

NEWS

NORTHROP GRUMMAN



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For Immediate Release

Northrop Grumman to Split \$8.4 Billion Submarine Contract With General Dynamics

NEWPORT NEWS, Va. -- Jan. 30, 2004 -- Northrop Grumman Corporation (NYSE: NOC) said it will share a newly announced \$8.4 billion multiyear contract to produce five *Virginia*-class submarines for the U.S. Navy.

The contract, awarded yesterday to a team consisting of the company's Newport News sector and the General Dynamics Electric Boat division, replaces the six-ship block-buy contract announced on Aug. 14, 2003.

"The action to convert this contract from a block buy to a multiyear one is significant because it provides stability to the industrial base, which includes our suppliers and our workforce, and results in production efficiencies for our Navy customer," said Tom Schievelbein, Northrop Grumman corporate vice president and president of the Newport News sector.

"The efforts of the Virginia, Connecticut and Rhode Island congressional delegations were important on this contract and we greatly appreciate their leadership," added Schievelbein.

This contract enables both builders to leverage economies of scale by purchasing materials, parts and components for multiple ships at one time.

The contract also includes the construction of a sixth *Virginia*-class submarine that was authorized in fiscal year 2003. Because this ship is already under construction, it is not part of the multiyear agreement.

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Northrop Grumman Newport News and General Dynamics Electric Boat reached a teaming agreement in 1997 to cooperatively build the Navy's *Virginia*-class submarines. Under the agreement the shipbuilders are equal team members. Each shipbuilder constructs designated parts of each submarine and then alternates final assembly, testing, outfitting and delivery of every other ship.

The lead ship of the class, *Virginia*, was christened last August and will be commissioned later this year. The second ship, *Texas*, will be christened this summer at Northrop Grumman's Newport News sector and will be delivered in 2005. The third and fourth ships of the class, respectively named *Hawaii* and *North Carolina*, are currently under construction at both yards.

Northrop Grumman Newport News, headquartered in Newport News Va., is the nation's sole designer, builder, and refueler of nuclear-powered aircraft carriers and one of only two companies capable of designing and building nuclear powered submarines. Newport News also provides after-market services for a wide array of naval and commercial vessels. The Newport News sector employs about 18,000 people.

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