



Northrop Grumman Suspends Work on Project America

October 25, 2001

LOS ANGELES, Oct. 25, 2001 -- Northrop Grumman Corporation (NYSE:NOC) announced today that, effective immediately, it has suspended all work on Project America, a cruise ship program to build two 1,900-passenger cruise ships at its Pascagoula, Miss., Ingalls Operation. Approximately 1,250 of the 1,600 full-time employees assigned to the project will be affected by this suspension. An additional 500 subcontractor employees could also be affected.

American Classic Voyages Company (Nasdaq:AMCVQ), the parent of Project America, filed for Chapter 11 bankruptcy protection on Oct. 19, following the tragic events of Sept. 11 and their impact on the tourism industry. As previously stated, Northrop Grumman said that ongoing work on the program was subject to Project America's ability to secure immediate financing for the balance of the contract. The completion of this financing was contingent upon U.S. Maritime Administration loan guarantees.

"Unfortunately, to date the U.S. Maritime Administration has decided not to continue the guaranteed funding necessary for the construction of the ships," said Phil Dur, corporate vice president and president of Northrop Grumman's Ship Systems sector. "So it is with sincere regret and a deep feeling of disappointment that we discontinue work on this contract."

Northrop Grumman will continue its efforts with the U.S. Maritime Administration to obtain guaranteed funding for Project America. As previously announced, the company said it would report a charge to operating margin of approximately \$60 million if Project America cannot secure funding and the contract is terminated.

Dur added that the decision follows more than six months of sustained effort by Northrop Grumman to continue work on the first cruise ships to be built in the U.S. in more than 40 years.

Currently, the first cruise ship is 40 percent complete, and 55 percent erected. Approximately 91 percent of the production material has been committed.

Dur said Northrop Grumman's intention is to transfer as many of the affected Ship Systems employees as possible to other shipbuilding projects, although there would be significant layoffs if the suspension leads to a contract termination. All permanent workforce reductions would be implemented in accordance with the company's labor agreement and policies.

Northrop Grumman Corporation is a \$15 billion, global aerospace and defense company with its worldwide headquarters in Los Angeles. Northrop Grumman provides technologically advanced, innovative products, services and solutions in defense and commercial electronics, systems integration, information technology and non-nuclear shipbuilding and systems. With 80,000 employees and operations in 44 states and 25 countries, Northrop Grumman serves U.S. and international military, government and commercial customers.

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