Boeing to Acquire Hughes' Space and Communications Businesses

Solidifies Boeing's position as the leader in integrated space-based information and communications

Increases Boeing's space and communications business revenues and earnings by 35% in 2001; accretive in the first year of combined operations

Provides excellent strategic fit with substantial synergies

Expands growth opportunities in classified government programs, space-based air traffic management and broadband delivery systems for mobile platforms

The Boeing Company (NYSE: BA) and Hughes Electronics Corporation (NYSE: GMH) today announced that Boeing will acquire Hughes' space and communications business and related operations for a value of $3.75 billion in cash.

This transaction will boost Boeing's space and communications revenues and earnings by more than a third and will provide for significant future growth. It will be accretive to earnings per share in its first full year of operations, 2001. The Hughes businesses, which anticipate 1999 revenues of $2.3 billion, when added to Boeing's space and communications operations, will initially create an entity with annual revenues approaching $10 billion.

"Boeing intends to be number one in space. This acquisition is a significant step forward in executing our goal of becoming the industry leader in integrated, space-based information and communications," said Phil Condit, Boeing chairman and chief executive officer. "It is an excellent strategic fit with substantial synergies."

Industry projections indicate that the space and communications market will grow from its current $40 billion to $120 billion annually by 2010, primarily driven by growth in commercial and government information and communications systems and services. Boeing is focusing its growth in space and communications in areas that include classified government program opportunities, new space-based air traffic management systems, the movement of broadband information on and off mobile platforms, and integrated military battlefield and defense systems.

Hughes is the technological world leader in space-based communications, reconnaissance, surveillance and imaging systems. It is also the world's leading manufacturer of communications satellites, having built nearly 40 percent of those in operation. Hughes currently has a backlog of more than 36 satellites valued at more than $4 billion.

Under the definitive agreement, Boeing also will acquire Hughes Electron Dynamics, a leading supplier of electronic components for satellites, and Spectrolab, a premier provider of solar cells and panels for satellites. The three businesses have a combined workforce of about 9,000 employees, primarily in the Los Angeles area. Boeing is currently the largest private employer in California with a workforce of 36,700. Today's transaction is subject to regulatory and government reviews and is expected to be finalized by the end of the second quarter.

The new business unit, to be named Boeing Satellite Systems, will be part of Boeing's Space and Communications group, led by President Jim Albaugh. Boeing Satellite Systems will be headquartered in El Segundo, Calif., under the leadership of Tig Krekel, currently the president of Hughes Space and Communications.

"We've worked closely with the Hughes organization over the past several years and are well acquainted with their technological prowess," Albaugh said. "With the talent Tig and his group will bring to our team, Boeing will have an unmatched capability to integrate space, air and terrestrial information, and communications systems."

Boeing's Space and Communications group features an array of advanced technology products in four major markets: launch services, information and communications, human space flight and exploration, and missile defense and space control. Boeing is NASA's leading contractor, the lead integrator for the 16-nation International Space Station, the builder of the Delta family of launch vehicles and the lead systems integrator for the National Missile Defense program. It also designs and builds advanced Rocketdyne rocket propulsion systems and is developing the next generation of global positioning system satellites, known as GPS IIF. Boeing is a partner in Sea Launch, the four-nation joint venture that launches satellites from a floating platform in the Pacific near the equator.

The Boeing Company, headquartered in Seattle, is the largest aerospace company in the world and the United States' leading exporter. It is the world's largest manufacturer of commercial jetliners and military aircraft, and the largest NASA contractor. The company's capabilities in aerospace also include rotorcraft, electronic and defense systems, missiles, rocket engines, launch vehicles, and advanced information and communication systems. The company has an extensive global reach with customers in 145 countries and manufacturing operations throughout the United States, Canada and Australia. At year-end 1999, Boeing and its subsidiaries employed 197,100 people.

Forward-Looking Information Is Subject to Risk and Uncertainty
Certain statements in this release contain "forward-looking" information that involves risk and uncertainty, including projections

for revenues, earnings, earnings per share, market growth, completion of government and regulatory reviews and receipt of necessary approvals, statements regarding goals, and other trend projections. This forward-looking information is based upon a number of assumptions including assumptions regarding demand; internal performance; customer, supplier and subcontractor performance; and government policies and actions. Actual future results and trends may differ materially depending on a variety of factors, including the company's successful execution of internal performance plans including research and development, production system initiatives, asset management plans, procurement plans, and other cost-reduction efforts; the cyclical nature of the company's business, volatility of the market for certain products, future integration of Hughes' space and communications business and related operations; product performance risks; action by regulatory agencies in regard to the proposed acquisition, and other regulatory uncertainties; collective bargaining labor disputes; performance issues with key suppliers, subcontractors and customers; governmental export and import policies; global trade policies; worldwide political stability and economic conditions; changing priorities or reductions in the U.S. Government or foreign government defense and space budgets; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings. Additional information regarding these factors is contained in the company's Annual Report on Form 10-K for the year ended 1998 and Form 10-Q for the quarterly period ended September 30, 1999.

Presentation

Backgrounders:

- Hughes Space and Communications
- Hughes Electron Dynamics
- Hughes Spectrolab
- Boeing Space and Communications

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