

McDonnell Douglas Financial Information 3rd Quarter 1995

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ST. LOUIS, Oct. 18, 1995 -- McDonnell Douglas reported record earnings today for the third quarter, led by another solid performance in the military aircraft segment. Operating earnings for the third quarter also remained strong and were at a record level for the first nine months of 1995.

Net earnings for the third quarter of 1995 were \$192 million, an increase of 19 percent over earnings of \$161 million in 1994's third quarter. Earnings per share were \$1.70 for the 1995 third quarter, a 25 percent increase over the \$1.36 per share in 1994's third quarter.

Net earnings for the first nine months of 1995 were \$520 million, an increase of 20 percent over earnings of \$433 million in 1994's first nine months. Earnings per share were \$4.56 for the 1995 nine month period, a 25 percent increase over the \$3.66 per share in the 1994 nine month period.

Operating earnings for the third quarter of 1995 were \$295 million, a 15 percent increase over the 1994 third quarter operating earnings of \$257 million. Operating earnings for the first nine months of 1995 were \$888 million, a 15 percent increase over the same period in 1994 -- and a record first nine month period.

Cash used by aerospace operations in the 1995 third quarter was about \$75 million, prior to reductions of \$83 million used by McDonnell Douglas to purchase one million shares of its common stock. Through September 30, 1995, McDonnell Douglas has acquired 6.9 million shares, or about six percent, of its common stock. The stock purchase is part of a shareholder value initiative announced by the corporation early in the fourth quarter of 1994.

Total revenue was \$3.346 billion in 1995's third quarter, compared to \$3.461 billion in the same period of 1994. Revenue for the first nine months of 1995 totaled \$10.601 billion, compared to \$9.664 billion for this period in 1994. Most of the increase in 1995 was associated with higher deliveries in the commercial aircraft segment.

Operating earnings in the military aircraft segment in the 1995 third quarter were \$237 million -- a record quarter -- compared with \$182 million in 1994's third quarter. Third quarter results in 1995 included award fees on both the C-17 and F/A-18 E/F programs. The military aircraft segment had record operating earnings of \$652 million for the first nine months of 1995, compared with \$501 million in the same period of 1994. These record operating earnings in the first nine months of 1995 exceeded the previous best initial nine month period by over 30 percent. Operating margins in this segment exceeded 11 percent in the third quarter of 1995 -- compared to nine percent in the third quarter of 1994 -- and were just under 11 percent for the first nine months of 1995. Increased earnings in the third quarter came predominately from the C-17 program, and for the nine

months came from the C-17 and F-15 programs.

Revenues from the military aircraft segment in the third quarter of 1995 were \$2.1 billion, up from the \$2.0 billion in the third quarter of 1994. Revenues for the first nine months of 1995 in this segment were \$6.0 billion, a five percent increase over the \$5.7 billion in the first nine months of 1994. The F-15 and F/A-18 programs were the main contributors to this increase.

The commercial aircraft segment had an operating loss of \$7 million in the third quarter of 1995, compared with operating earnings of \$8 million in the third quarter of 1994. The change in third quarter earnings resulted from recording of loss provisions in the 1995 third quarter on several MD-90 twin jets scheduled for delivery in 1996. McDonnell Douglas has delivered ten MD-90 twin jets since deliveries began in the first quarter of 1995. Operating earnings in this segment for the first nine months of 1995 were \$26 million, compared with \$35 million in the first nine months of 1994. Increased earnings from the sale of spare parts and related services and from the sale of two twin jets previously on lease were offset by the aforementioned MD-90 twin jet loss provision.

Revenues from the commercial aircraft segment in the third quarter of 1995 were \$663 million, down from \$967 million in the third quarter of 1994. Revenues for the first nine months of 1995 were \$3.0 billion, up from \$2.4 billion in the first nine months of 1994. McDonnell Douglas delivered four MD-80 and four MD-90 twin jets and two MD-11 trijets in 1995's third quarter. This compares with four twin jets and six trijets in 1994's third quarter. For the first nine months of 1995, twin jet deliveries totaled 25 (15 MD-80s and ten MD-90s), an increase of nine twin jets over the same period of 1994. Trijet deliveries totaled 13 for the first nine months of each year. McDonnell Douglas received orders for six twin jets and two trijets during the third quarter of 1995.

Operating earnings in the missiles, space and electronic systems segment in the third quarter of 1995 were \$52 million, compared with earnings of \$56 million in the third quarter of 1994. Increased spending on the Delta III, a launch vehicle currently under development, contributed to lower earnings in 1995's third quarter. Operating earnings in this segment for the first nine months of 1995 were \$168 million, compared with \$196 million in the same period in 1994. The first two quarters in 1995 were affected by increased costs related to the impending closure of a Florida missile facility. Revenues in this segment for the third quarter of 1995 were \$488 million, up 16 percent from the \$420 million in the third quarter of 1994. Revenues for the first nine months of 1995 were \$1.366 billion, up four percent from the \$1.312 billion in the first nine months of 1994. Higher revenue in the Delta and Space Station programs was partially offset by decreased volume in the higher margin Tomahawk missile program. Operating earnings in the financial services and other segment were \$13 million in the 1995 third quarter, compared to \$11 million in 1994 third quarter.

Earnings for the first nine months of 1995 totaled \$42 million, compared with \$43 million in the 1994 same period. Just under 50 percent of 1994's earnings related to a first quarter sale of property by McDonnell Douglas Realty Co. Pension income totaled \$38 million in the 1995 third quarter, and \$131 million for the first nine months of 1995. This compared with \$33 million and \$99 million in the same periods of 1994.

Interest expense and the tax provision were reduced in the third quarter of both 1995 and 1994 as a result of resolution of tax issues. These resolutions resulted in after-tax earnings of \$25 million, or 22 cents per share, in 1995's third quarter and \$21 million, or 18 cents per share, in 1994's third quarter.

Interest expense for the aerospace segments in the third quarter of 1995 was \$37 million, up from \$33 million in the 1994 same period, after excluding from 1995 the reversal of \$23 million and from 1994 the reversal of \$10 million in interest associated with the resolution of tax issues. Interest expense for the first nine months of 1995 was \$109 million, down from \$112 million in 1994's first nine months, after excluding the reversal of interest associated with the previously mentioned tax issues.

The corporation's firm backlog on September 30, 1995, was \$16.080 billion, compared with \$17.503 billion on Dec. 31, 1994. Total backlog on September 30, 1995, was \$25.862 billion, compared with \$29.232 billion on Dec. 31, 1994. The decline in firm and total backlog reflects deliveries and a continued softness in commercial aircraft orders.

Total employment at McDonnell Douglas was 63,074 on September 30, 1995, down four percent from 65,760 on Dec. 31, 1994.

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MCDONNELL DOUGLAS CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS
(Millions of dollars, except share data)

	Three Months Ended September 30	
	1995	1994
	----- Unaudited	
Revenues	\$ 3,346	\$ 3,461
Costs and expenses:		
Cost of products, services and rentals	2,784	2,950
General and administrative expenses	160	150
Research and development	75	76
Interest expense:		
Aerospace segments	14	23
Financial services and other segment	26	29
Total costs and expenses	3,059	3,228
Earnings Before Income Taxes	287	233
Income taxes	95	72
Net Earnings	\$ 192	\$ 161
Earnings Per Share	\$ 1.70	\$ 1.36
Dividends Declared Per Share	\$.20	\$.13

	===== Nine Months Ended September 30 1995 1994 ----- Unaudited	
Revenues	\$10,601	\$ 9,664
Costs and expenses:		
Cost of products, services and rentals	8,914	8,082
General and administrative expenses	499	490
Research and development	215	236
Interest expense:		
Aerospace segments	86	102
Financial services and other segment	81	91
	-----	-----
Total costs and expenses	9,795	9,001
	-----	-----
Earnings Before Income Taxes	806	663
Income taxes	286	230
	-----	-----
Net Earnings	\$ 520	\$ 433
	=====	=====
Earnings Per Share	\$ 4.56	\$ 3.66
	=====	=====
Dividends Declared Per Share	\$.60	\$.35
	=====	=====

MCDONNELL DOUGLAS CORPORATION
 BUSINESS SEGMENT DATA
 (Millions of dollars)

	===== Three Months Ended September 30 1995 1994 ----- Unaudited	
Revenues		
Military aircraft	\$ 2,102	\$ 1,991
Commercial aircraft	663	967
Missiles, space and electronic systems	488	420
Financial services and other	81	80
	-----	-----
Operating revenues	3,334	3,458
Non-operating income	12	3
	-----	-----
Total Revenues	\$ 3,346	\$ 3,461
	=====	=====

Earnings		
Military aircraft	\$ 237	\$ 182
Commercial aircraft	(7)	8
Missiles, space and electronic systems	52	56
Financial services and other	13	11
	-----	-----
Operating earnings	295	257
Corporate and other	6	(1)
Interest expense	(14)	(23)
Income taxes	(95)	(72)
	-----	-----
Net Earnings	\$ 192	\$ 161
	=====	=====

Nine Months Ended
 September 30
 1995 1994

Unaudited

Revenues		
Military aircraft	\$ 6,000	\$ 5,729
Commercial aircraft	2,965	2,366
Missiles, space and electronic systems	1,366	1,312
Financial services and other	242	247
	-----	-----
Operating revenues	10,573	9,654
Non-operating income	28	10
	-----	-----
Total Revenues	\$10,601	\$ 9,664
	=====	=====

Earnings		
Military aircraft	\$ 652	\$ 501
Commercial aircraft	26	35
Missiles, space and electronic systems	168	196
Financial services and other	42	43
	-----	-----
Operating earnings	888	775
Corporate and other	4	(10)
Interest expense	(86)	(102)
Income taxes	(286)	(230)
	-----	-----
Net Earnings	\$ 520	\$ 433
	=====	=====

Operating earnings of the financial services and other segment have been reduced by interest expense, an operating expense of that segment.

(Millions of dollars)

McDonnell Douglas Corporation
and Consolidated Subsidiaries

	September 30 1995	December 31 1994
	----- Unaudited	-----
ASSETS		
Cash and cash equivalents	\$ 660	\$ 421
Accounts receivable	702	772
Finance receivables and property on lease	2,083	2,087
Contracts in process and inventories	5,530	5,806
Property, plant and equipment	1,495	1,597
Other assets	1,643	1,533
	-----	-----
TOTAL ASSETS	\$12,113	\$12,216
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued expenses	\$ 2,293	\$ 2,485
Accrued retiree benefits	1,229	1,298
Income taxes	762	723
Advances and billings in excess of related costs	1,185	1,200
Notes payable and long-term debt:		
Aerospace segments	1,250	1,272
Financial services and other segment	1,308	1,297
	-----	-----
	8,027	8,275
Minority Interest	70	69
Shareholders' Equity	4,016	3,872
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$12,113	\$12,216
	=====	=====

MDC Aerospace

	September 30 1995	December 31 1994
	----- Unaudited	-----
ASSETS		
Cash and cash equivalents	\$ 649	\$ 408
Accounts receivable	820	916
Finance receivables and property on lease	147	152
Contracts in process and inventories	5,530	5,806
Property, plant and equipment	1,380	1,441

Investment in Financial Services	317	313
Other assets	1,512	1,420
	-----	-----
TOTAL ASSETS	\$10,355	\$10,456
	=====	=====

Liabilities and Shareholders' Equity

Liabilities

Accounts payable and accrued expenses	\$ 2,219	\$ 2,382
Accrued retiree benefits	1,229	1,298
Income taxes	442	424
Advances and billings in excess of related costs	1,151	1,162
Notes payable and long-term debt: Aerospace segments	1,228	1,249
	-----	-----
	6,269	6,515
Minority Interest	70	69
Shareholders' Equity	4,016	3,872
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$10,355	\$10,456
	=====	=====

Financial Services

	September 30	December 31
	1995	1994
	-----	-----
	Unaudited	

ASSETS

Cash and cash equivalents	\$ 11	\$ 13
Accounts receivable	2	1
Finance receivables and property on lease	1,936	1,935
Property, plant and equipment	115	156
Other assets	131	113
	-----	-----
TOTAL ASSETS	\$ 2,195	\$ 2,218
	=====	=====

Liabilities and Shareholders' Equity

Liabilities

Accounts payable and accrued expenses	\$ 194	\$ 248
Income taxes	320	299
Advances and billings in excess of related costs	34	38
Notes payable and long-term debt: Aerospace segments	22	23
Financial services and other segment	1,308	1,297
	-----	-----
	1,878	1,905

Shareholders' Equity	317	313
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,195	\$ 2,218
	=====	=====

As used on this page, "MDC Aerospace" represents the consolidation of McDonnell Douglas Corporation and its subsidiaries other than McDonnell Douglas Financial Services Corporation (MDFS) and McDonnell Douglas Realty Company (MDRC), which are presented on a one-line basis as Investment in Financial Services. "Financial Services" means MDFS and all of its affiliates and associated companies and MDRC. Transactions between MDC Aerospace and Financial Services have been eliminated from the "McDonnell Douglas Corporation and Consolidated Subsidiaries" columns.

MCDONNELL DOUGLAS CORPORATION
CAPITAL STRUCTURE
(Millions of dollars)

September 30, 1995

	Aerospace Segments	Financial Services and Other Segment	Total
	-----	-----	-----
Debt	\$1,250	\$1,308	\$2,558
Equity	3,699	317	4,016
	-----	-----	-----
	\$4,949	\$1,625	\$6,574
	=====	=====	=====
Debt-to-equity ratio	.34	4.13	
	=====	=====	

December 31, 1994

	Aerospace Segments	Financial Services and Other Segment	Total
	-----	-----	-----
Debt	\$1,272	\$1,297	\$2,569
Equity	3,559	313	3,872
	-----	-----	-----
	\$4,831	\$1,610	\$6,441
	=====	=====	=====
Debt-to-equity ratio	.36	4.14	
	=====	=====	

MCDONNELL DOUGLAS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Millions of dollars)

	Nine Months Ended September 30	
	1995	1994
	----- Unaudited -----	
OPERATING ACTIVITIES		
Net earnings	\$ 520	\$ 433
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	197	210
Gain on sale of assets	-	(26)
Pension income	(131)	(99)
Change in operating assets and liabilities	204	189
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	790	707
INVESTING ACTIVITIES		
Property, plant and equipment acquired	(99)	(82)
Finance receivables and property on lease	(40)	54
Proceeds from sale of assets	25	24
Other	(33)	43
	-----	-----
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(147)	39
FINANCING ACTIVITIES		
Net change in borrowings (maturities 90 days or less)	(95)	(53)
Debt having maturities more than 90 days:		
New borrowings	411	450
Repayments	(327)	(929)
Proceeds of stock options exercised	1	3
Common shares purchased	(325)	-
Dividends paid	(69)	(41)
	-----	-----
NET CASH USED BY FINANCING ACTIVITIES	(404)	(570)
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	239	176
Cash and cash equivalents at beginning of year	421	86
	-----	-----
Cash and cash equivalents at end of period	\$ 660	\$ 262
	=====	=====

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