

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 29549

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

For the quarterly period ended March 31, 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 April 30, 1996 49,633,330 shares

Part I. Financial Information Northrop Grumman Corporation and Subsidiaries
Item 1. Financial StatementsCONSOLIDATED CONDENSED STATEMENTS
OF INCOME

| \$ in millions, except per share | Three months ended March 31 | |
|--|-----------------------------|---------|
| | 1996 | 1995 |
| Net Sales | \$1,603 | \$1,617 |
| Cost of sales | | |
| Operating costs | 1,273 | 1,299 |
| Administrative and general expenses | 191 | 201 |
| Operating margin | 139 | 117 |
| Other, net | 9 | 5 |
| Interest expense | (46) | (34) |
| Income before income taxes | 102 | 88 |
| Federal and foreign income taxes | 41 | 34 |
| Net income | \$ 61 | \$ 54 |
| Weighted average shares outstanding, in millions | 49.6 | 49.3 |
| Earnings per share | \$ 1.23 | \$ 1.10 |
| Dividends per share | \$.40 | \$.40 |

Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF FINANCIAL POSITION

| \$ in millions | March 31 1996 | December 31 1995 |
|---|------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 79 | \$ 18 |
| Accounts receivable, net of progress payments of \$2,541 in 1996 and \$2,426 in 1995 | 1,446 | 1,197 |
| Inventoried costs, net of progress payments of \$774 in 1996 and \$428 in 1995 | 996 | 771 |
| Deferred income taxes | 27 | 25 |
| Prepaid expenses | 76 | 61 |
| Total current assets | 2,624 | 2,072 |
| Property, plant and equipment | 3,422 | 2,900 |
| Accumulated depreciation | (1,744) | (1,724) |
| | 1,678 | 1,176 |
| Goodwill, net of amortization of \$77 in 1996 and \$63 in 1995 | 3,454 | 1,403 |
| Other purchased intangibles, net of amortization of \$46 in 1996 and \$36 in 1995 | 981 | 356 |
| Prepaid pension cost, intangible pension asset and benefit trust fund | 97 | 99 |
| Deferred income taxes | 502 | 255 |
| Investments in and advances to affiliates and sundry assets | 159 | 94 |
| | 5,193 | 2,207 |
| | \$9,495 | \$5,455 |

| \$ in millions | March 31 1996 | December 31 1995 |
|---|------------------|---------------------|
| Liabilities and Shareholders' Equity | | |
| Notes payable to banks | \$ | \$ 65 |
| Current portion of long-term debt | 250 | 144 |
| Trade accounts payable | 449 | 360 |
| Accrued employees' compensation | 275 | 203 |
| Advances on contracts | 195 | 98 |
| Income taxes payable, including deferred income taxes of \$438 in 1996 and \$471 in 1995 | 547 | 528 |
| Other current liabilities | 569 | 317 |
| Total current liabilities | 2,285 | 1,715 |
| Long-term debt | 3,951 | 1,163 |
| Accrued retiree benefits | 1,649 | 1,048 |
| Other long-term obligations | 47 | 23 |
| Deferred gain on sale/leaseback | 15 | 16 |
| Deferred income taxes | 43 | 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 -- 49,632,060; 1995 -- 49,462,615 | 276 | 272 |
| Retained earnings | 1,241 | 1,199 |

| | | |
|---------------------------------------|---------|---------|
| Unfunded pension losses, net of taxes | (12) | (12) |
| | 1,505 | 1,459 |
| | \$9,495 | \$5,455 |

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CASH FLOWS

| \$ in millions | Three months ended March 31 | |
|---|-----------------------------|--------|
| | 1996 | 1995 |
| Operating Activities | | |
| Sources of Cash | | |
| Cash received from customers | | |
| Progress payments | \$ 455 | \$ 618 |
| Other collections | 1,215 | 1,100 |
| Income tax refunds received | 5 | 6 |
| Other cash receipts | | 8 |
| Cash provided by operating activities | 1,675 | 1,732 |
| Uses of Cash | | |
| Cash paid to suppliers and employees | 1,419 | 1,505 |
| Interest paid | 19 | 23 |
| Income taxes paid | 7 | 11 |
| Other cash payments | | 2 |
| Cash used in operating activities | 1,445 | 1,541 |
| Net cash provided by operating activities | 230 | 191 |
| Investing Activities | | |
| Payment for purchase of Westinghouse ESG, net of cash acquired | (2,904) | |
| Additions to property, plant and equipment | (41) | (45) |
| Proceeds from sale of property, plant and equipment | 5 | 10 |
| Proceeds from sale of affiliate | | 3 |
| Other investing activities | 14 | (1) |
| Net cash used in investing activities | (2,926) | (33) |
| Financing Activities | | |
| Borrowings under lines of credit | 1,973 | 94 |
| Proceeds from issuance of long-term debt | 1,000 | |
| Repayment of borrowings under lines of credit | | (171) |
| Principal payments of long-term debt | (140) | (70) |
| Proceeds from issuance of stock | 4 | 1 |
| Dividends paid | (19) | (19) |
| Other financing activities | (61) | |
| Net cash provided by(used in) financing activities | 2,757 | (165) |
| Increase(decrease) in cash and cash equivalents | 61 | (7) |
| Cash and cash equivalents balance at beginning of period | 18 | 17 |
| Cash and cash equivalents balance at end of period | \$ 79 | \$ 10 |

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| \$ in millions | Three months ended March 31 | |
|---|-----------------------------|--------|
| | 1996 | 1995 |
| Reconciliation of Net Income to Net Cash | | |
| Provided by Operating Activities | | |
| Net income | \$ 61 | \$ 54 |
| Adjustments to reconcile net income to net cash provided | | |
| Depreciation | 47 | 53 |
| Amortization of intangible assets | 24 | 14 |
| Write-off of intangible asset | 10 | |
| Gain on disposals of property, plant and equipment | | (2) |
| Noncash retiree benefit income | (25) | (29) |
| Amortization of deferred gain on sale/leaseback | (1) | (1) |
| Decrease(increase) in | | |
| Accounts receivable | 137 | 260 |
| Inventoried costs | (75) | 12 |
| Prepaid expenses | 6 | 11 |
| Increase(decrease) in | | |
| Progress payments | (87) | (148) |
| Accounts payable and accruals | 91 | 30 |
| Provisions for contract losses | (4) | (96) |
| Income taxes | 46 | 33 |
| Net cash provided by operating activities | \$ 230 | \$ 191 |

Noncash Investing and Financing Activities

| | |
|-------------------------------|----------|
| Purchase of Westinghouse ESG | |
| Fair value of assets acquired | \$ 3,969 |
| Cash paid | (2,909) |
| Liabilities assumed | \$ 1,060 |

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Northrop Grumman Corporation and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY

| \$ in millions | Three months ended March 31 | |
|--|-----------------------------|---------|
| | 1996 | 1995 |
| Paid-in Capital | | |
| At beginning of year | \$ 272 | \$ 265 |
| Employee stock awards and options exercised, net of forfeitures | 4 | 1 |
| | \$ 276 | \$ 266 |
| Retained Earnings | | |
| At beginning of year | \$1,199 | \$1,026 |
| Net income | 61 | 54 |
| Cash dividends | (19) | (19) |
| | \$1,241 | \$1,061 |
| Unvested Employee Restricted Award Shares | \$ | \$ (1) |
| Unfunded Pension Losses, Net of Taxes | \$ (12) | \$ |

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Northrop Grumman Corporation and Subsidiaries

SELECTED INDUSTRY SEGMENT INFORMATION

| \$ in millions | Three months ended March 31 | |
|---|-----------------------------|----------|
| | 1996 | 1995 |
| Net Sales | | |
| Military and Commercial Aircraft | \$ 915 | \$ 1,027 |
| Electronics and Systems Integration | 453 | 458 |
| Other | 313 | 199 |
| Intersegment sales | (78) | (67) |
| | \$ 1,603 | \$ 1,617 |
| Operating Profit | | |
| Military and Commercial Aircraft | \$ 84 | \$ 90 |
| Electronics and Systems Integration | 45 | 28 |
| Other | 21 | 8 |
| Total operating profit | 150 | 126 |
| Adjustments to reconcile operating profit to operating margin: | | |
| Other income included above | | (4) |
| State and local income taxes | (6) | (7) |
| General corporate expenses | (30) | (27) |
| Retiree benefit cost included in contract costs | 28 | 47 |
| Retiree benefit cost | (3) | (18) |
| Operating margin | \$ 139 | \$ 117 |
| Contract Acquisitions | | |
| Military and Commercial Aircraft | \$ 699 | \$ 99 |
| Electronics and Systems Integration | 555 | 953 |
| Other | 3,030 | (63) |
| Intersegment acquisitions | (85) | (68) |
| | \$ 4,199 | \$ 921 |
| Military and Commercial Aircraft | \$ 6,682 | \$ 8,261 |
| Electronics and Systems Integration | 2,865 | 2,930 |
| Other | 3,038 | 343 |
| Intersegment backlog | (42) | (57) |

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Northrop Grumman Corporation and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission. They do not include all information and notes necessary for a complete presentation of financial position, results of operations, changes in shareholders' equity, and cash flows in conformity with generally accepted accounting principles. They do, however, in the opinion of management, include all adjustments (all of which were normal recurring accruals) necessary for a fair statement of the results for the periods presented. The financial statements should be read in conjunction with the Notes and Independent Auditors' Report contained in the company's 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 assigned to identifiable intangible assets and the balance to goodwill with amortization on a straight-line basis over weighted average periods of nine years and 40 years, respectively.

The business acquired will be 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 are not necessarily indicative of future operating results for Northrop Grumman.

Three months ended March 31

| \$ in millions, except per share | 1996 | 1995 |
|----------------------------------|---------|---------|
| Sales | \$1,850 | \$2,096 |
| Net Income | 41 | 23 |
| Earnings per share | .82 | .47 |

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Inventories

The company's inventories consist primarily of work in process related to long-term contracts with customers; therefore further breakdown is considered inapplicable.

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. Concurrent with this debt issuance the company entered into a Registration Rights Agreement with the initial purchasers of the debt instruments requiring the company to file a registration statement with the Securities and Exchange Commission offering to exchange the debt instruments for registered securities of like kind and maturities. The registration statement must be filed and become effective by June 30, 1996 or the interest rate for each issued security is increased by 1/2 of one percent.

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; 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 March 31, 1996, \$600 million was outstanding under the revolving credit facility along with the \$2 billion under the term loan facilities.

The company will pay, quarterly, a facility fee and, at least quarterly, interest based on the company's outstanding debt and credit rating or 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.

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

On March 1, 1996, Northrop Grumman completed the acquisition of the defense electronics and systems business of Westinghouse Electric Corporation. The business acquired will be operated as a division of the company and has been designated the Electronic Sensors and Systems Division (ESSD).

Northrop Grumman results for the first quarter include ESSD operations from the date of the acquisition. Financial data for ESSD is included in the "Other" industry segment along with the operating results for those programs formerly reported in the missiles and unmanned vehicles segment and the data systems and other services segment. The company is in the process of evaluating segment reporting; reclassifications, as appropriate, will be reflected in the second quarter. Comparative results for 1995 do not include ESSD data.

Sales for the quarter ended March 31, 1996 were at the same level as recorded in the first quarter of 1995. Without the ESSD acquisition, sales would have declined 13 percent.

Military and commercial aircraft (MCA) segment sales decreased because of lower overall revenues on the B-2 and F/A-18 programs and decreased revenue on Boeing jetliners due to fewer deliveries.

Sales in the other segment increased due to \$200 million of sales for ESSD which more than offset lower revenues from the balance of programs in this segment.

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

| \$ in millions | 1996 | 1995 |
|------------------|---------|---------|
| B-2 | \$ 432 | \$ 456 |
| E-8 Joint STARS | 136 | 146 |
| Boeing Jetliners | 103 | 140 |
| E-2 | 121 | 60 |
| F/A-18 C/D | 96 | 62 |
| F/A-18 E/F | 55 | 119 |
| ECM | 78 | 75 |
| C-17 | 71 | 67 |
| BAT | 26 | 19 |
| All Other | 485 | 473 |
| | \$1,603 | \$1,617 |

| Units | 1996 | 1995 |
|------------|------|------|
| F/A-18 C/D | 13 | 8 |
| 747 | 5 | 6 |
| F/A-18 E/F | 2 | |
| C-17 | 2 | 2 |
| B-2 | 2 | 1 |

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The amount and rate of operating margin earned on sales during the first quarter of 1996 increased as compared with comparable figures for

1995. While ESSD contributed to the increased amount of margin, the amortization of goodwill and other purchased intangibles related to this acquisition limited the overall rate increase. Operating profit earned by the MCA segment improved during the first quarter due to the benefit from the delivery of two B-2's versus one in the first quarter of 1995, and increased operating margin on the Boeing 747 jetliner and C-17 military transport programs. These increases were more than offset by \$7 million in expenditures for ongoing company sponsored research and development on commercial aerostructures versus none in the first quarter of 1995, and a \$25 million charge related to the nacelles work the company performed for Fokker Aircraft N.V., which declared bankruptcy in March 1996. The charge related to Fokker included \$15 million for costs to terminate the program and \$10 million to write-off associated intangibles which were recorded in connection with the acquisition of Grumman Corporation in 1994. The results for the first quarter of 1995 included a \$4 million charge as a result of an arbitration ruling related to the F/A-18.

The TSSAM development contract on which the company had experienced major losses was terminated for the convenience of the U.S. Government in the first quarter of 1995. The company had recorded losses in excess of \$600 million over the preceding seven years. The company is unable to predict whether it will realize some or all of its claims pending with the U.S. Government related to the TSSAM contract, however, as previously stated, it does not expect the termination of the program to have a material adverse financial impact on the company.

The electronics and systems integration segment operating profit increased primarily as a result of a higher rate of operating margin on increased revenues on the E-2 Hawkeye program.

Other income for the first quarter of 1996 included a \$4 million gain from the early retirement of notes payable which were due in 1999.

Interest expense in this year's first quarter was \$12 million higher than the corresponding period of 1995 following the \$1 billion increase in average debt outstanding between the two years' first quarters. The increase in debt resulted from the new borrowings used to finance the acquisition of ESSD.

The company's effective tax rate was 40.2 percent for the first quarter of 1996 versus 38.6 percent for the comparable period in 1995. The change in the rate for 1996 was caused by an increase in the amount of expenses not deductible for income taxes, which includes a portion of the amortization of goodwill associated with the ESSD acquisition.

During the quarter, \$230 million of cash was generated from operations versus \$191 million in last year's first quarter, and was more than sufficient to finance capital expenditures and dividends. The company's liquidity and financial flexibility will continue to be provided by cash flow generated from operating activities, which is not expected to continue for the balance of this year at the level achieved in the first quarter, supplemented by the unused borrowing capacity available under the company's credit agreement and other short term credit facilities.

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Part II OTHER INFORMATION
Item 1. Legal Proceedings

False Claims Act Litigation

In the first quarter of 1996, a jury trial commenced with respect to the remaining issues in the litigation described in the Company's Annual Report on Form 10-K for 1995 entitled U.S. ex rel David Peterson and Jeff Kroll v. Northrop Corporation. The government has asserted three separate claims totalling approximately \$13.5 million, including a claim for alleged mischarging of approximately \$12 million in violation of the False Claims Act. Damages awarded under the False Claims Act are subject to doubling or trebling and possible additional penalties including disallowance of attorneys' fees. The Company denies the material allegations of the claims and is vigorously defending the action.

U.S. Government Investigation

On March 19, 1996, the United States Attorney's office advised the Company that it has declined criminal prosecution in connection with the Grand Jury investigation of the F/A-18 and Targets Programs.

Item 2. Changes in Securities

The amended Credit Agreement restricts the payment of dividends (other than dividends payable solely in stock of the Company), stock repurchases

and other distributions. Subject to certain adjustments with respect to stock repurchases, the general effect of these restrictions is that distributions subsequent to January 1, 1996 may not exceed the sum of \$225 million plus 80% of net income (or minus 100% of consolidated net loss) for the period subsequent to January 1, 1996, and may not be made if they would cause the company to exceed specified leverage ratios (which decline from 76% through December 30, 1996 to 60% on December 31, 2000 and thereafter) or if at the time of such distribution and immediately thereafter a default has occurred as defined in the Credit Agreement

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10(a) Indemnification Agreement
Exhibit 11. Statement re Computation of Per Share Earnings
Exhibit 27. Financial Data Schedule

(b) A report on Form 8-K was filed with the Securities and Exchange Commission on February 28, 1996 which provided a Form of Subordinated Indenture as an Exhibit to its Registration Statement on Form S-3 (No. 33-55143)

(c) A report on Form 8-K was filed with the Securities and Exchange Commission on March 18, 1996 regarding the acquisition from Westinghouse Electric Corporation of substantially all of the assets of its Electronics Systems Group

SIGNATURES

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

Northrop Grumman Corporation (Registrant)

Date: May 14, 1996 by/s/N. F. Gibbs
Nelson F. Gibbs
Vice President and Controller

Date: May 14, 1996 by/s/James C. Johnson
James C. Johnson
Vice President and Secretary

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Northrop Grumman Corporation and Subsidiaries

EXHIBIT 11 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS (in thousands, except per share)

| Primary: | Three months ended March 31 | |
|----------------------------|-----------------------------|-----------|
| | 1996 | 1995 |
| Average shares outstanding | 49,573 | 49,268 |
| Common stock equivalents | 1,337 | 833 |
| Totals | 50,910 | 50,101 |
| Net income | \$ 60,745 | \$ 54,122 |
| Earnings per share(1) | \$ 1.19 | \$ 1.08 |
| Fully diluted: | | |

| | | |
|----------------------------|-----------|-----------|
| Average shares outstanding | 49,573 | 49,268 |
| Common stock equivalents | 1,349 | 1,065 |
| Totals | 50,922 | 50,333 |
| Net income | \$ 60,745 | \$ 54,122 |
| Earnings per share(1) | \$ 1.19 | \$ 1.08 |

(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%.

3-MOS

| | DEC-31-1996 | MAR-31-1996 |
|-------|-------------|-------------|
| | | 79 |
| | 0 | |
| | 1,515 | |
| | 69 | |
| | 996 | |
| | 2,624 | |
| | | 3,422 |
| | 1,744 | |
| | 9,495 | |
| 2,285 | | 3,951 |
| 0 | | 0 |
| | | 276 |
| | | 1,229 |
| 9,495 | | 1,603 |
| | 1,603 | |
| | | 1,464 |
| | 1,464 | |
| | (9) | |
| | 0 | |
| | 46 | |
| | 102 | |
| | | 41 |
| 61 | | 0 |
| | 0 | |
| | | 0 |
| | | 61 |
| | 1.23 | |
| | 1.23 | |

INDEMNIFICATION AGREEMENT

This Agreement, dated this ____ day of _____, 199__ between Northrop Grumman Corporation, a Delaware corporation (the "Corporation"), and ("Indemnitee").

WHEREAS, it has come to the attention of the Board of Directors of the Corporation (the "Board") that in certain circumstances highly competent persons have recently become more reluctant to serve publicly-held corporations as directors, officers or in other capacities unless they are provided with adequate protection from the risk of liability due to claims and actions against them arising out of their service to and activities on behalf of such corporations; and

WHEREAS, it has also come to the attention of the Board that, in this regard, the current difficulty of obtaining adequate liability insurance and the uncertainties related to indemnification for directors and officers have increased the difficulty of attracting and retaining such highly competent persons; and

WHEREAS, the Board has determined that the inability to attract and retain such highly competent persons is detrimental to the best interests of the Corporation and its stockholders and that persons serving the Corporation should be assured they will have adequate protection from certain liabilities; and

WHEREAS, it is reasonable, prudent and necessary for the Corporation to obligate itself contractually to indemnify such persons to the fullest extent permitted by applicable law, so that such persons will serve or continue to serve the Corporation, free from undue concern that they will not be adequately indemnified; and

WHEREAS, the Corporation's stockholders have approved the form of this Agreement and have authorized the Corporation to enter into this Agreement with certain persons, including Indemnitee; and

WHEREAS, this Agreement is a supplement to and in furtherance of any rights granted under the Certificate of Incorporation of the Corporation, or Article V of the Bylaws of the Corporation, and any resolutions adopted pursuant thereto, and shall not be deemed to be a substitute therefor nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee is willing to serve the Corporation in the capacity or capacities in which he serves, continue so to serve and, if appropriate, to take on additional service for or on behalf of the Corporation on the condition that he be indemnified according to the terms of this Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Corporation and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions.

For purposes of this Agreement:

(a) "Change in Control" means a change in control of the Corporation, occurring after the Effective Date, which would be required to be reported in response to Item 6(e) of Schedule 14A under Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), whether or not the Corporation is then subject to such reporting requirement. Without limiting the generality of the foregoing, a Change in Control shall be deemed to have occurred if, after the Effective Date: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities without the prior approval of at least two-thirds of the members of the Board in

office immediately prior to such person attaining such percentage interest; (ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

(b) "Corporate Status" means the status of a person who is or was a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Corporation.

(c) "Disinterested Director" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Effective Date" means _____, 199__.

(e) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(f) "Independent Counsel" means an attorney, a law firm, or a member of a law firm, who (or which) is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or Indemnitee in any other matter material to either such party; or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(g) "Proceeding" means any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 11 of this Agreement to enforce his rights under this Agreement.

Section 2. Services by Indemnitee.

Indemnitee agrees to serve as a [director/officer/employee/agent/fiduciary] of the Corporation and, at its request, as a director, officer, employee, agent or fiduciary of certain other corporations and entities. Indemnitee may at any time and for any reason resign from any such position (subject to any other contractual obligation or any obligation imposed by operation of law).

Section 3. Indemnification - General.

Subject to the provisions of Section 12(c), the Corporation shall indemnify, and advance Expenses to, Indemnitee as provided in this Agreement to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit, whether the actions or omissions (or alleged actions or omissions) of Indemnitee giving rise to such indemnification (including the advancing of Expenses) occurs or occurred before or after the Effective Date. The rights of Indemnitee provided under the preceding sentence shall include, but shall not be limited to, the rights set forth in the other Sections of this Agreement.

Section 4. Proceedings Other Than Proceedings by or in the Right of the Corporation.

Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he is, or is threatened to be made, a party to any threatened, pending, or completed Proceeding, other than a Proceeding by or in the right of the Corporation.

Pursuant to this Section, Indemnitee shall be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 5. Proceedings by or in the Right of the Corporation.

Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in its favor. Pursuant to this Section, Indemnitee shall be indemnified against Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in any such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Corporation if applicable law prohibits such indemnification; provided, however, that if applicable law so permits, indemnification against Expenses shall nevertheless be made by the Corporation in such event if, and only to the extent that, the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall so determine.

Section 6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful.

Notwithstanding any other provision of this Agreement (other than Section 12(c)), to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For the purposes of this Section and without limiting the foregoing, the termination of any claim, issue or matter in any such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 7. Indemnification for Expenses of a Witness.

Notwithstanding any other provision of this Agreement (other than Section 12(c)), to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 8. Advancement of Expenses.

The Corporation shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty days after the receipt by the Corporation of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses.

Section 9. Procedure for Determination of Entitlement to

Indemnification.

(a) To obtain indemnification under this Agreement in connection with any Proceeding, and for the duration thereof, Indemnitee shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Corporation shall, promptly upon receipt of any such request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 9(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in such case: (i) if a Change in Control shall have occurred, by Independent Counsel (unless Indemnitee shall request that such determination be made by the Board or the stockholders, in which case in the manner provided for in clause (ii) or (iii) of this Section 9(b) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; (ii) if a Change of Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of Disinterested Directors, or (B) if a quorum of the Board consisting of Disinterested Directors is not obtainable, or even if such quorum is obtainable, if such quorum of Disinterested Directors so directs, either (x) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (y) by the stockholders of the Corporation, as determined by such quorum of Disinterested Directors, or a quorum of the Board, as the case may be; or (iii) if necessary, as provided in Section 10(b). If it is so determined that Indemnitee is entitled to Indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including without limitation providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(c) If required, Independent Counsel shall be selected as follows: (i) if a Change of Control shall not have occurred, Independent Counsel shall be selected by the Board, and the Corporation shall give written notice to Indemnitee advising him of the identity of Independent Counsel so selected; or (ii) if a Change of Control shall have occurred, Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event (i) shall apply), and Indemnitee shall give written notice to the Corporation advising it of the identity of Independent Counsel so selected. In either event, Indemnitee or the Corporation, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Corporation or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within twenty days after submission by Indemnitee of a written request for indemnification pursuant to Section 9(a), no Independent Counsel shall have been selected and not objected to, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware, or any other court of competent jurisdiction, for resolution of any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or for appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom an objection

is so resolved or the person so appointed shall act as Independent Counsel under Section 9(b). The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with its actions pursuant to this Agreement, and the Corporation shall pay all reasonable fees and expenses incident to the procedures of this Section 9(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement date of any judicial proceeding pursuant to Section 11(a)(iii), Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 10. Presumptions and Effects of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9(a), and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to the presumption.

(b) If the person, persons or entity empowered or selected under Section 9 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith require(s) such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 10(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 9(b) and if (A) within fifteen days after receipt by the Corporation of the request for such determination, the Board has resolved to submit such determination to the stockholders for their consideration at an Annual Meeting thereof to be held within 75 days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called as provided in the Corporation's Certificate of Incorporation and under applicable law within 30 days after such receipt for the purpose of making such determination (which 30-day period may be extended for reasonable periods not to exceed an additional 30 days in order to ensure compliance with all applicable laws), such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, it being understood that provisions of this Agreement shall not obligate the Corporation to call such a special meeting, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9(b).

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

Section 11. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 9 that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8, (iii) the determination of entitlement to indemnification is to be made by Independent

Counsel pursuant to Section 9(b) and such determination shall not have been made and delivered in a written opinion within 90 days after receipt by the Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 within ten days after receipt by the Corporation of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 9 or 10, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advancement of Expenses. The Corporation shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 9 that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section shall be conducted in all respects as a de novo trial on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding commenced pursuant to this Section, the Corporation shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made or deemed to have been made pursuant to Section 9 or 10 that Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to this Section, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law.

(d) The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement.

(e) In the event that Indemnitee, pursuant to this Section, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the kinds described in the definition of Expenses) actually and reasonably incurred by him in such judicial adjudication, but only if he prevails therein. If it shall be determined in such judicial adjudication that Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

Section 12. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation or Bylaws of the Corporation, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to Indemnitee with respect to any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

(b) To the extent that the Corporation maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Corporation, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies.

(c) If any policy referred to in Section 12(b) (or any other policy which may provide coverage to Indemnitee) contains a provision which eliminates coverage under such policy to the extent of the Corporation's contractual obligations of indemnification, the Corporation shall have no obligations hereunder to the extent that Indemnitee shall have been afforded coverage under such policy.

(d) In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

(e) The Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 13. Duration of Agreement.

This Agreement shall continue until and terminate upon the later of: (a) ten years after the date that Indemnitee shall have ceased to serve as a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Corporation; or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 11. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

Section 14. Severability.

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself held invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including without limitation each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself held invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 15. Exception to Right of Indemnification or Advancement of Expenses.

Except as provided in Section 11(e), Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement with respect to any Proceeding, or any claim therein, brought or made by him against the Corporation.

Section 16. Settlement.

The Corporation shall have no obligation to indemnify Indemnitee hereunder for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent, which shall not be unreasonably withheld.

Section 17. Identical Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart, signed by the party against whom enforceability is sought, may constitute evidence of the existence of this Agreement.

Section 18. Headings.

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 19. Modification and Waiver.

No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 20. Notice by Indemnatee.

Indemnatee agrees to notify the Corporation promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder.

Section 21. Notices.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom such notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnatee, to:

(b) If to the Corporation, to:

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067-2199

Attention: James C. Johnson
Corporate Vice President and Secretary

or to such other address as may have been furnished to Indemnatee by the Corporation or to the Corporation by Indemnatee, as the case may be.

Section 22. Governing Law.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws in effect in the State of Delaware.

Section 23. Miscellaneous.

Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

NORTHROP GRUMMAN CORPORATION

INDEMNITEE

Kent Kresa
Chairman, President and
Chief Executive Officer