS THEREOF, each of the undersigned has subscribed these presents this
15th day of March, 1995.

___________________________ Kent Kresa	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)
___________________________ Jack R. Borsting	Director
___________________________ John T. Chain, Jr.	Director
___________________________ Jack Edwards	Director
___________________________ Barbara C. Jordan	Director
___________________________ Aulana L. Peters	Director
___________________________ John E. Robson	Director
___________________________ Richard M. Rosenberg	Director
___________________________ William F. Schmied	Director
___________________________ Brent Scowcroft	Director
___________________________ John Brooks Slaughter	Director
___________________________	Director

Wallace C. Solberg	
______________________________ Richard J. Stegemeier	Director
______________________________ Richard B. Waugh, Jr.	Corporate Vice President and Chief Financial Officer (Principal Financial Officer)
______________________________ Nelson F. Gibbs	Corporate Vice President and Controller (Principal Accounting Officer)