FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 29549

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

For the quarterly period ended September 30, 1996
or

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

For the transition period from ___________________ to_____________________

Commission File Number 1-3229

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

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

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

(310) 553-6262

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common Stock outstanding as of October 25, 1996 57,728,291 shares

Northrop Grumman Corporation and Subsidiaries

Part I. Financial Information
Item 1. Financial Statements
CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	Three months ended September 30		Nine months ended September 30	
$ in millions, except per share	1996	1995	1996	1995
Net Sales	$2,043	$1,630	$5,789	$5,006
Cost of sales				
Operating costs	1,606	1,269	4,563	3,928
Administrative and general expenses	272	230	714	663
Operating margin	165	131	512	415
Other, net	17	5	40	7
Interest expense	(69)	(36)	(197)	(106)
Income before income taxes	113	100	355	316
Federal and foreign income taxes	43	39	138	122
Net income	$ 70	$ 61	$ 217	$ 194
Weighted average shares outstanding, in millions	57.7	49.4	52.8	49.3

Earnings per share	$ 1.21	$ 1.25	$ 4.10	$ 3.93
Dividends per share	$ .40	$ .40	$ 1.20	$ 1.20

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF FINANCIAL POSITION

$ in millions	September 30 1996	December 31 1995
Assets		
Cash and cash equivalents	$ 93	$ 18
Accounts receivable, net of progress payments of $2,750 in 1996 and $2,426 in 1995	1,344	1,197
Inventoried costs, net of progress payments of $591 in 1996 and $428 in 1995	1,114	771
Deferred income taxes	37	25
Prepaid expenses	94	61
Total current assets	2,682	2,072
Property, plant and equipment	3,324	2,900
Accumulated depreciation	(1,785)	(1,724)
	1,539	1,176
Goodwill, net of accumulated amortization of $121 in 1996 and $63 in 1995	3,409	1,403
Other purchased intangibles, net of accumulated amortization of $92 in 1996 and $36 in 1995	1,011	356
Deferred income taxes	438	99
Prepaid pension cost, intangible pension and benefit trust fund	196	255
Investments in and advances to affiliates and sundry assets	238	94
	5,292	2,207
	$ 9,513	$ 5,455

$ in millions	September 30 1996	December 31 1995
Liabilities and Shareholders' Equity		
Notes payable to banks	$ 245	$ 65
Current portion of long-term debt	188	144
Trade accounts payable	463	360
Accrued employees' compensation	366	203
Advances on contracts	185	98
Income taxes payable, including deferred income taxes of $554 in 1996 and $471 in 1995	609	528
Other current liabilities	482	317
Total current liabilities	2,538	1,715
Long-term debt	3,101	1,163
Accrued retiree benefits	1,676	1,048
Other long-term obligations	66	39
Deferred income taxes	21	31
Paid-in capital		
Preferred stock, 10,000,000 shares authorized and none issued		
Common stock, 200,000,000 shares authorized; issued and outstanding: 1996 --57,728,291; 1995 -- 49,462,615,	770	272
Retained earnings	1,353	1,199
Unfunded pension losses, net of taxes	(12)	(12)

	2,111	1,459
	$9,513	$5,455

CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS

	Nine months ended September 30	
$ in millions	1996	1995
Operating Activities		
Sources of Cash		
Cash received from customers		
Progress payments	$ 1,652	$1,708
Other collections	4,109	3,195
Income tax refunds received	12	7
Interest received	8	
Other cash receipts	5	10
Cash provided by operating activities	5,786	4,920
Uses of Cash		
Cash paid to suppliers and employees	5,021	4,460
Interest paid	156	102
Income taxes paid	62	48
Other cash payments		3
Cash used in operating activities	5,239	4,613
Net cash provided by operating activities	547	307
Investing Activities		
Payment for purchase of Westinghouse ESG, net of cash acquired	(2,886)	
Additions to property, plant and equipment	(122)	(97)
Proceeds from sale of property, plant and equipment	24	31
Proceeds from sale of affiliates	18	29
Funding of retiree benefit trust	(25)	
Other investing activities	19	(20)
Net cash used in investing activities	(2,972)	(57)
Financing Activities		
Borrowings under lines of credit	2,613	150
Repayment of borrowings under lines of credit	(616)	(259)
Proceeds from issuance of long-term debt	1,000	
Principal payments of long-term debt	(832)	(70)
Proceeds from issuance of stock	498	3
Dividends paid	(63)	(59)
Other financing activities	(100)	
Net cash provided by(used in) financing activities	2,500	(235)
Increase in cash and cash equivalents	75	15
Cash and cash equivalents balance at beginning of period	18	17
Cash and cash equivalents balance at end of period	$ 93	$ 32

	Nine months ended September 30	
$ in millions	1996	1995
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income	$ 217	$ 194
Adjustments to reconcile net income to net cash provided		
Depreciation	157	165
Amortization of intangible assets	116	43
Write-off of intangible asset	14	
Loss(gain) on disposals of property, plant and equipment	5	(6)
Noncash retiree benefits	(107)	(43)
Decrease(increase) in		
Accounts receivable	1	244
Inventoried costs	(41)	200
Prepaid expenses	(90)	135
Refundable income taxes		43
Increase(decrease) in		
Progress payments	(30)	(323)

Accounts payable and accruals	224	(273)
Provisions for contract losses	(33)	(132)
Income taxes	115	63
Other transactions	(1)	(3)
Net cash provided by operating activities	$ 547	$ 307
Noncash Investing and Financing Activities		
Purchase of Westinghouse ESG		
Fair value of assets acquired	$3,948	
Cash paid	2,890	
Liabilities assumed	$1,058	

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

	Nine months ended September 30	
$ in millions	1996	1995
Paid-in Capital		
At beginning of year	$ 272	$ 265
Stock issuance	493	
Employee stock awards and options exercised, net of forfeitures	5	4
	$ 770	$ 269
Retained Earnings		
At beginning of year	$1,199	$1,026
Net income	217	194
Cash dividends	(63)	(59)
	$1,353	$1,161
Unvested Employee Restricted Award Shares	$	$ (1)
Unfunded Pension Losses, Net of Taxes	$ (12)	$

Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

	Three months ended September 30		Nine months ended September 30	
$ in millions, except per share	1996	1995	1996	1995
Net Sales				
Military and Commercial Aircraft	$1,058	$1,187	$ 3,119	$ 3,595
Electronics	1,060	520	2,888	1,627
Intersegment sales	(75)	(77)	(218)	(216)
	$2,043	$1,630	$ 5,789	$ 5,006
Operating Profit				
Military and Commercial Aircraft	$ 161	$ 132	$ 374	$ 359
Electronics	25	42	183	119
Total operating profit	186	174	557	478

Adjustments to reconcile
operating profit to operating margin:

Other income included above	(8)	(1)	(9)	(1)
State and local income taxes	(5)	(13)	(24)	(27)
General corporate expenses	(31)	(21)	(90)	(78)
Mark to market restricted stock rights	(11)		(11)	
Retiree benefit cost included in contract costs	40	11	112	100
Retiree benefit cost	(6)	(19)	(23)	(57)
Operating margin	$ 165	$ 131	$ 512	$ 415
Contract Acquisitions				
Military and Commercial Aircraft	$ 734	$ 893	$2,612	$ 1,528
Electronics	605	697	5,206	2,315
Intersegment acquisitions	(70)	(61)	(232)	(198)
	$1,269	$1,529	$ 7,586	$ 3,645
Funded Order Backlog				
Military and Commercial Aircraft			$ 6,894	$ 7,596
Electronics			5,678	3,254
Intersegment backlog			(54)	(38)
			$12,518	$10,812

NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. They do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in shareholders' equity, and cash flows in conformity with generally accepted accounting principles. They do, however, in the opinion of management, include all adjustments (all of which were normal recurring accruals) necessary for a fair statement of the results for the periods presented. The financial statements should be read in conjunction with the Notes and Independent Auditors' Report contained in the company's 1995 Annual Report.

Acquisition

On March 1, 1996 the company purchased substantially all of the defense and electronics systems business of Westinghouse Electric Corporation at a cost of $2.9 billion and financed the transaction with new borrowings. The purchase method of accounting was used to record the transaction with fair values being assigned to the assets acquired and liabilities assumed. The excess of the purchase price over the tangible net assets acquired was first assigned to identifiable intangible assets and the balance to goodwill with amortization on a straight-line basis over weighted average periods of 11 years and 40 years, respectively.

The business acquired is being operated as a division of the company and has been designated the Electronic Sensors and Systems Division (ESSD). Financial data of ESSD have been consolidated with Northrop Grumman effective March 1, 1996. The following unaudited pro forma financial information combines Northrop Grumman's and ESSD's results of operations as if the acquisition had taken place on January 1, 1995, and is not necessarily indicative of future operating results for Northrop Grumman.

	Three months ended September 30		Nine months ended September 30	
$ in millions, except per share	1996	1995	1996	1995
Sales	$2,043	$2,178	$6,036	$6,591
Net Income	70	3	197	80
Earnings per share	1.21	.06	3.72	1.62

Inventoried Costs

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

Goodwill and Other Purchased Intangibles

Goodwill and other purchased intangible assets are amortized over periods of 40 years and a weighted average of 15 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 recoverability of goodwill and other purchased intangibles is evaluated at least annually considering the projected future profitability and cash flow at the operations to which they relate. When it is determined that an impairment has occurred, an appropriate charge to operations is recorded.

Long-Term Debt

During the first quarter of 1996 the company sold to institutional investors $400 million of 7 percent notes due 2006, $300 million of 7 3/4 percent debentures due 2016 and $300 million of 7 7/8 percent debentures due 2026. The proceeds from this issuance were used to finance a portion of the purchase price of ESSD. The debt indenture contains restrictions relating to limitations on liens, sale and leaseback arrangements and funded debt of subsidiaries.

To finance the balance of the purchase price of ESSD the company amended its Credit Agreement with a group of domestic and foreign banks to provide for three credit facilities: $1.8 billion available on a revolving credit basis through March 2002; a variable interest rate $500 million two-year term loan due March 1, 1998, which was repaid in July, 1996; and a variable interest rate $1.5 billion six-year term loan due in 24 quarterly installments of $62.5 million plus interest beginning June 1996. At September 30, 1996, a total of $1.7 billion was outstanding under these facilities. Effective November 1, 1996, the Credit Agreement was further amended to reduce the $1.5 billion term loan to $1.05 billion payable in 21 quarterly installments of $50 million plus interest beginning March 1, 1997.

The company will pay a facility fee and, at least quarterly, interest on the outstanding debt under the Credit Agreement at rates which vary based in part on the company's credit rating and leverage ratio. In the event of a change in control, as defined, the banks are relieved of their commitments. Compensating balances are not required.

The credit agreement contains restrictions relating to the payment of dividends, acquisition of the company's stock, aggregate indebtedness for borrowed money and interest coverage.

Common Stock

In June 1996 the company, in a public offering, issued approximately 8 million shares of common stock at $63.25 per share. The net proceeds of $493 million were used to pay down outstanding debt under the company's Credit Agreement.

Contingencies

In accordance with company policy on environmental remediation, the estimated cost to complete remediation has been accrued 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 by the Environmental Protection Agency or similarly designated by other environmental agencies. 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, taking into account currently available facts on each site as well as the current state of technology and prior experience in remediation of contaminated sites. These estimates are reviewed periodically and adjusted to reflect changes in facts and technical and legal circumstances. Management estimates that at September 30, 1996, the reasonable range of future costs for environmental remediation, including those acquired in the purchase of the defense and electronics systems business of Westinghouse Electric Corporation, is $45 million to $65 million, of which $53 million has been accrued. While management cannot predict whether new information gained as projects progress will materially affect the estimated liability accrued, management does not anticipate that future remediation expenditures will have a material adverse effect on the company's results of operations or financial position.

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

During the first quarter of 1996, Northrop Grumman acquired the defense and electronics systems business of Westinghouse Electric Corporation. The business acquired is being operated as a division of the company and has been designated the Electronic Sensors and Systems Division (ESSD). Northrop Grumman results for 1996 include ESSD operations from March 1, 1996, the date of acquisition. Results for 1995 do not include ESSD data.

The reporting of industry segment data has been realigned based upon the company's current mix of products. Operating results for those programs formerly reported in the missiles and unmanned vehicles segment and aircraft services programs previously included in the data systems and other services segment (DSOS) are now included in the military and commercial aircraft segment (MCA). The balance of the programs previously included in DSOS and all of the operations of ESSD are included in the electronics industry segment. Data for comparable prior periods has been restated.

Sales for the third quarter of 1996 were 25 percent higher than last year's third quarter. Sales rose 16 percent in the first nine months versus the comparable period of 1995.

MCA industry segment sales decreased in the third quarter and first nine months of 1996 versus comparable periods of 1995 primarily as a result of decreased volume on the B-2 bomber and F/A-18 strike fighter programs. Lower volume on the company's other military programs also contributed to the decrease in sales for the first nine months of 1996 versus the comparable period of 1995.

Electronics industry segment sales for the third quarter and first nine months of 1996 increased over the same periods a year ago as a result of including the post acquisition sales added by ESSD, which more than offset the revenue declines in the other programs in this segment.

Sales by major program/business area and units delivered were as shown in the following table. The Airborne Radar, Marine, Space and Airspace Management program areas were acquired as part of ESSD. The balance of sales for ESSD are included in the "All Other" category.

	Three months September 30		Nine months September 30	
$ in millions	1996	1995	1996	1995
B-2	$ 383	$ 478	$1,271	$1,452
Surveillance Aircraft (E-8 Joint STARS, E-2)	250	265	811	793
F/A-18	185	228	521	622
Boeing Jetliners	160	124	421	421
Airborne Radar	172		388	
ECM	87	87	286	240
Marine	140		311	
C-17	73	56	194	195
Space	97		214	
Airspace Management	58		171	
Data Systems	49	35	138	139
All Other	389	357	1,063	1,144
	$2,043	$1,630	$5,789	$5,006

	Three months		Nine months	
Units	1996	1995	1996	1995
F/A-18 C/D	17	16	49	39
747	9	5	21	18
F/A-18 E/F		2	3	5
C-17	2	3	5	5
B-2	1	1	4	3

The amount of operating profit increased in the third quarter and first nine months of 1996 as compared to the same periods of 1995. Third quarter operating profit included the disposition of three claims stemming from work performed in the 1980's. The MCA segment benefited $31 million from the settlement of two claims involving productivity improvements on the F/A-18 and contractual issues related to support services on the TA-4J aircraft. The Electronics industry segment operating profit was reduced by $29 million as a result of the writedown of a claim related to avionics work performed by the former Grumman Corporation prior to its acquisition by Northrop.

The third quarter 1996 MCA segment operating profit also benefited from cumulative margin rate adjustments made on several Boeing jetliner programs, which resulted in a net $7 million operating margin increase. These adjustments reflected continued improvement in operating performance of these programs. The MCA segment operating profit for the first nine months of 1996 increased versus 1995 as a result of the $31 million from claim settlements and higher operating margin on the C-17 military transport aircraft and commercial aerostructures programs. These increases more than offset lower overall operating margin on the B-2 Bomber, due to lower sales volume, and a $25 million charge recorded in the first quarter of 1996 related to the company's work for Fokker Aircraft N.V., which declared bankruptcy last March. This

year's first nine months also benefited from the delivery of four B-2 bombers versus three in the first three quarters of 1995. The MCA segment third quarter and first nine months of 1996 were also impacted by $7 million and $21 million respectively in expenditures for ongoing company-sponsored research and development on commercial aerostructures, as compared to $15 million and $23 million for the comparable periods of 1995. Electronics industry segment operating profit for the third quarter was reduced by $9 million as a result of a cumulative downward margin rate adjustment related to the inspection and replacement of incorrect rivets installed on E-8 Joint STARS aircraft. The reductions in operating profit for the third quarter and first nine months of 1996 as compared to the same periods in 1995 were partially offset by the inclusion of ESSD operations.

Operating margin for the third quarter and first nine months of 1996 included an increase in retiree benefit income, which was partially offset by a charge in the third quarter of 1996 for a mark to market adjustment related to restricted employee stock rights.

Other income for the third quarter and first nine months included gains of $6 million and $18 million, respectively, from the sales of a portion of an equity investment in a manufacturer of high technology equipment.

Interest expense for the third quarter of 1996 was $33 million higher than the corresponding quarter of 1995. Interest expense for the first nine months of 1996 was $91 million higher than the first three quarters of 1995. These increases resulted from the higher average level of borrowings due to new borrowings required for the ESSD acquisition.

In June 1996 the company issued approximately 8 million shares of common stock in a public offering. The $493 million in net proceeds from the issuance were used to pay down long-term debt. During the first nine months $547 million of cash was generated from operations versus $307 million in the first nine months of 1995 and was more than sufficient to finance capital expenditures and dividends. The company's liquidity and financial flexibility is expected to continue to be provided by the cash flow generated from operating activities, which for the balance of this year is not expected to continue at the level achieved in the first nine months, supplemented by unused borrowing capacity under the company's credit agreement and other short term credit facilities.

Forward-Looking Information

Certain statements or assumptions in Management's Discussion and Analysis contain or are based on "forward-looking" information (as defined in the Private Securities Litigation and Reform Act of 1995) that involve risk and uncertainties, including the availability of future cash flow. The company's operations are necessarily subject to various risks and uncertainties, actual outcomes are dependent upon the company's successful performance of internal plans, government customers' budgetary restraints, customer changes in short range and long range plans, domestic and international competition in both the defense and commercial areas, product performance, continued development and acceptance of new products, performance issues with key suppliers and subcontractors, government import and export policies, termination of government contracts, political processes, legal, financial and governmental risks related to international transactions and global needs for military and commercial aircraft and electronic systems and support, as well as other economic, political and technological risks and uncertainties.

Part II   OTHER INFORMATION
Item 1.   Legal Proceedings

In the second quarter of 1996, a Federal jury returned a verdict for the company with respect to the remaining issues in the litigation entitled U.S. ex rel David Peterson and Jeff Kroll v. Northrop Corporation which is described in the company's Annual Report on Form 10-K for 1995, as supplemented in the company's Form 10-Q for the quarterly periods ended March 31, 1996 and June 30, 1996. The government's motion for a new trial filed on May 30, 1996, was denied on August 16, 1996. A notice of appeal was filed by the government on October 10, 1996.

Item 6.   Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10 - Amendment No. 1 dated as of November 1, 1996, to Second Amended and Restated Credit Agreement dated as of April 15, 1994, Amended and Restated as of March 1, 1996.

Exhibit 11 - Statement re Computation of Per Share Earnings

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended September 30, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Northrop Grumman Corporation (Registrant)

Date: November 1, 1996   by/s/N. F. Gibbs
Nelson F. Gibbs
Corporate Vice President and Controller

Date: November 1, 1996   by/s/James C. Johnson
James C. Johnson
Corporate Vice President and Secretary

Northrop Grumman Corporation and Subsidiaries

EXHIBIT 11

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(in thousands, except per share)

	Three months ended September 30		Nine months ended September 30	
Primary:	1996	1995	1996	1995
Average shares outstanding	57,715	49,399	52,755	49,339
Common stock equivalents	1,472	1,265	1,370	1,052
Totals	59,187	50,664	54,125	50,391
Net income	$69,751	$61,606	$216,540	$194,136
Earnings per share(1)	$ 1.18	$ 1.22	$ 4.00	$ 3.85
Fully diluted:				
Average shares outstanding	57,715	49,399	52,755	49,339
Common stock equivalents	1,640	1,322	1,640	1,322
Totals	59,355	50,721	54,395	50,661
Net income	$69,751	$61,606	$216,540	$194,136
Earnings per share(1)	$ 1.18	$ 1.21	$ 3.98	$ 3.83

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

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DEC-31-1996
SEP-30-1996
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2,682
3,324
1,785
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2,538
3,101
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EXECUTION COPY

NORTHROP GRUMMAN CORPORATION

AMENDMENT NO. 1

Dated as of November 1, 1996

to

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of April 15, 1994

Amended and Restated as of March 1, 1996

CHASE SECURITIES INC.,
as Arranger

THE CHASE MANHATTAN BANK,
as Administrative Agent

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as Syndication Agent

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
as Documentation Agent

AMENDMENT NO. 1

AMENDMENT NO. 1 dated as of November 1, 1996, between NORTHROP GRUMMAN CORPORATION, a corporation duly organized and validly existing under the laws of the State of Delaware (the "Company"); each of the lenders that is a signatory hereto (individually, a "Bank" and, collectively, the "Banks"); THE CHASE MANHATTAN BANK, as Swingline Bank; and THE CHASE MANHATTAN BANK, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Company, the Banks, and certain other banks listed on Schedule II hereto (hereinafter the "Non-Continuing Banks") and the Administrative Agent are parties to a Second Amended and Restated Credit Agreement dated as of April 15, 1994 amended and restated as of March 1, 1996 (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 $3,800,000,000. The Company, the Banks and the Administrative Agent 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 hereof, the Credit Agreement shall be amended as follows:

2.01. References in the Credit Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Section 1.01 of the Credit Agreement is amended by amending and (to the extent not already included in said Section 1.01) adding the following definitions and inserting the same in the appropriate alphabetical locations:

"'Amendment No. 1' shall mean the Amendment No. 1 dated as of November 1, 1996 to this Agreement among the Company, the Banks party thereto and the Administrative Agent.

"'Amendment No. 1 Effective Date' shall mean the date on which Amendment No. 1 became effective.

"'Applicable Facility Fee Rate' and 'Applicable Margin' shall mean, during any period when the Rating is in one of the Rating Groups specified below, the percentage set forth below opposite the reference to such fee or to the relevant Class and Type of Syndicated Loan:

REVOLVING CREDIT LOANS

Fee or Loan	Rating Group I	Rating Group II	Rating Group III	Rating Group IV
Applicable Facility Fee Rate	.10%	.125%	.15%	.25%
Applicable Margin for Eurodollar Loans	.20%	.25%	.30%	.50%
Applicable Margin for Base Rate Loans	0%	0%	0%	0%

TERM LOANS

Fee or Loan	Rating Group I	Rating Group II	Rating Group III	Rating Group IV
Applicable Margin for Eurodollar Loans	.30%	.375%	.45%	.75%
Applicable Margin for Base Rate Loans	0%	0%	0%	0%

Any change in the Applicable Facility Fee Rate or in the Applicable Margin by reason of a change in the Moody's Rating or the S&P Rating shall become effective on the date of announcement or publication by the respective Rating Agency of a change in such Rating or, in the absence of such announcement or publication, on the effective date of such changed Rating."

"'Facility' shall mean the Revolving Credit Facility."

"'Majority Banks' shall mean Banks holding more than 50% of the aggregate amount of (a) the Revolving Credit Commitments or, if the Revolving Credit Commitments shall have terminated, the sum of (i) the aggregate unpaid principal amount of the Revolving Loans plus (ii) the aggregate unpaid principal amount of the Competitive Bid Loans plus (b) the aggregate principal amount of the Series II Term Loans."

"Mandatory Prepayment Period" shall mean any period during which one or more of the following conditions is satisfied: (a) the Leverage Ratio is greater than 50%; or (b) an Investment Grade Rating Period does not exist.

"'Rating' shall mean a Moody's Rating or an S&P Rating."

"'Rating Agency' shall mean Moody's or S&P."

"'Rating Group' shall mean any of Rating Group I, Rating Group II, Rating Group III and Rating Group IV."

"'Rating Group I' shall mean (a) no Event of Default has occurred and is continuing and (b) the Moody's Rating is at or above Baa1 (or a Substitute Rating is at the corresponding rating level or higher) or the S&P Rating is at or above BBB+ (or a Substitute Rating is at the corresponding rating level or higher); "Rating Group II" shall mean (a) no Event of Default has occurred and is continuing, (b) the Moody's Rating is at or above Baa2 (or a Substitute Rating is at the corresponding rating level or higher) or the S&P Rating is at or above BBB (or a Substitute Rating is at the corresponding rating level or higher) and (c) Rating Group I is not in effect; "Rating Group III" shall mean (a) no Event of Default has occurred and is continuing, (b) the Moody's Rating is at or above Baa3 (or a Substitute Rating is at the corresponding rating level or higher) or the S&P Rating is at or above BBB- (or a Substitute Rating is at the corresponding rating level or higher) and (c) neither Rating Group I nor Rating Group II is in effect; and "Rating Group IV" shall mean none of Rating Group I, Rating Group II or Rating Group III is in effect; provided that, (A) if the Moody's Rating and the S&P Rating (or, in either case, a Substitute Rating) shall be at different Rating levels and one of such Ratings is no more than one Rating level lower than the other of such Ratings, then the applicable Rating Group shall be based upon the higher of such Ratings and (B) if the Moody's Rating and the S&P Rating (or, in either case, a Substitute Rating) shall be at different Rating levels and one of such Ratings is two or more Rating levels lower than the other of such Ratings, then the applicable Rating Group shall be based upon a Rating that is one level lower than the higher of such Ratings."

"'Revolving Credit Banks' shall mean (a) on the Amendment No. 1 Effective Date, the Banks having Revolving Credit Commitments as set forth in Schedule I hereto and (b) thereafter, the Banks from time to time holding Revolving Loans and/or Revolving Credit Commitments after giving effect to any assignments thereof permitted by Section 11.06 hereof."

"'Series II Principal Payment Date' shall mean each Quarterly Date in each year, commencing with the second such Quarterly Date following the Amendment No. 1 Effective Date through and including the Series II Term Loan Final Maturity Date."

"'Series II Term Loan Banks' shall mean (a) on the Amendment No. 1 Effective Date, the Banks having Series II Term Loans as set forth in Schedule I hereto and (b) thereafter, the Banks from time to time holding Series II Term Loans after giving effect to any assignments thereof permitted by Section 11.06 hereof."

"'Term Loan Banks' shall mean the Series II Term Loan Banks."

"'Term Loans' shall mean the Series II Term Loans."

2.03. Clause (i) of the fourth sentence of the definition of "Interest Period" is amended to read in its entirety as follows:

"(i) no Interest Period for any Revolving Loan may end after the Revolving Commitment Termination Date;".

2.04. The definitions of "Equity Issuance", "Excess Cash Flow", "Principal Office", "Rating Level 1", "Rating Level 2", "Series I Term Loans", "Series I Term Loan Banks", "Series I Term Loan Commitment", "Series I Term Loan Facility", "Series I Term Loan Final Maturity Date", "Series II Term Loan Commitment", "Series II Term Loan Facility" and "Term Loan Commitments" in Section 1.01 of the Credit Agreement are deleted in their entirety.

2.05. The second sentence of Section 1.03 is amended to delete the following: "a Series I Term Loan,".

2.06. Section 2.01 is amended to read in its entirety as follows:

"2.01 Syndicated Loans. Subject to and upon the terms and conditions herein set forth, each Bank severally agrees (i) to make Revolving Loans (together with the Series II Term Loans, the "Syndicated Loans" and each a "Syndicated Loan") to the Company in Dollars up to such Bank's Commitment under the Revolving Credit Facility and (ii) to effect a prepayment and reallocation of, and thereafter to maintain, its Series II Term Loans, all as set forth below:

(a) [Intentionally omitted].

(b) Series II Term Loans. Subject to the terms and conditions of this Agreement and Amendment No. 1, Series II Term Loans shall be prepaid and reallocated pursuant to Section 4.03(a) of Amendment No. 1 and thereafter may, at the option of the Company, be maintained as, and/or Converted into, Base Rate Loans or Eurodollar Loans.

(c) Revolving Loans. Syndicated Loans under the Revolving Credit Facility shall be available at any time and from time to time from and after the Amendment Effective Date to and including the Revolving Commitment Termination Date. Subject to the terms and conditions of this Agreement, during such period, Revolving Loans may be borrowed, repaid and reborrowed and may, at the option of the Company, be borrowed and maintained as, and/or Converted into, Base Rate Loans or Eurodollar Loans. Notwithstanding the foregoing, no Revolving Loan shall be made if the sum of (i) such Revolving Loan (together with all other Revolving Loans and Competitive Bid Loans to be made on the same day as such Revolving Loan) plus (ii) the aggregate principal amount of all outstanding Competitive Bid Loans plus (iii) the aggregate principal amount of all outstanding Revolving Loans plus (iv) the aggregate principal amount of all outstanding Swingline Loans exceeds the aggregate amount of the Revolving Credit Commitments at such time."

2.07. The second sentence of Section 2.02(a) of the Credit Agreement is amended to read in its entirety as follows:

"Not later than 1:00 p.m. New York time on the date specified for each Syndicated Loan borrowing hereunder, each Bank shall make available the amount of the Syndicated Loan to be made by it on such date to the Administrative Agent, at an account in New York designated by the Administrative Agent, in immediately available funds, for account of the Company."

2.08. Subsection (f) of Section 2.03 of the Credit Agreement is amended to read in its entirety as follows:

"(f) Any Bank whose offer to make any Competitive Bid Loan has been accepted shall, not later than 1:00 p.m. New York time on the date specified for the making of such Loan, make the amount of such Loan available to the Administrative Agent at an account in New York designated by the Administrative Agent in immediately available funds. The amount so received by the Administrative Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company on such date by depositing the same, in immediately available funds, in an account designated by the Company."

2.09. Subsection (b) of Section 2.04 is amended to read in its entirety as follows:

"(b) Termination of Commitments. The Revolving Credit Commitments and the Swingline Commitment shall terminate on the Revolving Commitment Termination Date."

2.10. Subsection (a) of Section 2.08 is amended to read in its entirety as follows:

(a) The Syndicated Loans made by each Bank shall be evidenced (i) if Series II Term Loans, by a single promissory note of the Company in substantially the form of Exhibit A-2 hereto, dated the Restatement Date, payable to such Bank in a principal amount equal to its Series II Term Loan and otherwise duly completed (each a "Series II Term Note", collectively the "Series II Term Notes" or the "Term Notes") and (ii) if Revolving Loans, by a single promissory note of the Company substantially in the form of Exhibit A-3 hereto, dated the Restatement Date, payable to such Bank in a principal amount equal to its Revolving Credit Commitment and otherwise duly completed (each a "Revolving Note" and collectively the "Revolving Notes"). The date, amount, Type and interest rate of each Series II Term Loan and each Revolving Loan made by each Bank, and all payments made on account of the principal thereof, shall be recorded by such Bank on its books and, prior to any transfer of the Note evidencing the same, endorsed by such Bank on the schedule attached to such Note or any continuation thereof; provided that the failure by such Bank to make such recordation or endorsement shall not relieve the Company of any of its obligations hereunder or under such Note.

2.11. Section 2.09 is amended to delete the word "first" and the following phrase: "and second to the aggregate outstanding principal amount of the Series I Term Loans".

2.12. Subsections (a), (b) and (e) of Section 2.10 of the Credit Agreement are each amended to read in their entirety as follows: "[Intentionally omitted]."

2.13. Subsection (c) of Section 2.10 of the Credit Agreement is amended to read in its entirety as follows:

"(c) Sale of Assets. Without limiting the obligation of the Company to obtain the consent of the Majority Banks pursuant to Section 8.09 hereof to any Disposition not otherwise permitted under Section 8.09 hereof, in the event that the Net Available Proceeds of any individual Disposition made after the Amendment Effective Date while a Mandatory Prepayment Period is in effect (or if, after giving effect to any such Disposition, a Mandatory Prepayment Period would exist) (herein, the "Current Disposition") exceeds $5,000,000 and, together with the Net Available Proceeds that individually exceed $5,000,000 of each prior Disposition as to which a prepayment has not yet been made under this Section 2.10(c), shall in the aggregate exceed $50,000,000 then, (i) at the time the Company gives notice to the Administrative Agent pursuant to Section 4.07 of the prepayment to be made pursuant to this Section 2.10(c), the Company will deliver to the Administrative Agent a statement, certified by a senior financial officer of the Company, in form and detail satisfactory to the Administrative Agent, of the aggregate amount of the Net Available Proceeds of such Current Disposition and prior Dispositions and (ii) the Company shall prepay the Term Loans in an aggregate amount equal to 100% of the Net Available Proceeds received for such Current Disposition and such prior Dispositions (except that Net Available Proceeds consisting of Permitted Buyer Indebtedness need not be applied to such prepayment until the earlier of any payment or Disposition of such Permitted Buyer Indebtedness and then only to the extent of such payment or the Net Available Proceeds of such Disposition), such prepayment to be effected as provided in paragraph (f) of this Section 2.10.

2.14. Subsections (i) and (ii) of Section 2.10(f) shall be amended to read in their entirety as follows:

"(i) Prepayments of Term Loans described in paragraph (d) of this Section 2.10 shall be applied to the then remaining installments of the Series II Term Loans ratably.

(ii) Prepayments of Term Loans described in paragraph (c) of this Section 2.10 shall be applied (A) to the extent that any such prepayment, together with all such prepayments theretofore made in any fiscal year after the Amendment No. 1 Amendment Effective Date, does not exceed $100,000,000, to the then remaining installments of the Series II Term Loans in direct order of their maturities and (B) thereafter to the then remaining installments of the Series II Term Loans ratably."

2.15. The second sentence of Section 2.11(b) of the Credit Agreement is amended to read in its entirety as follows:

"Not later than 3:00 p.m. New York time, on the date specified in each Swingline Borrowing Notice hereunder, the Swingline Bank shall, subject to the terms of this Agreement, make the amount of the Swingline Loan to be made by it on such date available to the Administrative Agent at an account in New York designated by the Administrative Agent in immediately available funds, for account of the Company."

2.16. Subsection (c) of Section 3.01 of the Credit Agreement is amended to read in its entirety as follows: "[Intentionally omitted]".

2.17. Subsection (d) of Section 3.01 of the Credit Agreement is amended to read in its entirety as follows:

"(d) The Company hereby promises to pay to the Administrative Agent for account of the Banks the aggregate principal amount of the Series II Term Loans outstanding on the Amendment No. 1 Effective Date in 21 equal consecutive quarterly installments payable on the Series II Principal Payment Dates."

2.18. The first sentence of Section 4.01 of the Credit Agreement is amended to read in its entirety as follows:

"Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Company under this Agreement and the Notes shall be made in Dollars, in immediately available funds, to the Administrative Agent at an account in New York designated by the Administrative Agent, not later than 1:00 p.m. New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day)."

2.19. Subsection (b) of Section 4.02 is amended to read in its entirety as follows:

"(b) the making, Conversion and Continuation of Revolving Loans, and the Conversion and Continuation of Series II Term Loans, of a particular Type (other than Conversions provided for by Section 5.04 hereof) shall be made pro rata among the relevant Banks according to the amounts of their respective Revolving Credit Commitments (in the case of making of Loans) or their respective Revolving Credit and Series II Term Loans (in the case of Conversions and Continuations of Loans);

2.20. Subsection (c) of Section 8.01 of the Credit Agreement is amended to read in its entirety as follows:

"(c) with each of the financial statements required to be delivered under Section 8.01(a) or 8.01(b) hereof, a certificate of an authorized financial or accounting officer of the Company, in form and substance satisfactory to the Administrative Agent setting forth (i) the Net Available Proceeds of each Disposition in excess of $5,000,000 that has occurred in the fiscal period to which such financial statements relate and (ii) the aggregate amount of Net Available Proceeds for each other Disposition in excess of $5,000,000 that has occurred in prior fiscal periods and for which no prepayment has been made pursuant to Section 2.10(c) hereof;".

2.21. Clause (i) of Section 8.09(d) of the Credit Agreement is amended to read in its entirety as follows: "[Intentionally omitted];".

2.22. Section 8.19 of the Credit Agreement is amended to read in its entirety as follows: "[Intentionally omitted]."

2.23. The first sentence of Section 10.09 of the Credit Agreement is amended to read in its entirety as follows:

"The Documentation Agent, the Syndication Agent and the Arranger identified on the cover page of this Agreement, or on the cover page of any amendment hereto, shall have no duties or responsibilities hereunder other than, in the case of the Documentation Agent and the Syndication Agent, as Banks hereunder."

2.24. Schedule I of the Credit Agreement is amended to read in its entirety as Schedule I hereto.

2.25. Exhibit A-1 is amended to read in its entirety as follows: "[Intentionally omitted]."

Section 3. Representations and Warranties. The Company represents and warrants to the Banks that (i) the representations and warranties set forth in Section 7 of the Credit Agreement are true and complete on the date hereof as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date) and as if each reference in said Section 7 to "this Agreement" included reference to this Amendment No. 1, (ii) after giving effect to the amendments in Section 2 of this Amendment No. 1, no Default shall have occurred and be continuing, (iii) the making and performance by the Company of this Amendment No. 1, and the Revolving Notes and Series II Term Notes delivered pursuant to Section 4.04 hereof, have been duly authorized by all necessary corporate action and (iv) this Amendment No. 1, and the Credit Agreement as amended by Amendment No. 1, constitute, and each of such Notes (when executed and delivered for value) will constitute, legal, valid and binding obligations of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4. Conditions 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 hereof, 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 each of the parties hereto.

4.02. Payment of Interest and Fees. Each Bank and Non-Continuing Bank shall have been paid in full all interest and fees accrued under the Credit Agreement to the Amendment No. 1 Effective Date (as defined in the Credit Agreement as hereby amended).

4.03. Reallocation. The Series II Term Loans shall have been prepaid under Section 2.09 of the Credit Agreement on November 1, 1996, but prior to the effectiveness of the amendments to the Credit Agreement set forth in Section 2 above, in an aggregate principal amount of $257,500,000; and immediately thereafter the Banks and the Non-Continuing Banks shall be deemed to have made and taken such assignments, as the case may be, of the remaining Series II Term Loans such that, after giving effect thereto, each Bank shall hold a Series II Term Loan in an aggregate principal amount set forth in opposite the name of such Bank in Schedule I hereto. In order to fund such assignments and thereby effect the reallocations of the Series II Term Loans, each Bank listed in Part A of Schedule III will pay on the Amendment No. 1 Effective Date to the Administrative Agent the amount set forth opposite such Bank's name in Part A of Schedule III, out of which aggregate amounts the Administrative Agent will pay on the Amendment No. 1 Effective Date to each Bank and Non-Continuing Bank listed in Part B of Schedule III the amount set forth opposite its name in Part B of Schedule III.

4.04. Notes. The Administrative Agent shall have received Revolving Notes and Series II Term Notes, duly completed and executed by the Company in exchange for the Revolving Notes and Series II Term Notes of the Company previously delivered pursuant to the Credit Agreement.

4.05. Documents. The Administrative Agent shall have received such other documents as the Administrative Agent or any Bank or special New York counsel to Chase may reasonably request.

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 GRUMMAN CORPORATION

By: Albert F. Myers
Title: Corporate Vice President & Treasurer

THE BANKS

THE CHASE MANHATTAN BANK

By: Richard C. Smith
Title: Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: Lori Kannegieter
Title: Managing Director

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: Diana H. Imhof
Title: Vice President