Boeing, Hughes Adjust Purchase Price in 2000 Sale of Satellite Manufacturing Operations

Boeing [NYSE:BA] and Hughes Electronics Corporation agreed to a purchase price adjustment stemming from the October 2000 Boeing acquisition of Hughes' satellite manufacturing operations.

Under the terms of the agreement, Hughes will pay an aggregate $360 million in cash to Boeing as partial refund on the original $3.75 billion purchase price for the Hughes satellite manufacturing operations, renamed Boeing Satellite Systems (BSS). These payments are expected to have no material impact on the company's 2003 earnings.

The agreement settles all outstanding purchase price adjustment disputes between the companies stemming from the transaction.

In connection with the settlement, BSS and the Hughes Electronics subsidiary Hughes Network Systems (HNS) agreed to restructure the contract under which BSS is building the Spaceway broadband satellite system. The restructured contract revises certain schedule, technical and insurance provisions.

"We are pleased to put these matters behind us and look forward to our continued productive partnership with Hughes, including next year's launch of the first Hughes Spaceway satellite," said Dave Ryan, vice president and general manager of BSS. "This mutually acceptable restructuring of the Spaceway contract serves to emphasize that Boeing and Hughes are continuing to work together closely to achieve program success."

Hughes will also release Boeing from its agreement to defray certain Hughes expenses in connection with the two companies' settlement with the U.S. Department of State regarding the China launch issues of the mid-1990s.

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses. Headquartered in St. Louis, Boeing Integrated Defense Systems is a $25 billion business. It provides systems solutions to its global military, government and commercial customers. It is a leading provider of intelligence surveillance and reconnaissance; the world's largest military aircraft manufacturer; the world's largest satellite manufacturer and a leading provider of space-base communications; the primary systems integrator for U.S. missile defense; NASA's largest contractor; and a global leader in launch services.

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