

## **Boeing Concludes Acquisition of Hughes' Space and Communications Businesses**

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Creates world's largest space company, with space-related revenues approaching \$10 billion

Fuels Boeing's move into information and communications services

Represents strategic fit with substantial synergies providing for future growth

The Boeing Company (NYSE: BA) today completed its acquisition of Hughes Electronics Corporation's space and communications business and related operations.

The acquisition makes Boeing the world's largest space company, boosts its space-related revenues and provides for significant future growth in information and communications products and services, which has been identified as a major growth area for Boeing in the coming decade.

The resulting entity, called Boeing Satellite Systems, Inc. creates a pre-eminent satellite-based information and communications company with nearly 9,000 employees, mostly based in Southern California.

"Today marks the beginning of a new era for Boeing," said Phil Condit, Boeing chairman and chief executive officer. "Prior to the acquisition, Boeing had an impressive space and communications presence and a tremendous potential for growth. Today, we are stronger and more prepared than ever to capitalize on the opportunities available in the marketplace and to open new frontiers."

The smallest of the three Boeing business units today, S&C is also the one with the highest growth potential in the new information-based economy.

Industry projections indicate that the space and communications market will grow significantly over the next 10 years, primarily driven by expansion in commercial and government information and communications systems and services. Boeing is focusing its growth in space and communications in areas that include broadband information delivery to travelers, new space-based air traffic management systems, classified government program opportunities, and integrated military battlefield and defense systems.

The Hughes acquisition is a key part of Boeing's growth strategy. Traditionally recognized as the technological world leader in space-based communications, reconnaissance, surveillance and imaging systems, Hughes Space and Communications is also the world's leading manufacturer of commercial communications satellites. Its current backlog of more than 36 satellites valued at more than \$5 billion transfers to Boeing.

In addition to Hughes Space and Communications, included in the acquisition are: Hughes Electron Dynamics, a leading supplier of electronic components for satellites; Spectrolab, a premier provider of solar cells and panels for satellites; and a 50-percent share of HRL Laboratories, a world-renowned research center owned jointly with Raytheon.

"When Hughes Electronics Corp. first approached us about the possibility of acquiring its space and communications operations, we recognized the tremendous value of the talent in that organization, and we realized that this acquisition was an excellent opportunity for The Boeing Company, on many levels," said Jim Albaugh, president of Boeing Space & Communications Group.

"The intellectual capital this team brings to the table will help us achieve our growth goals and will give us unmatched capability to integrate space, air and terrestrial information and communications systems to provide seamless services," he added.

As examples of the company's strategic move into such services, Albaugh cited: Connexion by Boeing, an airplane-based Internet initiative that promises to change the way people travel by keeping them in touch in the new mobile economy; satellite-based navigation and air traffic management, which can make flying safer and more efficient; and decision aids like battle management and logistics tracking that will enable customers to protect and maximize use of assets.

Boeing Satellite Systems is part of the Boeing Space and Communications Group, led by Albaugh. Boeing Satellite Systems is headquartered in El Segundo, Calif., under the leadership of Tig H. Krekel, formerly president and chief executive officer of Hughes Space and Communications Company.

"The businesses that now comprise Boeing Satellite Systems have a long history of creating new technologies that enable exciting market breakthroughs. The successful direct-to-home satellite television business is just one example of what the expertise in Boeing Satellite Systems can develop," said Tig H. Krekel, president of Boeing Satellite Systems. "This expertise, combined with Boeing's existing large systems prowess, can create many next-generation businesses."

Boeing's existing 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.

Boeing Satellite Systems is the world's leading manufacturer of commercial communications satellites. BSS also supplies spacecraft for communications and space exploration to the U.S. government, and builds weather satellites for the United States and Japan.

Boeing Satellite Systems will be operated as a wholly owned subsidiary. Under agreements with the FTC and the EC, Boeing will establish certain firewalls to ensure both the confidentiality of launch vehicle information that is provided to Boeing Satellite Systems by various launch service providers and satellite information provided by various manufacturers to Boeing's Expendable Launch Systems unit.

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; 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 1999 and Form 10-Q for the quarterly period ended June 30, 2000.

For more information, visit the Boeing Satellite Systems website.

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