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RECORD MILITARY AIRCRAFT PERFORMANCE PRODUCES STRONG MCDONNELL DOUGLAS EARNINGS, PRIOR TO MD-11 ACCOUNTING CHANGE

ST. LOUIS, Jan. 18, 1996 -- McDonnell Douglas reported strong earnings for the fourth quarter of 1995, prior to the recognition of an accounting change related to the MD-11 trijet. The military aircraft segment again led the way with record earnings.

Total revenue for 1995 increased to \$14.3 billion, a nine percent increase over the 1994 revenues of \$13.2 billion. Revenue in the fourth quarter of 1995 was \$3.7 billion, a six percent increase over the 1994 fourth quarter revenue of \$3.5 billion.

Excluding the effect of the accounting change related to the MD-11 trijet, McDonnell Douglas had 1995 profit of \$707 million, an 18 percent improvement over the 1994 earnings of \$598 million, and earnings per share of \$6.24, a 24 percent increase over the \$5.05 per share in 1994. Prior to the MD-11 trijet change, the corporation had 1995 fourth quarter earnings of \$187 million, a 13 percent increase over the 1994 fourth quarter earnings of \$165 million, and earnings per share of \$1.68, a 21 percent increase over the \$1.39 per share in 1994's fourth quarter.

Effective Oct. 1, 1995, McDonnell Douglas changed its accounting for the MD-11 trijet program from the program basis of accounting to the specific unit basis of accounting. The change had no impact on cash flow. Under the program basis, MD-11 costs for delivered aircraft were charged to cost of sales based upon the estimated average unit cost for the entire program. Actual costs in excess of the program average were deferred to be recovered by production and future delivery of lower-than-average cost units. Under the specific unit basis of accounting, MD-11 costs are charged to cost of sales based upon the unit cost of the delivered aircraft. This change to the specific unit costing method for the MD-11 program was made in recognition of production rates, existing order base, and length of time required to achieve program deliveries, and thus, the resultant increased difficulty in making estimates relating to program accounting.

To be consistent with the change to the specific unit basis, the method for allocating support costs and tooling costs to aircraft was changed from a pro rata basis over all units under a program accounting concept to an overhead allocation basis. This change resulted in a charge to operations for deferred production costs and for the reduction in the valuation of support and tooling cost.

The total impact of the MD-11 accounting change was a pre-tax charge to fourth quarter operations of \$1.838 billion, or \$10.03 per share on an after-tax basis. This amount was recorded as of Oct. 1, 1995, and therefore, resulted in a fourth quarter 1995 loss of \$936 million, or \$8.35 per share.

Cash flow from aerospace operations was \$918 million for all of 1995, prior to reductions of \$337 million used by McDonnell Douglas to purchase its common stock and of \$150 million relating to fourth quarter tax payments associated with ongoing prior years' tax audits. McDonnell Douglas acquired 5.3 million shares of its common stock during 1995, bringing total acquisitions to 7.1 million shares, just under 40 percent of a common stock repurchase program authorization amount that was announced in late 1994.

Cash flow from aerospace operations was just under \$300 million for the 1995 fourth quarter, prior to being reduced by \$12 million for stock purchases and by the aforementioned tax payment.

Operating earnings in the military aircraft segment were \$905 million for 1995 -- a record year -- compared with \$708 million for 1994. The 1995 record was a 28 percent increase over the previous best year in this segment. Operating earnings in the 1995 fourth quarter were \$253 million -- a record quarter -- compared with \$207 million in 1994's fourth quarter. Improved earnings in the C-17 and F-15 programs led the way for all of 1995. Operating margins in this segment exceeded 11 percent in 1995 -- compared to 9 percent in 1994. Margins in the 1995 fourth quarter were slightly less than 12 percent, compared to ten percent in the 1994 same period.

Revenues from the military aircraft segment were \$8.2 billion for all of 1995, an increase of 5 percent from 1994 revenues of \$7.8 billion. Fourth quarter 1995 revenues totaled \$2.2 billion, a 4 percent increase over \$2.1 billion in the fourth quarter of 1994. The F-15 and F/A-18 programs were the main contributors to this increase.

Excluding the effect of the charge related to the MD-11 trijet, operating earnings in the commercial aircraft segment were \$39 million for all of 1995. That compares with \$47 million for 1994. Operating earnings were \$13 million in the fourth quarter of 1995, compared with \$12 million in the fourth quarter of 1994. The 1995 fourth quarter results included profits from the MD-11 trijet program accounted for on a specific unit basis, offset in part by a write-off of MD-80 inventory amounts.

Revenues from the commercial aircraft segment were \$3.9 billion for all of 1995, an increase of 23 percent from the 1994 revenues of \$3.2 billion. Revenues in the fourth quarter of 1995 were \$926 million, an increase of 17 percent from \$789 million in the fourth quarter of 1994.

McDonnell Douglas delivered three MD-80 and four MD-90 twin jets and five MD-11 trijets in 1995's fourth quarter. This compares with six MD-80 twin jets and four trijets in 1994's fourth quarter. There were 18 MD-80 and 14 MD-90 twin jet deliveries in all of 1995, compared with 22 MD-80 deliveries in 1994. Trijet deliveries for all of 1995 totaled 18, compared with 17 trijet deliveries in 1994.

McDonnell Douglas received orders for four MD-11 trijets, 40 MD-80/90 twin jets and 50 MD-95 twin jets in 1995's fourth quarter. The MD-95, a new 100 seat airliner, was launched with this fourth quarter order. On Dec. 31, 1995, McDonnell Douglas had firm orders for 21 MD-11 trijets, 141 MD-80/90 twin jets, and 50 MD-95 twin jets.

Operating earnings in the missiles, space and electronic systems segment were \$198 million for all of 1995, down from \$262 million for 1994. Operating earnings were \$30 million in the fourth quarter of 1995, down from \$66 million in the fourth quarter of 1994. Increased spending on the Delta III, a launch vehicle currently under development, contributed to lower earnings for 1995 and in 1995's fourth quarter. The first two quarters in 1995 were affected by increased costs related to

the closing of a Florida missile facility.

Revenues from the missiles, space and electronic systems segment were \$1.9 billion in both 1995 and 1994. Revenues in the fourth quarter of 1995 were \$551 million, down slightly from \$565 million in the fourth quarter of 1994. Higher revenue in the Delta and Space Station programs was offset by decreased volume in the higher margin Tomahawk missile program.

Operating earnings in the financial services and other segment were \$61 million for all of 1995, compared with \$50 million for 1994. Operating earnings were \$19 million in the fourth quarter of 1995, compared with \$7 million in the fourth quarter of 1994. Operating earnings in this segment in 1995 were at their highest level in the last five years.

Interest expense for the aerospace segments was \$139 million for all of 1995, compared with \$141 million in 1994, after excluding from 1995 the reversal of \$23 million and from 1994 the reversal of \$10 million associated with the resolution of tax issues. Interest expense in the fourth quarter of 1995 was \$30 million, compared with \$29 million in the 1994 same period.

The corporation's firm backlog on Dec. 31, 1995, was \$19.640 billion, compared with \$17.503 billion on Dec. 31, 1994. Firm backlog increased in both the military aircraft segment and the missiles, space and electronic systems segment. Total backlog on Dec. 31, 1995, was \$28.353 billion, compared with \$29.232 billion on Dec. 31, 1994.

Total employment at McDonnell Douglas was 63,612 on Dec. 31, 1995, down three percent from 65,760 on Dec. 31, 1994.

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

	Three Months Ended	
	December 31	
	1995	1994
	-----	-----
	Unaudited	
Revenues	\$ 3,731	\$ 3,512
Costs and expenses:		
Cost of products, services and rentals	3,113	2,944
MD-11 accounting charge	1,838	-
General and administrative expenses	182	194
Research and development	96	61
Interest expense:		
Aerospace segments	30	29
Financial services and other segment	28	27
	-----	-----

Total costs and expenses	5,287	3,255	
	-----	-----	
Earnings (Loss) Before Income Taxes	(1,556)	257	
Income taxes (benefit)	(620)	92	
	-----	-----	Net
Earnings (Loss)	\$ (936)	\$ 165	
	=====	=====	
Earnings (Loss) Per Share	\$ (8.35)	\$ 1.39	
	(A)		
	=====	=====	
Dividends Declared Per Share	\$.20	\$.20	
	=====	=====	
	Years Ended		
	December 31		
	1995	1994	
	-----	-----	

	Unaudited		
Revenues	\$14,332	\$13,176	
Costs and expenses:			
Cost of products, services and rentals	12,027	11,026	
MD-11 accounting charge	1,838	-	
General and administrative expenses	681	684	
Research and development	311	297	
Interest expense:			
Aerospace segments	116	131	
Financial services and other segment	109	118	
	-----	-----	
Total costs and expenses	15,082	12,256	
	-----	-----	
Earnings (Loss) Before Income Taxes	(750)	920	
Income taxes (benefit)	(334)	322	
	-----	-----	Net
Earnings (Loss)	\$ (416)	\$ 598	
	=====	=====	
Earnings (Loss) Per Share	\$ (3.66)	\$ 5.05	
	(B)		
	=====	=====	
Dividends Declared Per Share	\$.80	\$.55	
	=====	=====	

(A) Earnings (loss) per share is based upon the average shares outstanding during the quarter and includes

\$(10.03) relating to the MD-11 accounting charge.

(B) Earnings (loss) per share is based upon the average shares outstanding during the year and includes \$(9.90) relating to the MD-11 accounting charge.

MCDONNELL DOUGLAS CORPORATION
BUSINESS SEGMENT DATA
(Millions of dollars)

	Three Months Ended	
	December 31	
	1995	1994
	-----	-----
	Unaudited	
Revenues		
Military aircraft	\$ 2,158	\$ 2,075
Commercial aircraft	926	789
Missiles, space and electronic systems	551	565
Financial services and other	92	79
	-----	-----
Operating revenues	3,727	3,508
Non-operating income	4	4
	-----	-----
Total Revenues	\$ 3,731	\$ 3,512
	=====	=====
Earnings		
Military aircraft	\$ 253	\$ 207
Commercial aircraft	(1,825)	12
Missile, space and electronic systems	30	66
Financial services and other	19	7
	-----	-----
Operating earnings (Loss)	(1,523)	292
Corporate and other	(3)	(6)
Interest expense	(30)	(29)
Income tax benefit (expense)	620	(92)
	-----	-----
Net Earnings (Loss)	\$ (936)	\$ 165
	=====	=====

	Years Ended	
	December 31	
	1995	1994
	-----	-----
	Unaudited	
Revenues		
Military aircraft	\$ 8,158	\$ 7,804
Commercial aircraft	3,891	3,155
Missiles, space and electronic systems	1,917	1,877
Financial services and other	334	326
	-----	-----
Operating revenues	14,300	13,162
Non-operating income	32	14
	-----	-----
Total Revenues	\$14,332	\$13,176
	=====	=====
Earnings		
Military aircraft	\$ 905	\$ 708
Commercial aircraft	(1,799)	47
Missile, space and electronic systems	198	262
Financial services and other	61	50
	-----	-----
Operating earnings (loss)	(635)	1,067
Corporate and other	1	(16)
Interest expense	(116)	(131)
Income tax benefit (expense)	334	(322)
	-----	-----
Net Earnings (Loss)	\$ (416)	\$ 598
	=====	=====

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

MCDONNELL DOUGLAS CORPORATION
BALANCE SHEET
(Millions of dollars)

McDonnell Douglas
Corporation and

Consolidated Subsidiaries

	December 31 1995	December 31 1994
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 797	\$ 421
Accounts receivable	821	772
Finance receivables and property on lease	2,347	2,087
Contracts in process and inventories	3,421	5,806
Property, plant and equipment	1,471	1,597
Other assets	1,609	1,533
	-----	-----
TOTAL ASSETS	\$10,466	\$12,216
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,284	\$ 2,485
Accrued retiree benefits	\$ 1,205	\$ 1,298
Income taxes	3	723
Advances and billings in excess of related costs	1,147	1,200
Notes payable and long-term debt:		
Aerospace segments	1,251	1,272
Financial services and other segment	1,469	1,297
	-----	-----
	7,359	8,275
Minority Interest	66	69
Shareholders' Equity	3,041	3,872
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$10,466	\$12,216
	=====	=====

MDC Aerospace

	December 31 1995	December 31 1994
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 784	\$ 408
Accounts receivable	934	916
Finance receivables and property on lease	165	152
Contracts in process and inventories	3,421	5,806
Prepaid income taxes	315	-
Property, plant and equipment	1,358	1,441
Investment in Financial Services	331	313
Other assets	1,527	1,420
	-----	-----
TOTAL ASSETS	\$ 8,835	\$10,456
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,183	\$ 2,382
Accrued retiree benefits	\$ 1,205	\$ 1,298
Income taxes	\$ -	\$ 424
Advances and billings in excess of related costs	1,111	1,162
Notes payable and long-term debt:		
Aerospace segments	1,229	1,249
	-----	-----
	5,728	6,515
Minority Interest	66	69
Shareholders' Equity	3,041	3,872
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,835	\$10,456
	=====	=====

Financial Services

	December 31 1995	December 31 1994
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 13	\$ 13
Accounts receivable	2	1
Finance receivables and property on lease	2,182	1,935
Property, plant and equipment	113	156
Other assets	82	113
	-----	-----
TOTAL ASSETS	\$ 2,392	\$ 2,218
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 216	\$ 248
Income taxes	318	199
Advances and billings in excess of related costs	36	38
Notes payable and long-term debt:		
Aerospace segments	22	23
Financial services and other segment	1,469	1,297
	-----	-----
	2,061	1,905
Shareholders' Equity	331	313
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,392	\$ 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

(Amounts in millions, except for ratios and deliveries)

	December 31, 1995		
	Aerospace Segments	Financial Services and Other Segment	Total
Debt	\$1,251	\$1,469	\$2,720
Equity	\$2,710	\$ 331	\$3,041
	\$3,961	\$1,800	\$5,761
Debt-to-equity ratio	.46	4.44	
Common Shares outstanding			212.9

	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	

(Millions of dollars)

	Years Ended	
	December 31	
	1995	1994
	-----	-----
OPERATING ACTIVITIES		
Net earnings (loss)	\$ (416)	\$ 598
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities		
Depreciation and amortization	273	279
Gain on sale of assets	-	(26)
Pension income	(165)	(132)
MD-11 accounting charge	1,838	-
Change in income taxes	(720)	149
Changes in other operating assets and liabilities	59	118
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	869	986
INVESTING ACTIVITIES		
Property, plant and equipment acquired	(143)	(112)
Finance receivables and property on lease	(104)	84
Proceeds from sale of assets	25	24
Other	9	62
	-----	-----
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(213)	(58)
FINANCING ACTIVITIES		
Net change in borrowings (maturities 90 days or less)	(103)	50
Debt having maturities more than 90 days		
New borrowings	695	450
Repayments	(441)	(1,069)
Minority Interest	(3)	(3)
Proceeds of stock options exercised	1	3
Common shares purchased	(337)	(85)
Dividends paid	(92)	(55)

NET CASH USED BY FINANCING ACTIVITIES	----- (280)	----- (709)
INCREASE IN CASH AND CASH EQUIVALENTS	----- 376	----- 335
Cash and cash equivalents at beginning of year	421	86
Cash and cash equivalents at end of year	----- \$ 797	----- \$ 421
	=====	=====