

McDonnell Douglas Press Releases 95-7

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ST. LOUIS, Jan. 18, 1995 -- McDonnell Douglas completed 1994 at a record pace, achieving records for the year in net earnings and operating earnings. Highlights in 1994 included record revenues and earnings in the military aircraft segment, continued profitability in the commercial aircraft business in spite of reduced deliveries, and continued significant positive cash flow, as evidenced by further debt reduction and accumulation of cash and cash equivalents.

Net earnings for 1994 were \$598 million, or \$5.05 per share (\$15.16 per share on a pre-split basis). That compares with 1993 earnings of \$396 million, or \$3.37 per share (\$10.10 per share on a pre-split basis). Operating earnings were \$1.067 billion for 1994 -- more than \$200 million higher than the previous record -- compared with \$492 million in 1993.

McDonnell Douglas had net earnings for the 1994 fourth quarter of \$165 million, or \$1.39 per share (\$4.18 per share on a pre-split basis). That compares with earnings of \$143 million, or \$1.21 per share (\$3.63 per share on a pre-split basis), in the fourth quarter of 1993, after excluding from 1993's fourth quarter a \$275 million charge, or \$2.33 per share (\$6.99 per share on a pre-split basis), related to the C-17 program. The 1994 improvement was led by the strong performance in the military aircraft segment.

Cash flow from aerospace operations was more than \$265 million for the 1994 fourth quarter, prior to being reduced by \$85 million that was used by McDonnell Douglas to purchase more than 1.8 million shares (post-split basis) of its common stock. The stock purchase is part of a shareholder value initiative announced by the corporation early in the fourth quarter.

Cash flow from aerospace operations was slightly less than one billion dollars for all of 1994, prior to being reduced by the stock purchase and a third quarter tax payment of approximately \$165 million. Even with these items, cash flow from aerospace operations was just under \$750 million for 1994. Aerospace debt totaled \$1.272 billion at Dec. 31, 1994, down \$353 million from \$1.625 billion at the end of 1993. Aerospace cash and cash equivalents increased to \$408 million at Dec. 31, 1994, compared to \$15 million at the end of 1993.

Operating earnings in the military aircraft segment were \$708 million for all of 1994 -- a record year -- compared with \$533 million (excluding the \$450 million C-17 charge) for 1993. Operating earnings in the fourth quarter of 1994 were \$207 million -- a record quarter -- compared with \$180 million (excluding the \$450 million C-17 charge) in the 1993 fourth quarter. Improved earnings in the F/A-18 and the C-17 programs along with continued strong performance in most other major programs for both the fourth quarter and the 1994 year contributed to the strong results.

Revenues for the military aircraft segment were \$7.8 billion for 1994, a record

year and a 14 percent increase over the 1993 level. The F/A-18 and C-17 programs again led the way for this increase.

Operating earnings in the commercial aircraft segment were \$47 million for all of 1994, compared with \$40 million for the year 1993. Earnings of \$12 million in the 1994 fourth quarter exceeded the \$2 million in the 1993 same period. Revenues in this segment totaled \$3.2 billion for 1994, a 34 percent decrease from the \$4.8 billion in 1993. Fourth quarter 1994 revenues were \$.8 billion, down 39 percent from \$1.3 billion in the 1993 fourth quarter.

Operating earnings for the commercial aircraft segment included lower development costs in 1994 than in 1993. The lower costs in 1994 principally related to reduced spending on the MD-90 twin jet, which received certification in the 1994 fourth quarter, and MD-11 trijet products. Both years included amounts received from risk-sharing subcontractors -- \$32 million in 1994, most of which related to 1994's fourth quarter, and \$27 million in 1993, most of which related to 1993's first quarter. The 1994 fourth quarter also included charges related to several items associated with the twin jet program which more than offset the higher proceeds from risk-sharing subcontractors.

Earnings for the commercial aircraft segment in 1993's fourth quarter included a \$41 million pre-tax gain from the sale of McDonnell Douglas' 25 percent interest in Irish Aerospace and offsetting charges of \$37 million related to a commercial lease guarantee, a product enhancement associated with a commercial customer, and other items.

McDonnell Douglas delivered six twin jets in 1994's fourth quarter, compared with four twin jets in 1993's fourth quarter. There were 22 twin jet deliveries for the year 1994, compared with 42 in 1993 (including eight under lease arrangements). In addition, there were 17 MD-11 trijet deliveries in 1994, compared with 36 trijet deliveries in 1993 (including three under lease arrangements). There were four trijet deliveries in 1994's fourth quarter compared with 11 trijet deliveries in 1993's same period (including two under lease arrangements).

The corporation had a net increase of three new firm orders for MD80/90 twin jets and three MD-11 trijets in the 1994 fourth quarter. On Dec. 31, 1994, the MD80/90 program included 1,111 deliveries, 122 aircraft on firm order, and 133 options and reserves. On the same date, the MD-11 program included 129 deliveries, 45 aircraft on firm order, and 85 options and reserves representing potential future orders.

The missiles, space and electronic systems segment had operating earnings of \$262 million for all of 1994, down from the record \$338 million for 1993. Operating earnings in the 1994 fourth quarter were \$66 million, compared with \$78 million in the 1993 same period. Revenues in this segment were down 27 percent in 1994 from the 1993 level. Revenues in the 1994 fourth quarter were down 10 percent from the same period in 1993. The revenue decrease was attributed to the Space Station and several missile programs. The Delta Launch Vehicle program had higher revenues in the 1994 fourth quarter compared to the same period in 1993, although for the year the Delta program revenues were comparable to the 1993 level. The 1993 fourth quarter included a \$19 million write-off related to several programs, including a laser crosslink program and a plant closure and relocation. The third quarter of 1993 included a \$51 million charge from several electronic systems programs. In addition, 1993's first quarter included a \$20 million incentive award from the U.S. Air Force for successful completion of a series of launches of global positioning satellites.

Operating earnings in the financial services and other segment were \$50 million for the year 1994, compared with \$31 million for 1993. Operating earnings for the 1994 fourth quarter were \$7 million, compared with \$22 million for the 1993 same period. Most of 1993's fourth quarter earnings was due to used aircraft and commercial equipment leasing sales. The 1994 first quarter included a \$20 million pre-tax gain from a sale of property by McDonnell Douglas Realty Co.

McDonnell Douglas had other unusual items in 1994 and 1993. Unusual items in 1994 included a \$21 million after-tax gain in the third quarter related to the resolution of issues with the Internal Revenue Service over prior years' tax audit. Unusual after-tax gains in the first nine months of 1993 totaling \$220 million related to tax issues, retiree health care cost reversal, and the sale of McDonnell Douglas Information Systems International.

Interest expense for the aerospace segments in the fourth quarter of 1994 was \$29 million, down from \$51 million in the 1993 same period. Interest expense for all of 1994 was \$141 million, down from \$224 million in 1993, after excluding from 1994 the reversal of \$10 million and from 1993 the reversal of \$135 million in interest associated with the previously mentioned tax issues. The lower interest expense reflects reduced aerospace debt.

Income taxes in both 1994 and 1993 were favorably affected by the resolution of tax issues.

The corporation's firm backlog on Dec. 31, 1994, was \$17.503 billion, compared with \$19.379 billion on Dec. 31, 1993. Total backlog on Dec. 31, 1994, was \$29.232 billion, compared with \$35.698 billion on Dec. 31, 1993. The decline in firm and total backlog reflects deliveries, a continued softness in commercial aircraft orders worldwide and a reduction in authorized work scope on the Space Station.

Total employment at McDonnell Douglas was 65,760 on Dec. 31, 1994, compared with 70,016 on Dec. 31, 1993.

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

| | Three Months Ended | |
|--|--------------------|----------|
| | December 31 | |
| | 1994 | 1993 |
| | ----- | ----- |
| | Unaudited | |
| Revenues | \$ 3,512 | \$ 3,632 |
| Costs and expenses: | | |
| Cost of products, services and rentals | 2,944 | 3,475 |
| General and administrative expenses | 194 | 216 |

| | | |
|---|---------|-----------|
| Research and development | 61 | 85 |
| Interest expense: | | |
| Aerospace segments | 29 | 51 |
| Financial services and other segment | 27 | 29 |
| | ----- | ----- |
| Total costs and expenses | 3,255 | 3,856 |
| | ----- | ----- |
| Earnings (Loss) Before Income Taxes | 257 | (224) |
| Income taxes (benefit) | 92 | (92) |
| | ----- | ----- |
| Net Earnings (Loss) | \$ 165 | \$ (132) |
| | ===== | ===== |
| | | |
| Earnings (Loss) Per Share | \$ 1.39 | \$ (1.12) |
| | ===== | ===== |
| | | |
| Dividends Declared Per Share | \$.20 | \$.117 |
| | ===== | ===== |

| | Years Ended December 31 | |
|---|----------------------------|----------|
| | 1994 | 1993 |
| | ----- | ----- |
| Revenues | \$13,176 | \$14,487 |
| Costs and expenses: | | |
| Cost of products, services and rentals | 11,026 | 12,822 |
| General and administrative expenses | 684 | 720 |
| Research and development | 297 | 341 |
| Postretirement benefit curtailment | | (70) |
| Interest expense: | | |
| Aerospace segments | 131 | 89 |
| Financial services and other segment | 118 | 126 |
| | ----- | ----- |
| Total costs and expenses | 12,256 | 14,028 |
| | ----- | ----- |
| Earnings From Continuing Operations | | |
| Before Income Taxes | 920 | 459 |
| Income taxes | 322 | 100 |
| | ----- | ----- |
| Earnings From Continuing Operations | 598 | 359 |
| Earnings from discontinued operations, net of income taxes | - | 37 |
| | ----- | ----- |
| Net Earnings | \$ 598 | \$ 396 |
| | ===== | ===== |
| Earnings Per Share: | | |
| Continuing operations | \$ 5.05 | \$ 3.06 |
| Discontinued operations | - | .31 |
| | ----- | ----- |
| | \$ 5.05 | \$ 3.37 |
| | ===== | ===== |

| | | |
|------------------------------|--------|---------|
| Dividends Declared Per Share | \$.55 | \$.467 |
| | ===== | ===== |

MCDONNELL DOUGLAS CORPORATION
BUSINESS SEGMENT DATA
(Millions of dollars)

| | Three Months Ended December 31 | |
|---|-----------------------------------|----------|
| | 1994 | 1993 |
| | ----- Unaudited | |
| Revenues | | |
| Military aircraft | \$ 2,075 | \$ 1,622 |
| Commercial aircraft | 789 | 1,291 |
| Missiles, space and electronic systems | 565 | 628 |
| Financial services and other | 79 | 88 |
| | ----- | ----- |
| Operating revenues | 3,508 | 3,629 |
| Non-operating income | 4 | 3 |
| | ----- | ----- |
| Total Revenues | \$ 3,512 | \$ 3,632 |
| | ===== | ===== |

| | | |
|---|--------|----------|
| Earnings | | |
| Military aircraft | \$ 207 | \$ (270) |
| Commercial aircraft | 12 | 2 |
| Missiles, space and electronic systems | 66 | 78 |
| Financial services and other | 7 | 22 |
| | ----- | ----- |
| Operating earnings (loss) | 292 | (168) |
| Corporate and other | (6) | (5) |
| Interest expense | (29) | (51) |
| Income tax benefit (expense) | (92) | 92 |
| | ----- | ----- |
| Net Earnings (Loss) | \$ 165 | \$ (132) |
| | ===== | ===== |

| | Years Ended December 31 | |
|---|----------------------------|----------|
| | 1994 | 1993 |
| | ----- | |
| Revenues | | |
| Military aircraft | \$ 7,804 | \$ 6,852 |
| Commercial aircraft | 3,155 | 4,760 |
| Missiles, space and electronic systems | 1,877 | 2,575 |
| Financial services and other | 326 | 287 |
| | ----- | ----- |

| | | |
|---|----------|----------|
| Operating revenues | 13,162 | 14,474 |
| Non-operating income | 14 | 13 |
| | ----- | ----- |
| Total Revenues | \$13,176 | \$14,487 |
| | ===== | ===== |
| Earnings | | |
| Military aircraft | \$ 708 | \$ 83 |
| Commercial aircraft | 47 | 40 |
| Missiles, space and electronic systems | 262 | 338 |
| Financial services and other | 50 | 31 |
| | ----- | ----- |
| Operating earnings from continuing operations | 1,067 | 492 |
| Discontinued operations, net of income taxes | - | 37 |
| Corporate and other | (16) | (14) |
| Postretirement benefit curtailment | - | 70 |
| Interest expense | (131) | (89) |
| Income taxes | (322) | (100) |
| | ----- | ----- |
| Net Earnings | \$ 598 | \$ 396 |
| | ===== | ===== |

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

MCDONNELL DOUGLAS CORPORATION
CONSOLIDATED BALANCE SHEET
(Millions of dollars)

| | December 31 1994 | December 31 1993 |
|---|---------------------|---------------------|
| | ----- | ----- |
| ASSETS | | |
| Cash and cash equivalents | \$ 421 | \$ 86 |
| Accounts receivable | 772 | 555 |
| Finance receivables and property on lease | 2,087 | 2,357 |
| Contracts in process and inventories | 5,806 | 5,774 |
| Property, plant and equipment | 1,597 | 1,750 |
| Other assets | 1,533 | 1,504 |
| | ----- | ----- |
| TOTAL ASSETS | \$12,216 | \$12,026 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 2,485 | \$ 2,190 |
| Accrued retiree benefits | 1,298 | 1,388 |

| | | |
|---|------------------------|------------------------|
| Income taxes | 723 | 574 |
| Advances and billings in excess of related costs | 1,200 | 1,251 |
| Notes payable and long-term debt: | | |
| Aerospace segments | 1,272 | 1,625 |
| Financial services and other segment | 1,297 | 1,513 |
| | <u>8,275</u> | <u>8,541</u> |
| Minority Interest | 69 | 72 |
| Shareholders' Equity | <u>3,872</u> | <u>3,413</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>\$12,216</u></u> | <u><u>\$12,026</u></u> |

CAPITAL STRUCTURE
(Millions of dollars)

| | December 31, 1994 | | |
|----------------------|-----------------------|---|----------------|
| | Aerospace Segments | Financial Services and Other Segment | Total |
| Debt | \$1,272 | \$1,297 | \$2,569 |
| Equity | 3,559 | 313 | 3,872 |
| | <u>\$4,831</u> | <u>\$1,610</u> | <u>\$6,441</u> |
| Debt-to-equity ratio | <u>.36</u> | <u>4.14</u> | |
| | December 31, 1993 | | |
| | Aerospace Segments | Financial Services and Other Segment | Total |
| Debt | \$1,625 | \$1,513 | \$3,138 |
| Equity | 3,123 | 290 | 3,413 |
| | <u>\$4,748</u> | <u>\$1,803</u> | <u>\$6,551</u> |
| Debt-to-equity ratio | <u>.52</u> | <u>5.22</u> | |

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

Years Ended
December 31

| | 1994 | 1993 |
|--|---------|---------|
| | ----- | ----- |
| OPERATING ACTIVITIES | | |
| Earnings from continuing operations | \$ 598 | \$ 359 |
| Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 279 | 323 |
| Gain on sale of assets | (26) | (44) |
| Pension income | (132) | (138) |
| Postretirement benefit curtailment | - | (70) |
| Non-cash retiree health care costs | 7 | 20 |
| Change in operating assets and liabilities | 260 | 25 |
| | ----- | ----- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 986 | 475 |
| INVESTING ACTIVITIES | | |
| Property, plant and equipment acquired | (112) | (64) |
| Finance receivables and property on lease | 84 | 414 |
| Proceeds from sale of discontinued business | - | 181 |
| Proceeds from sale of assets | 24 | 32 |
| Other | 62 | 11 |
| | ----- | ----- |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 58 | 574 |
| FINANCING ACTIVITIES | | |
| Net change in borrowings (maturities 90 days or less) | 50 | (830) |
| Debt having maturities more than 90 days: | | |
| New borrowings | 450 | 681 |
| Repayments | (1,069) | (954) |
| Minority Interest | (3) | 72 |
| Payments from ESOP - net | - | 36 |
| Proceeds of stock options exercised | 3 | 5 |
| Stock repurchased | (85) | - |
| Dividends paid | (55) | (55) |
| | ----- | ----- |
| NET CASH USED BY FINANCING ACTIVITIES | (709) | (1,045) |
| | ----- | ----- |
| INCREASE IN CASH AND CASH EQUIVALENTS | 335 | 4 |
| Cash and cash equivalents at beginning of year | 86 | 82 |
| | ----- | ----- |
| Cash and cash equivalents at end of year | \$ 421 | \$ 86 |
| | ===== | ===== |