
Digital Equipment Corporation

**Board of Directors' Review
FY94/95 Business Plan**

**Russ Gullotti
#14**

**Business Planning Team
June 17th, 1993**

Restricted Distribution

FY94/95 Business Planning

Board of Directors

June 17, 1993

**Henry Ancona
Business Planning Team**

Digital Confidential

FY94/95 Business Planning

Agenda

• Overview	Henry Ancona
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- Summary P&L
- Planning Process
 - Implementing New Business Model
 - Plan Integration
 - Organizational Accountability
- Plan Overview
 - Market Share
 - Territory Revenue Plan
 - Product and Service Plan
 - Cost Trends
- Ensuring Plan Implementation
- Business Unit Review Business Unit
Managers
- Plan Highlights/Wrap-up Henry Ancona
 - Revitalizing Sales and Marketing
 - Alpha Applications Program
 - Alliances/Partnerships

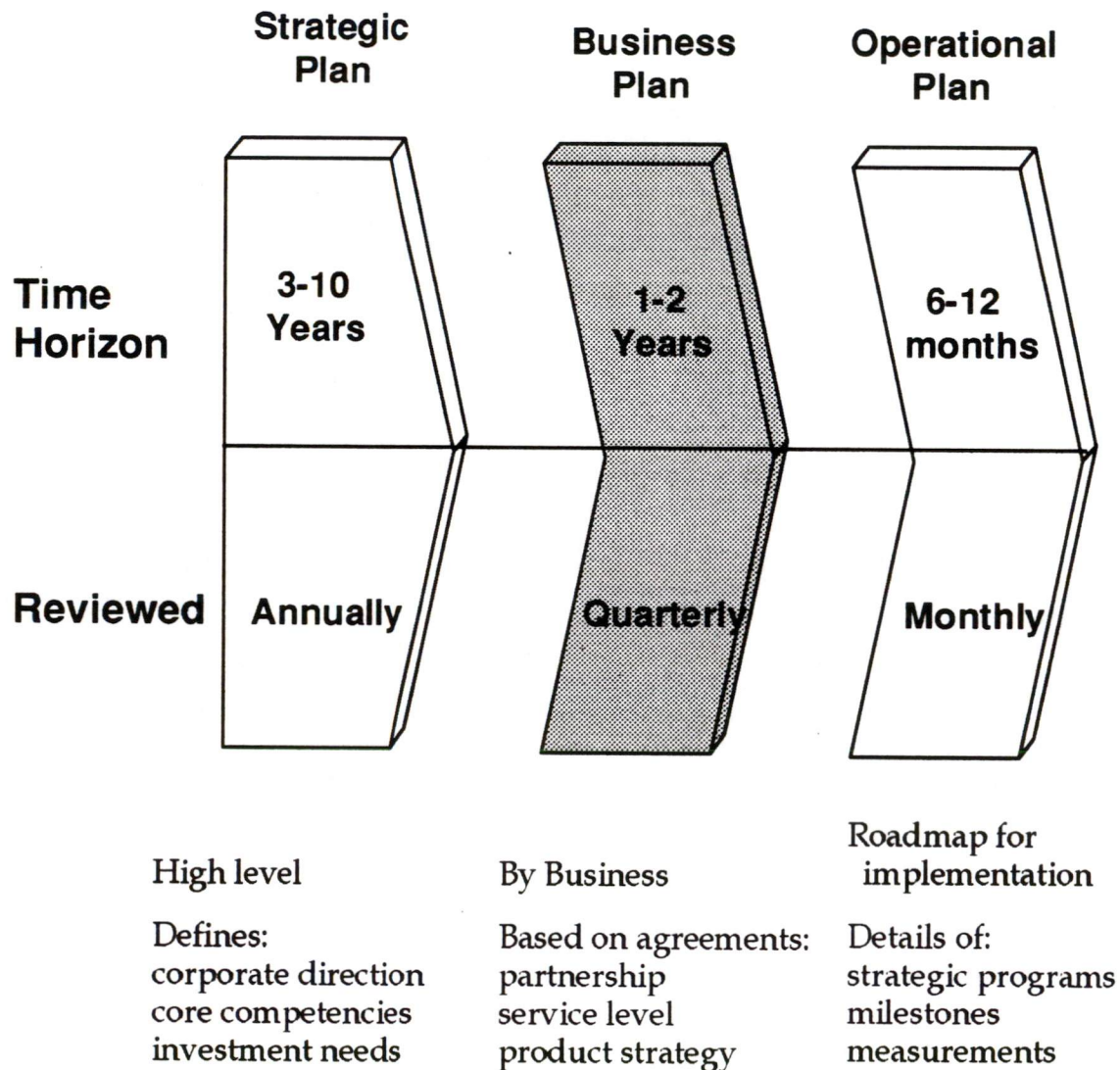
Digital Equipment Corporation
FY92-FY94
(\$Mils)

	<u>FY92*</u>	<u>FY93</u>	<u>FY94</u>	<u>FY94</u> Better/(Worse) than	
				<u>FY93</u>	<u>FY92</u>
Revenue					
Products	\$ 7,696	\$ 7,517	\$ 8,446	\$ 929	\$ 750
Services	6,235	6,742	6,854	112	619
Total	\$ 13,931	\$ 14,258	\$ 15,300	\$ 1,041	\$ 1,369
Gross Margin					
Products	\$ 3,448	\$ 3,147	\$ 3,399	\$ 252	\$ (49)
Services	2,351	2,591	2,617	26	266
Total	\$ 5,799	\$ 5,738	\$ 6,016	\$ 278	\$ 217
% of Revenue	41.6 %	40.2 %	39.3 %	(0.9) pts.	(2.3) pts.
R&E	1,754	1,518	1,420	98	334
% of Revenue	12.6 %	10.6 %	9.3 %	1.4 pts.	3.3 pts.
SG&A	4,681	4,457	4,005	452	676
% of Revenue	33.6 %	31.3 %	26.2 %	5.1 pts.	7.4 pts.
Operating Profit	\$ (636)	\$ (237)	\$ 591	\$ 828	\$ 1,227
Profit After Tax	\$ (685)	\$ (256)	\$ 487	\$ 742	\$ 1,172
EPS	\$ (5.49)	\$ (1.96)	\$ 3.50	\$ 5.46	\$ 8.99

* FY92 without restructuring or onetime charges.

FY94/95 Business Planning

Planning Stages



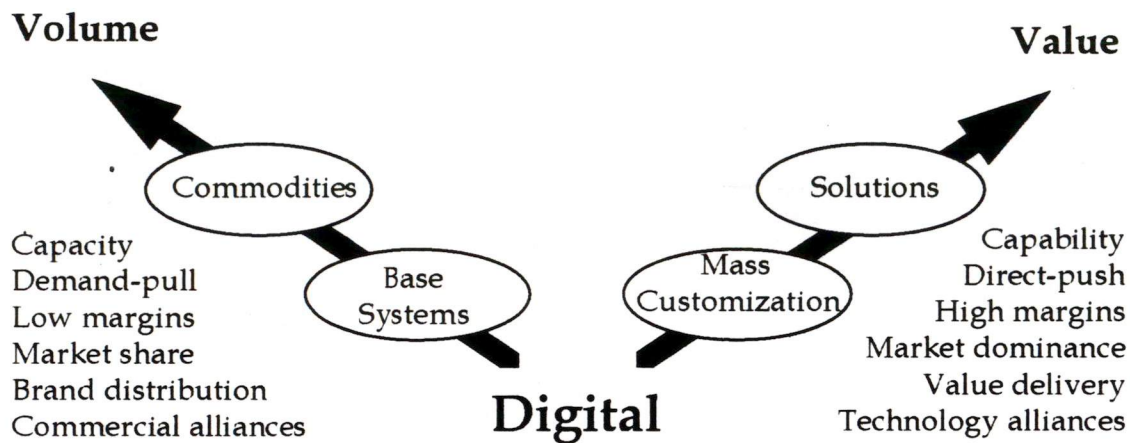
FY94/95 Business Planning

Planning Objective

**Develop an integrated, profitable, realistic
and implementable FY94/95 Corporate
Business Plan by Business Unit**

FY94/95 Business Planning

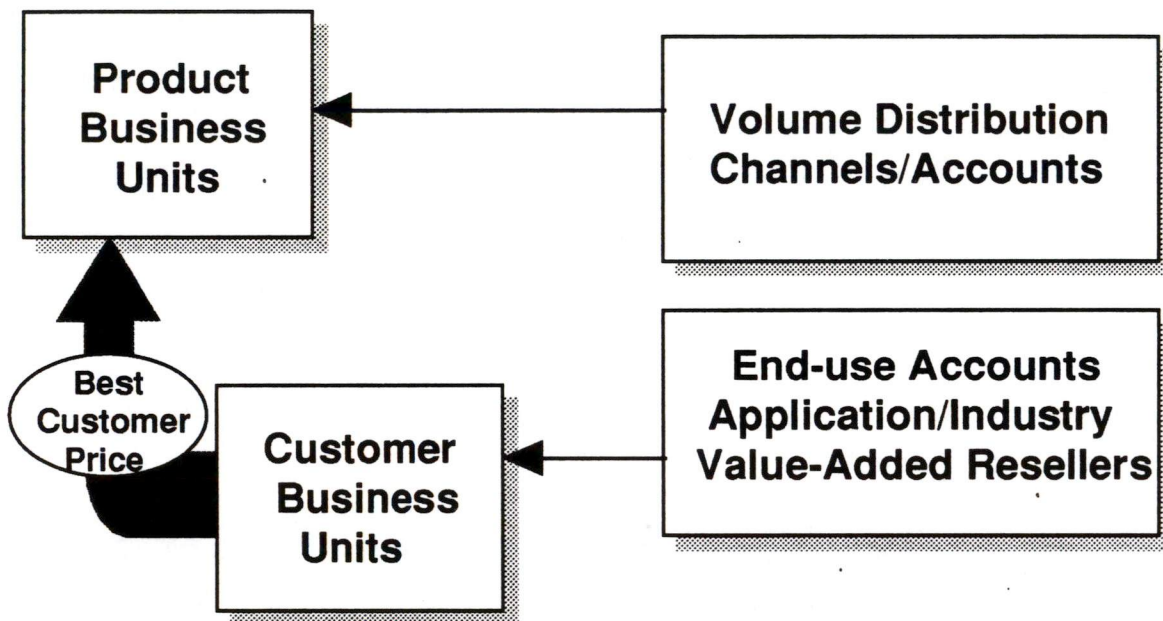
Implementing a Customer-Focused Business Model



- Product Business Units increase market share by developing new channels of distribution
- Customer Business Units develop focused solution sets for their industry groups while maintaining products business
- Multivendor Customer Service expands beyond the Digital installed base by providing service for mixed-vendor environments

FY94/95 Business Planning

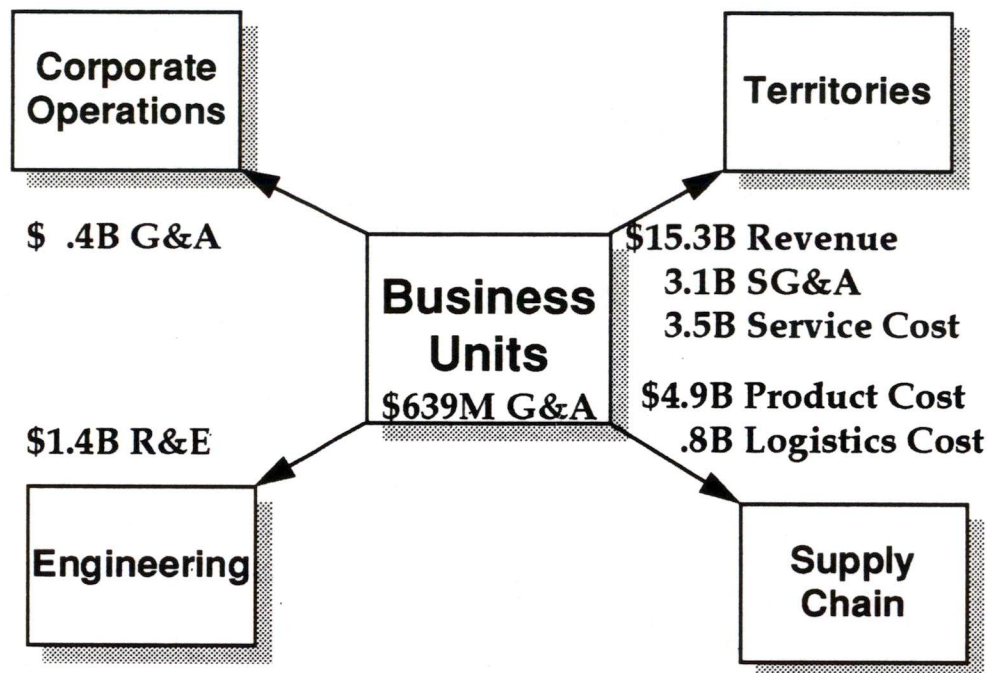
Integration through Inter-Business Pricing



- Customer Business Units act as OEMs to Product Business Units through arms-length agreements
- Product transferred from Product to Customer Business Units at "Best Customer Price"

FY94/95 Business Planning

Integration with Territories and Functions



- Business Units have three types of agreements:
 - partnership agreements with Territories
 - service level agreements with Supply Chain and Corporate Operations
 - product strategy agreement through Technical Directors Forum

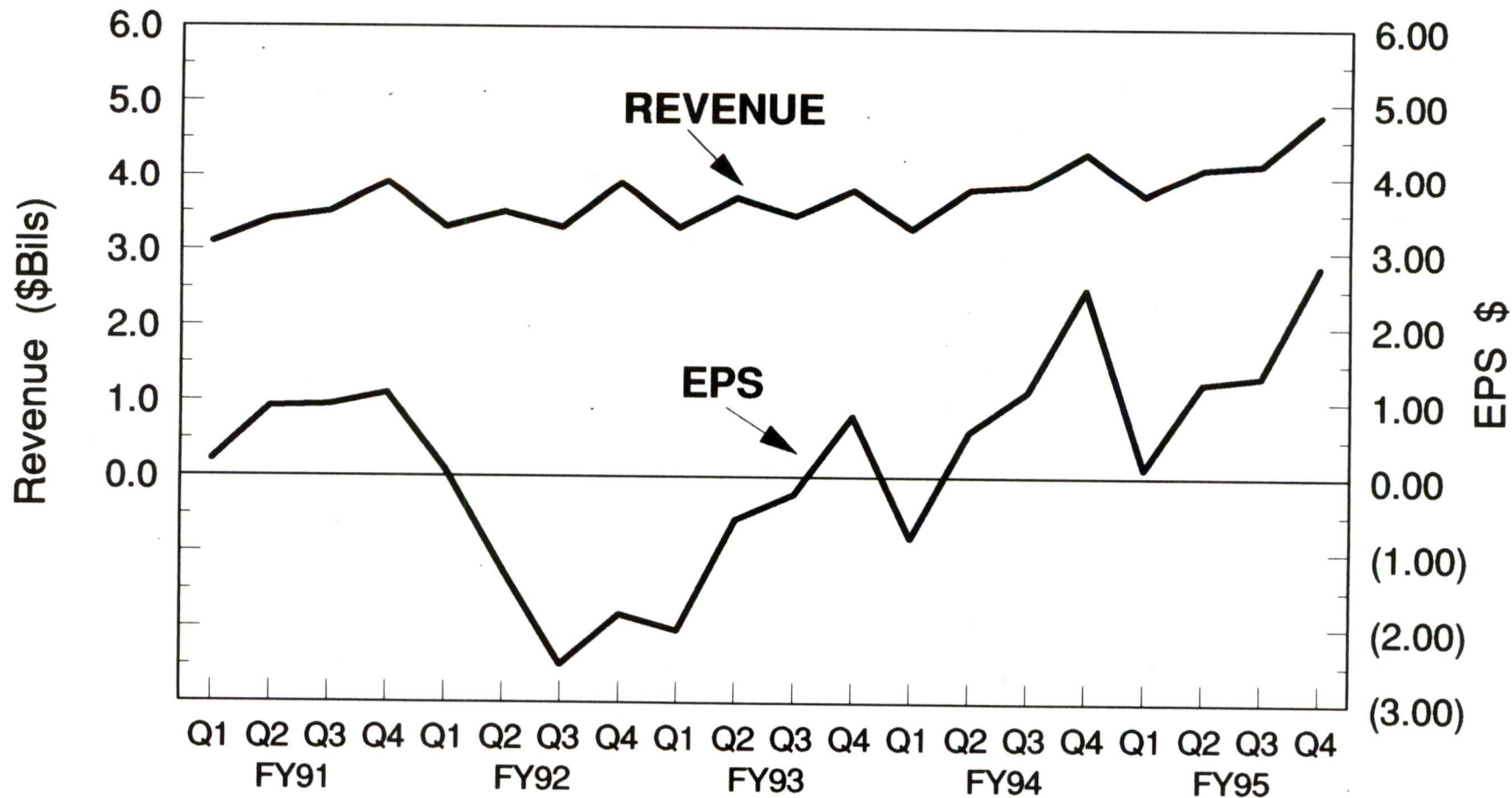
FY94/95 Business Planning

Organizational Accountability

- Senior Leadership Team as a whole accountable for delivery of Corporate Plan
- Business Unit Vice Presidents responsible for achieving individual Business Plans
- Sales and Marketing Vice President responsible for achieving world-wide Business Unit revenue plan at committed levels of SG&A
- Engineering Vice President responsible for delivering product portfolio on time within committed spending level
- Manufacturing and Logistics Vice President responsible for delivering product at committed cost and level of service
- Professional Services Vice President responsible for delivering world-wide Business Unit revenue plan at committed cost of delivery

Digital Equipment Corporation

Revenue vs EPS *



* Excludes one-time charges.

FY94/95 Business Planning

Market Share Trends: Total Market

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Hardware	4.0%	4.3%	4.6%
Software	1.6%	1.5%	1.4%
Support Services	4.7%	4.3%	4.1%
Professional Services	2.2%	2.2%	2.2%
Total	3.4%	3.4%	3.4%

- Maintaining share overall
- Growing share in hardware:
 - workstations/PCs
 - storage
- Maintaining share in professional services while ensuring profit improvement
- New multi-vendor support services do not completely offset installed base displacement

FY94/95 Business Planning

Revenue Growth by Territory

<u>Territory</u>	<u>Growth</u>
UK, Ireland	5%
Germany	2
Switzerland and Benelux	0
Nordic	(7)
Italy	5
France	4
Total Europe (excluding emerging countries)	2
Latin America/Caribbean	33
Asia	34
South/East Europe, Middle East, Africa	16
Total Emerging Countries	23
US	17
Japan	17
Australia/New Zealand	10
Canada	11

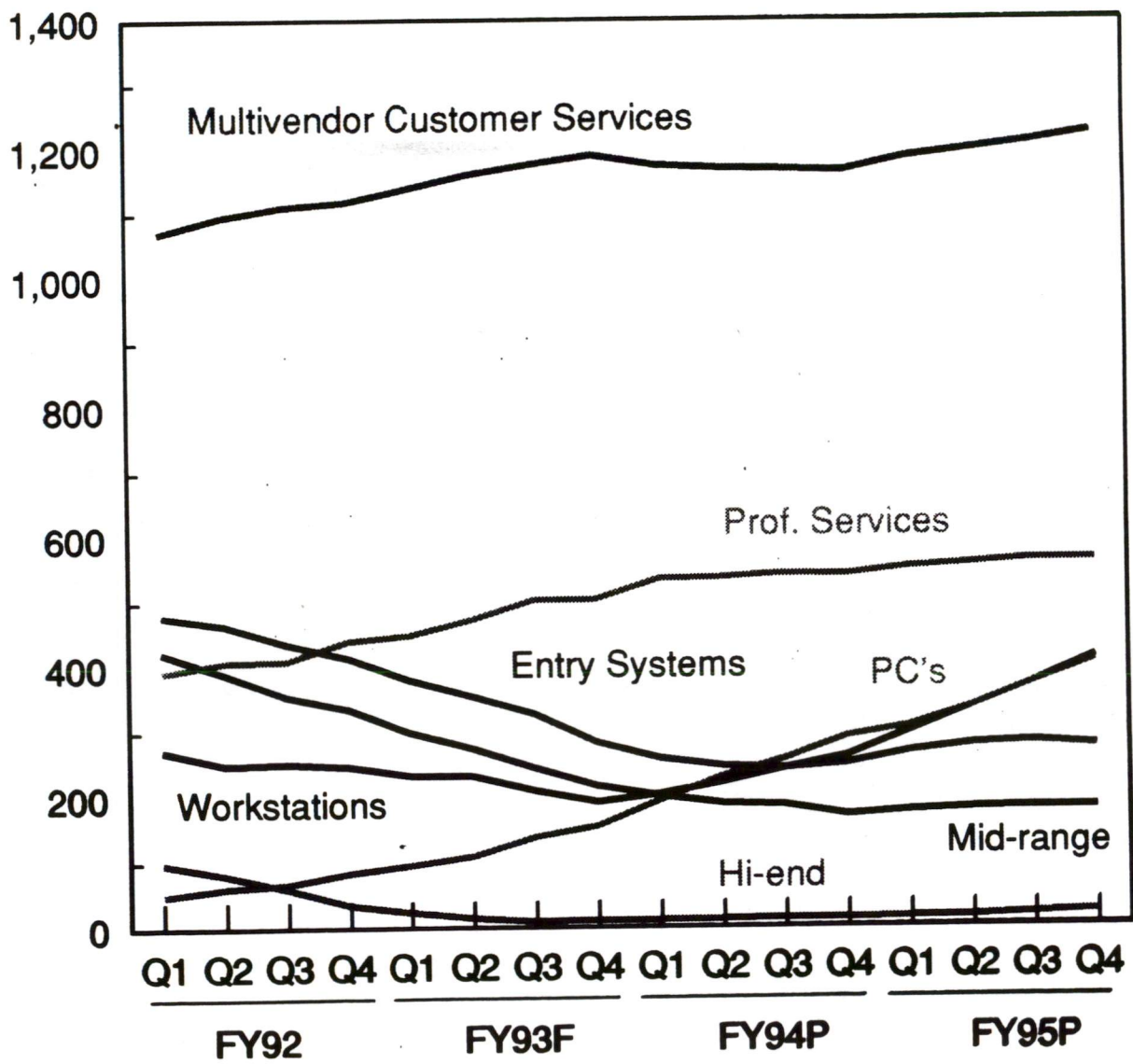
- Aggressive European plan given economy
- High growth in emerging countries
- Aggressive plan in US and Japan

Product and Service Plan

FY92 through FY95

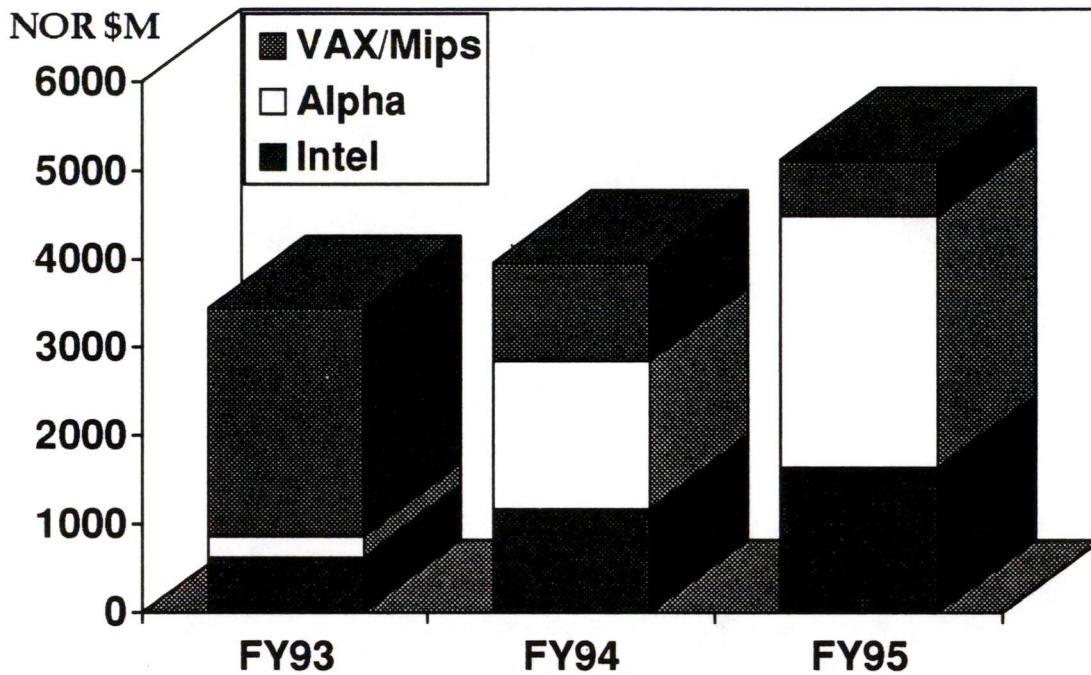
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FY94/95 Business Planning

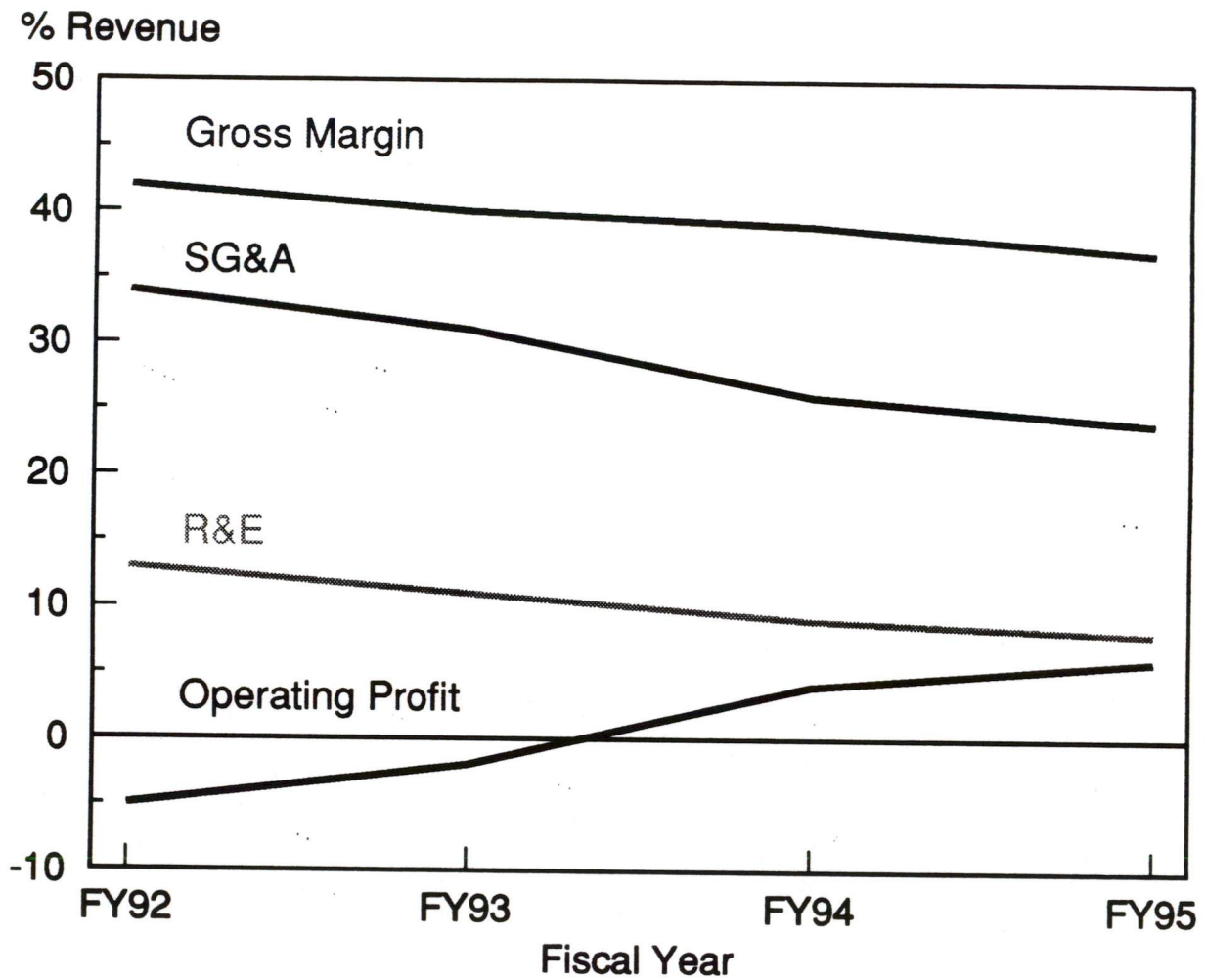
Product Plan by Architecture



- Plan highly dependent on success of Alpha

FY94/95 Business Planning

FY92 - FY95 Trends



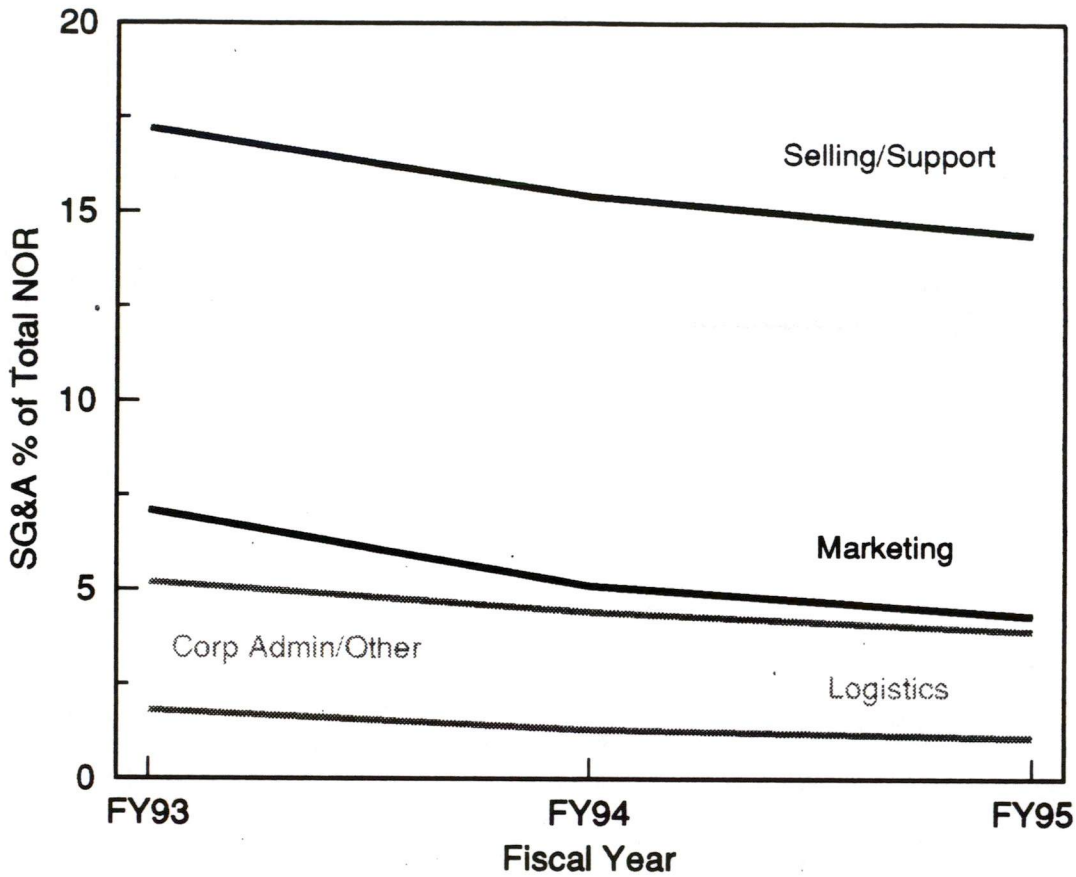
* Excludes Restructuring and one-time adjustments

SQMfinsum.drw 05/19/93

Restricted Distribution

Henry Ancona
June 17, 1993

FY94/95 Business Planning Total Company View SG&A Trend % of NOR



	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR	\$14258	\$15300	\$16883
Selling/Support	17%	15%	14%
Marketing	7%	5%	4%
Logistics	2%	1%	1%
Corp Admin/Other	5%	4%	4%

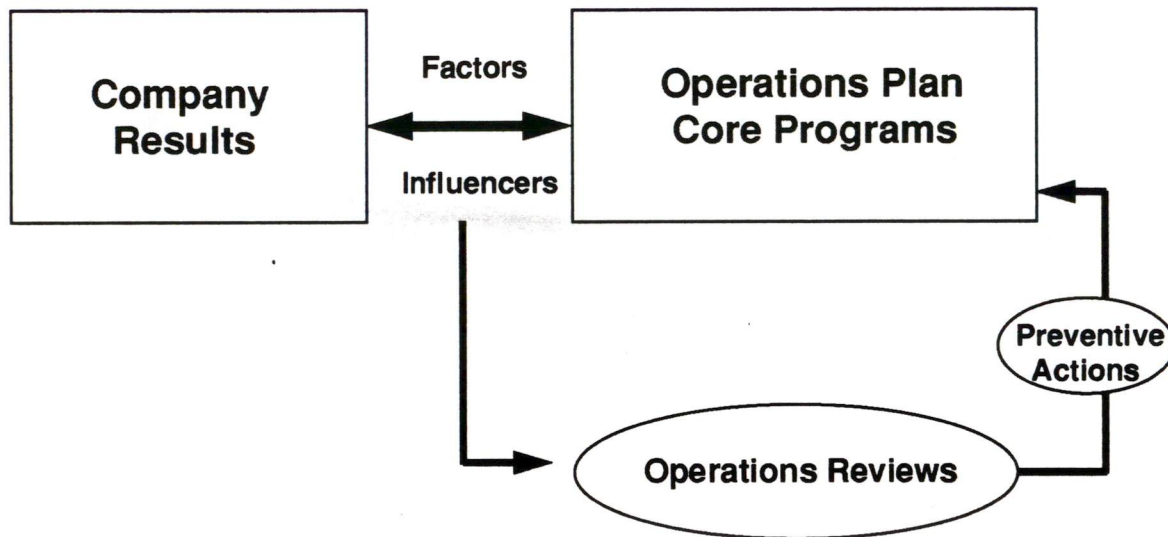
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Restricted Distribution

Henry Ancona
June 17, 1993

FY94/95 Business Planning

Ensuring Plan Implementation



- Developing detailed operational program plans
- Program plans include milestones and operational measurements
 - early warning system
 - vehicle to ensure integration
 - vehicle for cross-Digital trade-offs
 - process for change control throughout the year

FY94/95 Business Planning

Agenda

- Plan Overview Henry Ancona

• Business Unit Review

Storage	Charlie Christ
Personal Computers	Enrico Pesatori
Components and Peripherals	Larry Cabrinety
Multivendor Customer Services	John Rando
Financial, Professional and Public Service	Bruce Ryan
Discrete Manufacturing	Frank McCabe
Communications, Education and Media	Paul Kozlowski
Health Industries	Willow Shire
Consumer Process Transportation	John Klein

- Plan Highlights/Wrap-up Henry Ancona

FY94/95 Business Planning

Agenda

- Overview Henry Ancona
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 - Plan Highlights
 - Product Plan
 - Market Share
 - Territory Plan
 - Cost Trends

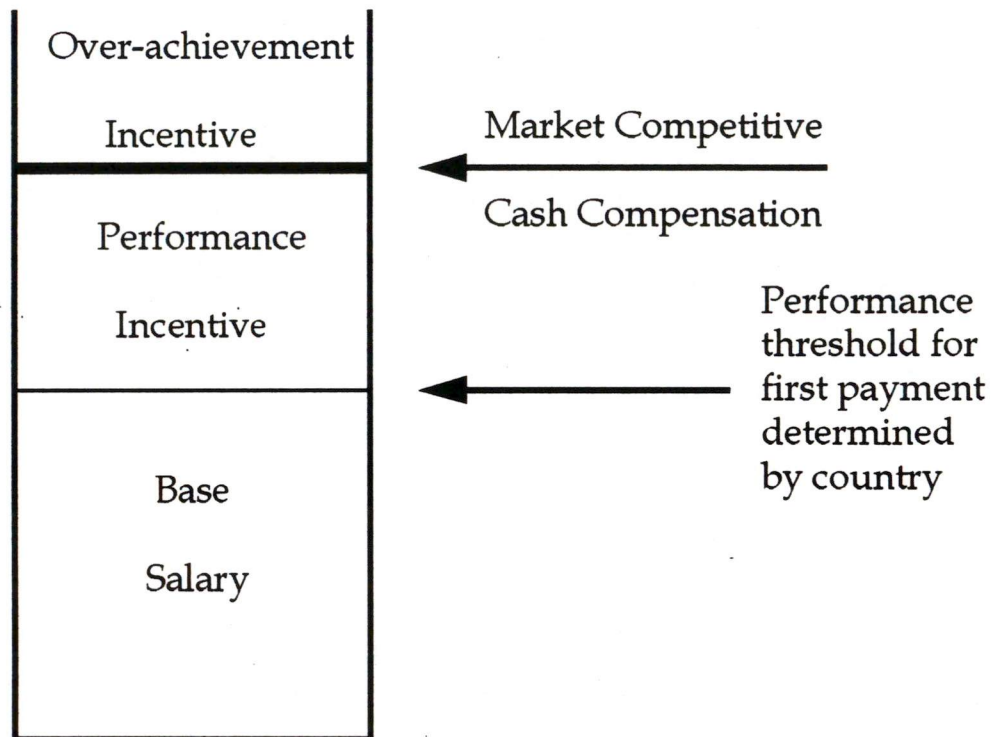
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• Plan Highlights/Wrap-up

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FY94/95 Business Planning

Sales Metrics and Compensation Program



- A highly leveraged, straight forward system of reward for performance and over-achievement
- Revenue-based goals
- Increased sales specialization and focus
- Incentive compensation leverage - 60/40, 70/30, 80/20, 90/10 - as function of job type

FY94/95 Business Planning

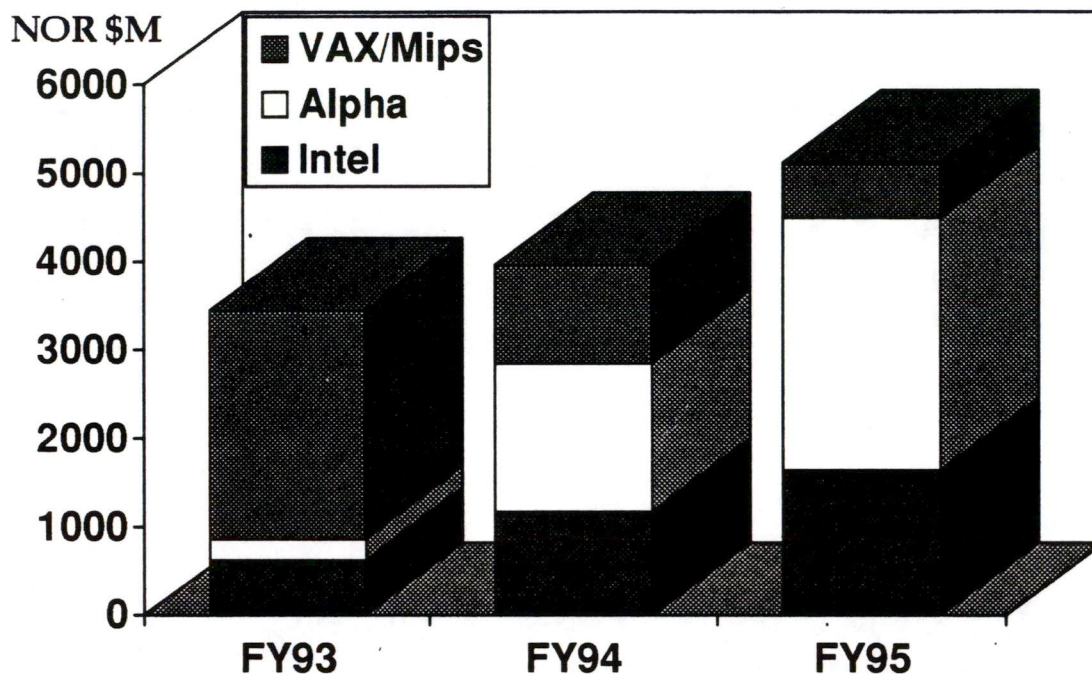
Marketing Strategy

- FY94 marketing priorities
 - establish Digital's leadership in client/server computing
 - ensure Alpha acceptance in the marketplace
 - meet the revenue goals

- Focused marketing programs
 - "Putting Imagination to Work"
 - product and services demand generation
 - Alpha client/server
 - UNIX and NT leadership
 - network integration services marketing
 - channels campaigns

FY94/95 Business Planning

Product Plan by Architecture



- Plan highly dependent on success of Alpha

FY94/95 Business Planning

Alpha Applications Program

Goal:

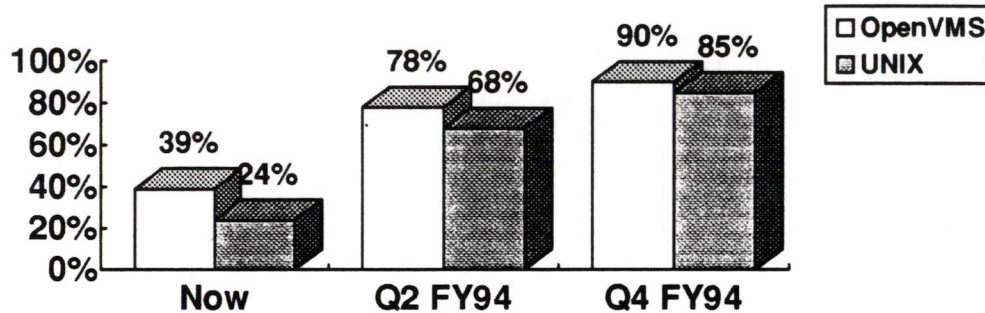
To ensure timely availability of applications in support of Alpha AXP business objectives

Components:

- applications plans by market segment, with focus on top applications
- large-scale development seed program: >3500 systems in FY93
- demo seed program planned for FY94 to drive Alpha AXP systems sales
- developer technical support/porting centers
- "superfund" for porting fees

FY94/95 Business Planning

Alpha Applications Status Top Applications Availability



- Top 'revenue-driver' applications (500 total) identified and tracked by Business Units and Territories
- Aggressive focus on remaining top applications during FY94
- NT 'top applications' list in development

FY94/95 Business Planning

Alliance/Partnership Strategy

- Partnering is critical to the achievement of Digital's business goals
 - to augment core competencies
 - for access to technology, expertise, new markets and distribution channels
 - to improve time-to-market

- All alliances fit within Business Unit, Function or Territory strategies

- Three types of alliances
 - Corporate strategic: e.g. Olivetti, Microsoft, Mitsubishi Electric
 - Business Unit partnerships: e.g. Booz Allen, Optus
 - partnerships which expand our expertise in global/local markets: e.g. Sonda



Storage Business Unit

Board of Directors Review

June 17, 1993

Storage Business Unit Business Challenge

Mass Storage Strategic Hierarchical Business Model

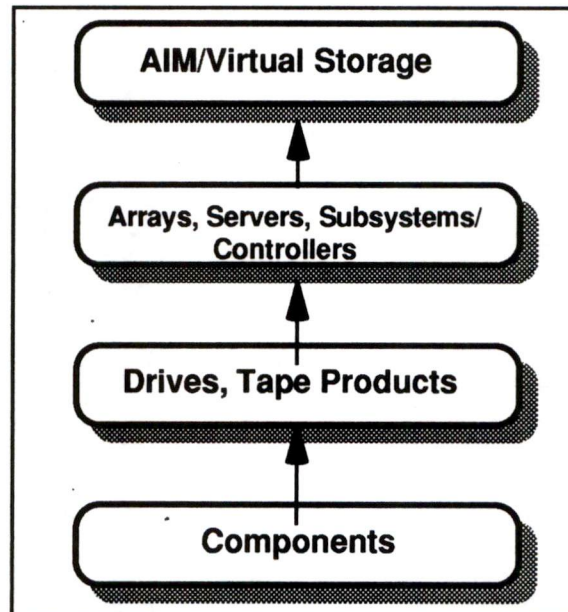
Market Characteristics

Solution oriented high value added

RAID, more value added

Commodity market

Market opportunity based on leadership and performance/technology



Product Characteristics

Primary Software

More software intensive hardware packaged

Primarily hardware with some firmware

Technology driven hardware

Storage Business Unit

Restricted Distribution

Storage Business Unit P&L

	<u>FY 93</u>	<u>FY 94</u>	<u>% Change</u>	<u>FY 95</u>	<u>% Change</u>
N O R					
Product	1 0 0 1	1 4 9 1	4 9 %	2 4 1 1	6 1 %
Service	0	0		0	
Total	1 0 0 1	1 4 9 1		2 4 1 1	
Cost of Goods Sold					
Product	8 5 6	1 1 8 7	3 7 %	1 8 0 5	5 2 %
Service	0	0		0	
Total	8 5 6	1 1 8 7		1 8 0 5	
Gross Margin					
Product	1 4 5	3 0 4	1 1 0 %	6 0 6	9 9 %
Service	0	0		0	
Total	1 4 5	3 0 4		6 0 6	
G M %	1 4 %	2 0 %		2 5 %	
R & E	1 4 4	1 4 5	1 %	1 9 6	3 5 %
R & E %	1 4 %	1 0 %		8 %	
S G & A	3 0	8 1	1 7 0 %	1 4 0	7 3 %
S G & A %	3 %	5 %		6 %	
Operating Profit	(2 9)	7 8	N / A	2 7 0	2 4 6 %
O P %	(3) %	5 %		1 1 %	

Storage Business Unit

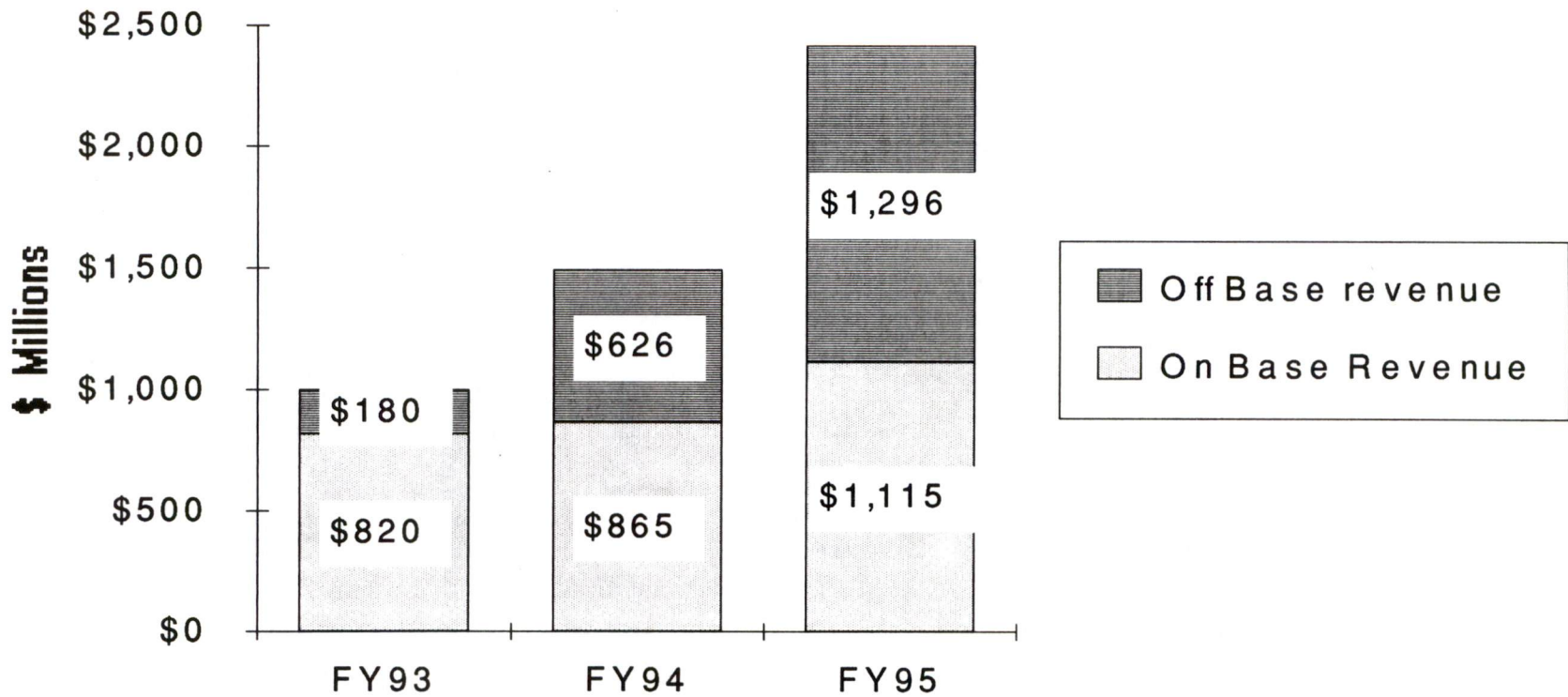
Restricted Distribution

Storage Business Unit Key Strategies

- Leverage technology portfolio into leadership product
- Grow the business by “winning” Digital and OEM design-in Storage and fully exploiting the distribution channels
- Aggressively market “StorageWorks” array and subsystem strategy
- Position Storage for future growth in emerging markets - Storage Management and Video-on-Demand

Storage Business Unit Product Mix

STORAGE REVENUE @ IBP/NOR



Storage Business Unit

Restricted Distribution

Storage Business Unit Market Trends

	FY93	FY94	FY95	CAGR
Market Size:				
On-base Total	\$1.7B	\$1.8B	\$2.0B	9%
Target	\$1.7B	\$1.8B	\$2.0B	9%
Off-base Total	\$25.2B	\$28.7B	\$30.9B	11%
Target	\$3.1B	\$4.9B	\$7.2B	52%
Market Share:				
On-base Total	\$1.4B	\$1.5B	\$1.7B	
Target	80%	82%	85%	
Off-base Total	\$180M	\$630M	\$1300M	
Target	6%	13%	18%	
Revenue:				
@ NOR	\$1.6B	\$2.1B	\$3.0B	
@ IBP/NOR	\$1.0B	\$1.5B	\$2.4B	

Target Market:

Inductive and magneto resistive heads; disk drives -- 2.5" (200MB - 16MB), 3.5" (500 MB - 26B), 5.24" (>2GB); tape drives -- 4mm, 8mm, 1/2"; optical -- 3.5: RW, 5.5" RW, 1 - 2 GB 3.5" disk; subsystems -- microsystems, midrange systems valued between \$25K and \$700K.

Storage Business Unit Risks and Opportunities

Risks

- Products are late...miss OEM "design-in" window
- Digital off-base channels (OEM, Distribution) do not grow as rapidly as planned
- Additional price erosion is incurred compared to the plan
- Engineering/Manufacturing execution

Opportunities

- "Win" additional OEM "design-ins"
- CBUs/Territories aggressively implement on-base Storage Product Specialists in the field (U.K. model)
- Ramp off-shore manufacturing capability early FY95, and execute process and yield improvements
- Fully exploit "StorageWorks" solutions

Storage Business Unit
StorageWorks Announcement
Feedback

“From a Mass Storage Perspective, we are seeing a new Digital delivering on a strategy with a creative new logo, a broader market and product line, and Marketing innovation that did not previously exist.”

Fara Yale
Dataquest, Inc.





Personal Computer Business Unit

Board of Directors Review

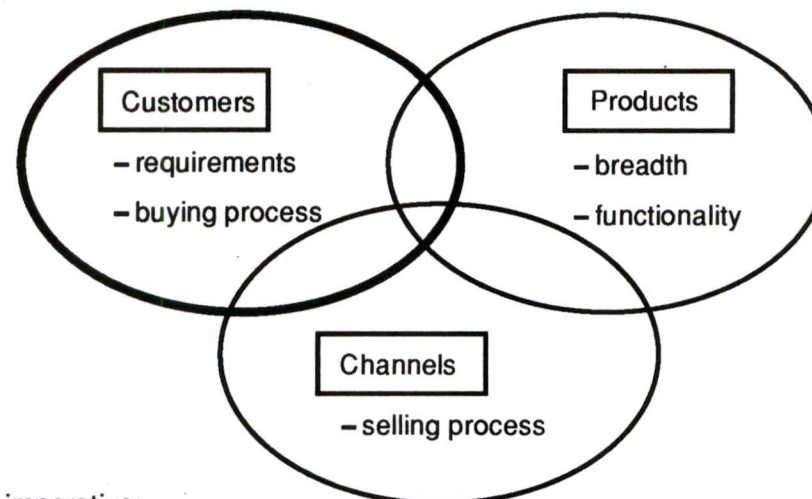
June 17, 1993

Restricted Distribution

PERSONAL COMPUTER BUSINESS UNIT

OVERVIEW

- Mission: to become a leading force in the PC industry -- among the top 5-7 profitable companies by the mid 1990s
- Requirement: To meet the best of competition on quality, price and cost within two years



- Key imperative:
 - Digital has grown very rapidly in PCs, but unprofitably
 - Digital must
 - ▶ continue to grow faster than the market leaders to achieve required scale
 - ▶ dramatically reduce total cost to lowest levels achievable for its scale

PERSONAL COMPUTER BUSINESS UNIT**FY94-FY95 BUDGET**

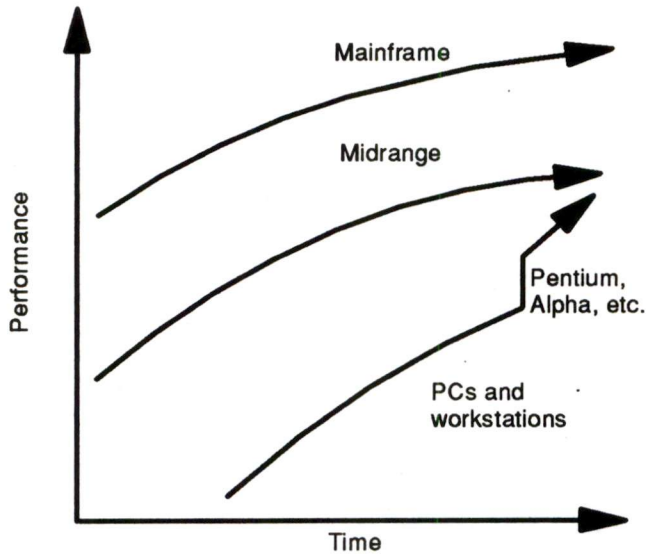
	<u>FY93 Total</u>	<u>FY94 Total</u>	<u>FY95 Total</u>
NOR (\$MM)	790	1527	2200
Gross Margin	91	301	508
%	12%	20%	23%
SG&A	186	242	330
%	24%	16%	15%
R&E	23	77	111
%	3%	5%	5%
Operating Profit	(118)	(18)	67
%	(15%)	(1%)	3%
Year/Year NOR Growth	88%	93%	44%
Units (K)	361	674	996

Intel R&E = 3% of NOR; ALPHA R&E = 13% of NOR

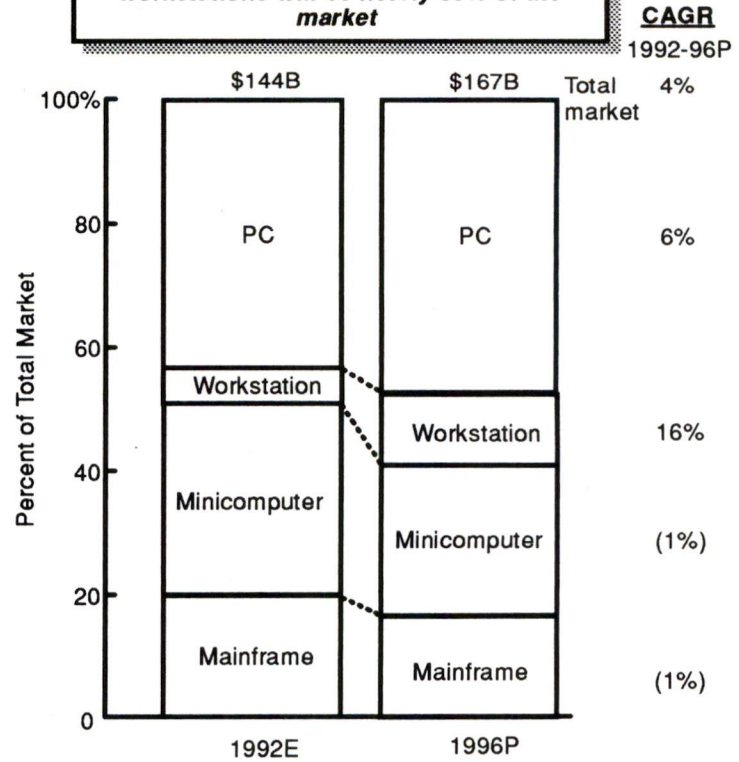
PERSONAL COMPUTER BUSINESS UNIT

WHY SUCCESS IN PC'S IS CRITICAL TO DIGITAL

The merging performance of desktops and midrange is accelerating customers' shift to PCs and workstations, with all the industry growth expected in this area



PC hardware sales are nearly half the hardware market today; by 1996, PCs and workstations will be nearly 60% of the market

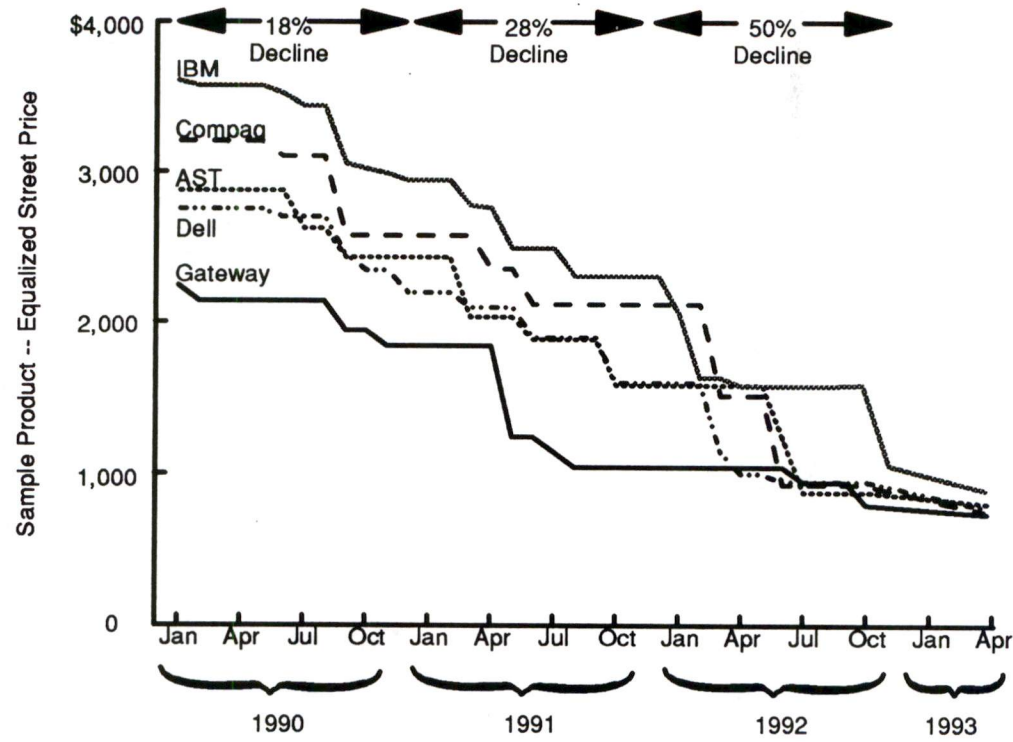


PERSONAL COMPUTER BUSINESS UNIT

MARKET PRICING TRENDS

U.S.

In June 1992 Compaq collapsed the industry price umbrella

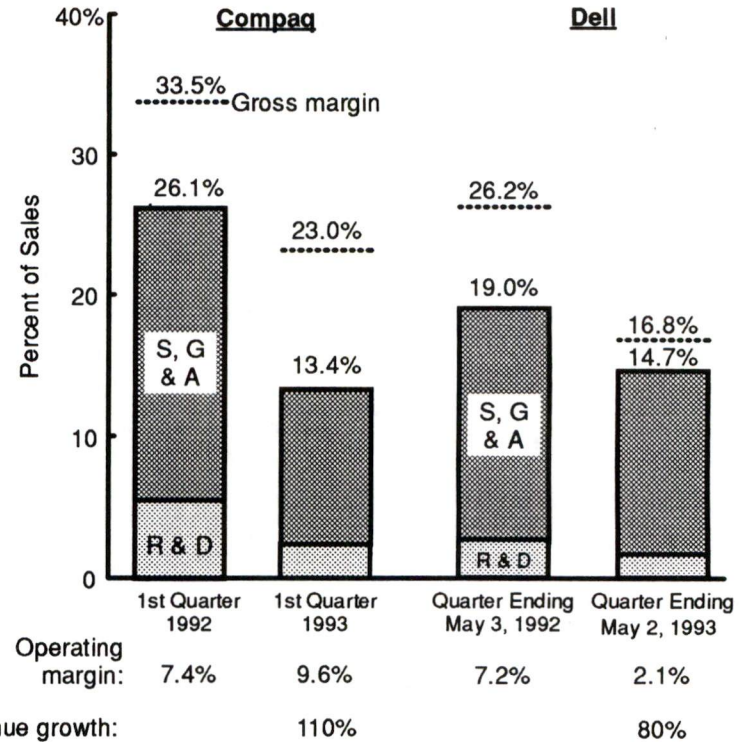
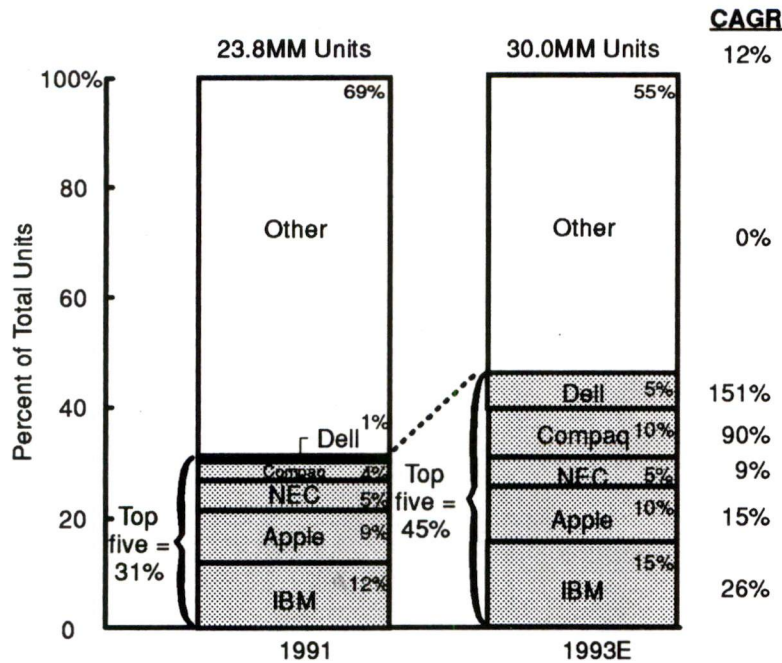


PERSONAL COMPUTER BUSINESS UNIT

COMPETITOR TRENDS

1992 price collapse led to industry consolidation. Top five gained approximately 14 points of share

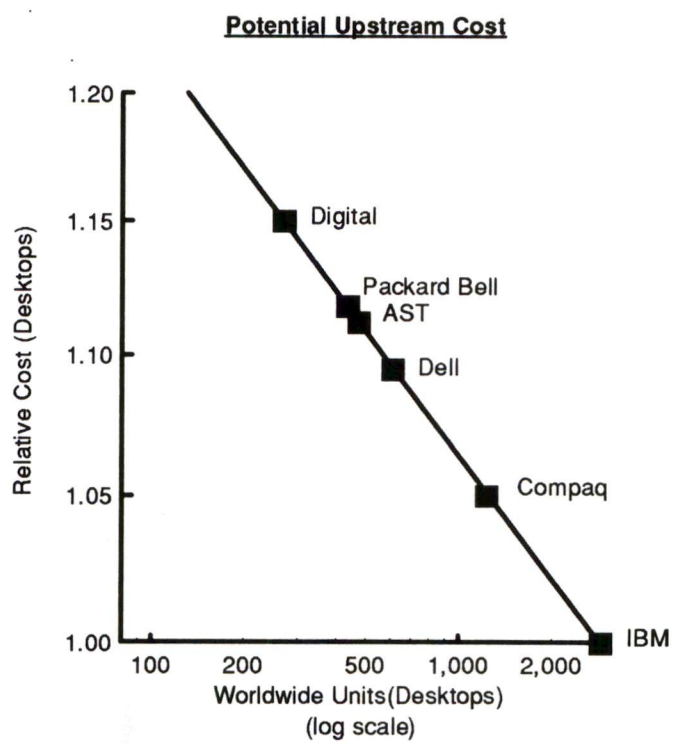
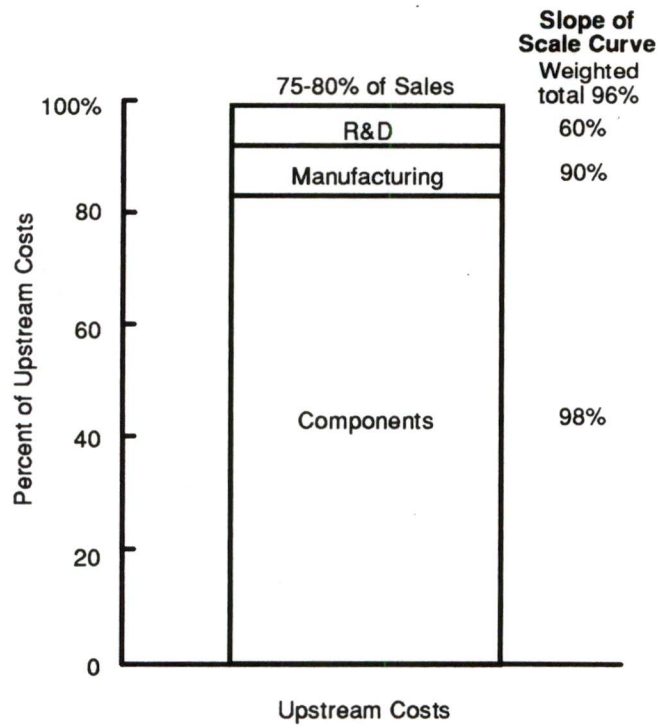
The winning competitors have defined a new business model that is profitable, but risky



PERSONAL COMPUTER BUSINESS UNIT

IMPORTANCE OF SCALE

Digital must continue to grow faster than the winning companies

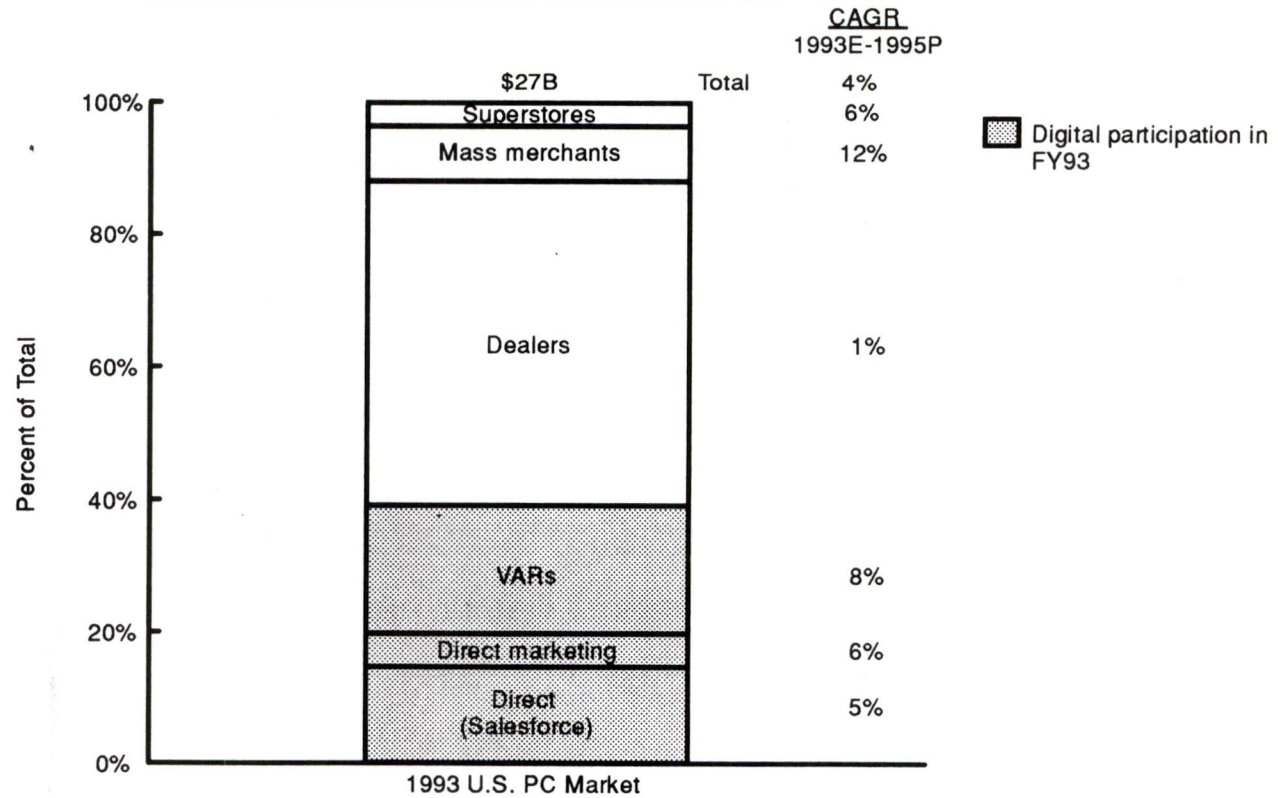


PERSONAL COMPUTER BUSINESS UNIT

CHANNEL IMPERATIVES

U.S.

Digital must and will expand its channel presence:
 - to achieve scale (access to total market)
 - to participate in growing channels
 - to sell through lower-cost channels



The actions required to continue growing rapidly while improving profitability involve a new approach, taken by a new Digital organization. Digital will now play the PC business game by the PC market rules

- Greatly expand the product line
- Aggressively penetrate new indirect channels
- Firmly control prices and Ts and Cs worldwide, on a channel-neutral basis
- Rapidly accelerate PC supply chain throughput to drastically cut lead times
- Rigorously manage SG&A to competitive levels
- Exploit Digital's major asset -- its customer base -- in partnership with the CBUs

To achieve these goals, Digital is adopting the business model of the PC winners: a standalone business unit managing product strategy and design, pricing, marketing, and sales channels

PERSONAL COMPUTER BUSINESS UNIT

RISKS

The aggressive PCBU FY94-95 revenue and profit improvement faces several external and internal risks

External

- Market growth
- Aggressiveness of major competitors to maintain their revenue growth
- Steeper price decline

Internal

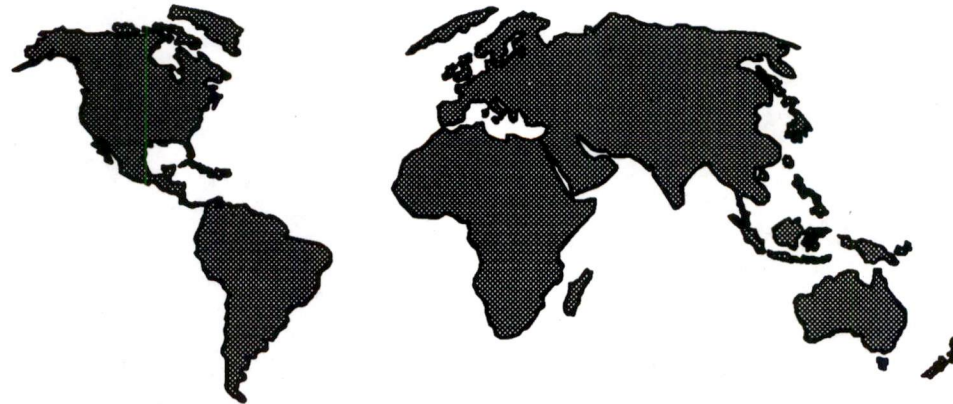
- Alpha PC success
- Delivery of product within competitive lead times
- Ability to continue driving down cost to competitive levels
- Excellence of multiple new product designs
- Sustained demand creation by PCBU and CBU

PERSONAL COMPUTER BUSINESS UNIT

SUMMARY

- The PC business is strategic for Digital, not only for its revenue, but also for the business model it represents
- Digital must anticipate the ongoing needs of the customer in the PC segment. This chiefly implies a flexibility and fast reaction time not characteristic of the historical corporate model
- Digital's success in the PC business will form the basis for significant future revenue and profit growth for the corporation

**Components and Peripherals
Business Unit**



Board of Directors Review

June 17th, 1993

Components and Peripherals Business Unit: Business Challenge

- 
- **Significantly grow Digital's revenue by expanding indirect channels worldwide , focused on the "Open Market" and through these channels gain market share for Digitals' new, "Open Products"**

" Open products to open markets through open channels..."

Components and Peripherals

Key Product Mix by Segment

Technical OEM	Component OEM	Merchandising	Video	Hardcopy
Single Board Computers	Workstations & Servers	Workstations & Servers	Text Terminals	Production Printers
Workstation Boards	Gigaswitches	Hubs	Windowing Terminals	PrintServers
ALPHA Chips	Hubs	Routers		Desktop Printers <ul style="list-style-type: none"> - Laser - Inkjet - Dot Matrix
Realtime Software	Terminals	Software		Print System Software
		Memory		Accessories & Supplies
		Terminals		
		Windowing Terminals		
		Supplies		
		Printers		

 = Responsible for product development

Components and Peripherals Business Unit Financial Summary

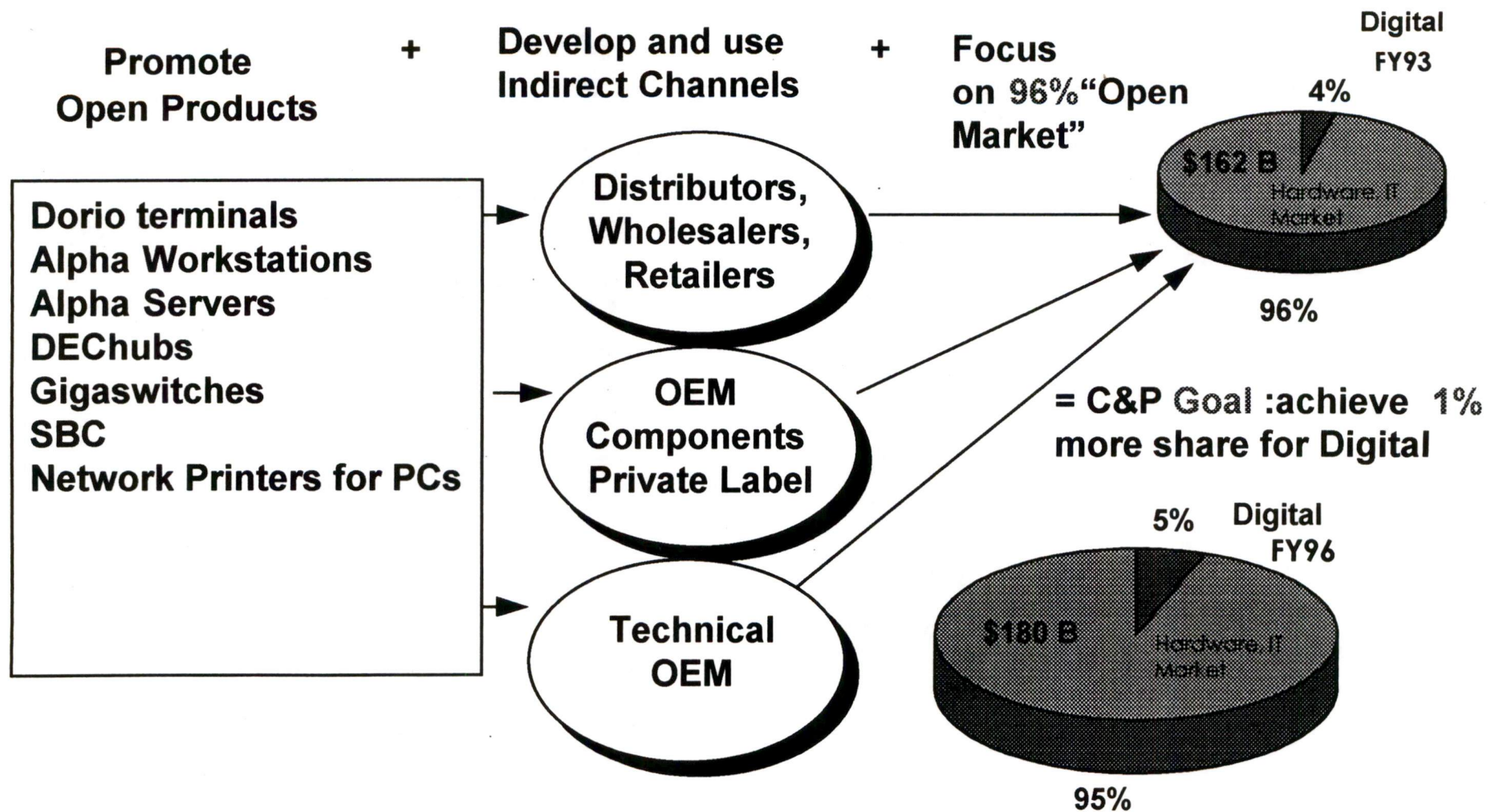
<u>Profit & Loss (\$ Millions)</u>	FY93	FY94	FY95
Revenue	\$1158	\$1434	\$1804
Revenue Growth		24%	26%
Gross Margin %	39%	37%	35%
Operating Profit	\$86	\$168	\$202
Operating Profit %	7.4%	11.7%	11.2%

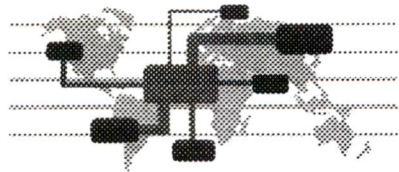
Market Share (\$ Billions)

Total Market	\$162 B	\$168 B	\$174 B
Market Share	.7%	.8%	1.0%
Target Market	\$65 B	\$68 B	\$71 B
Market Share	1.7%	2.1%	2.5%

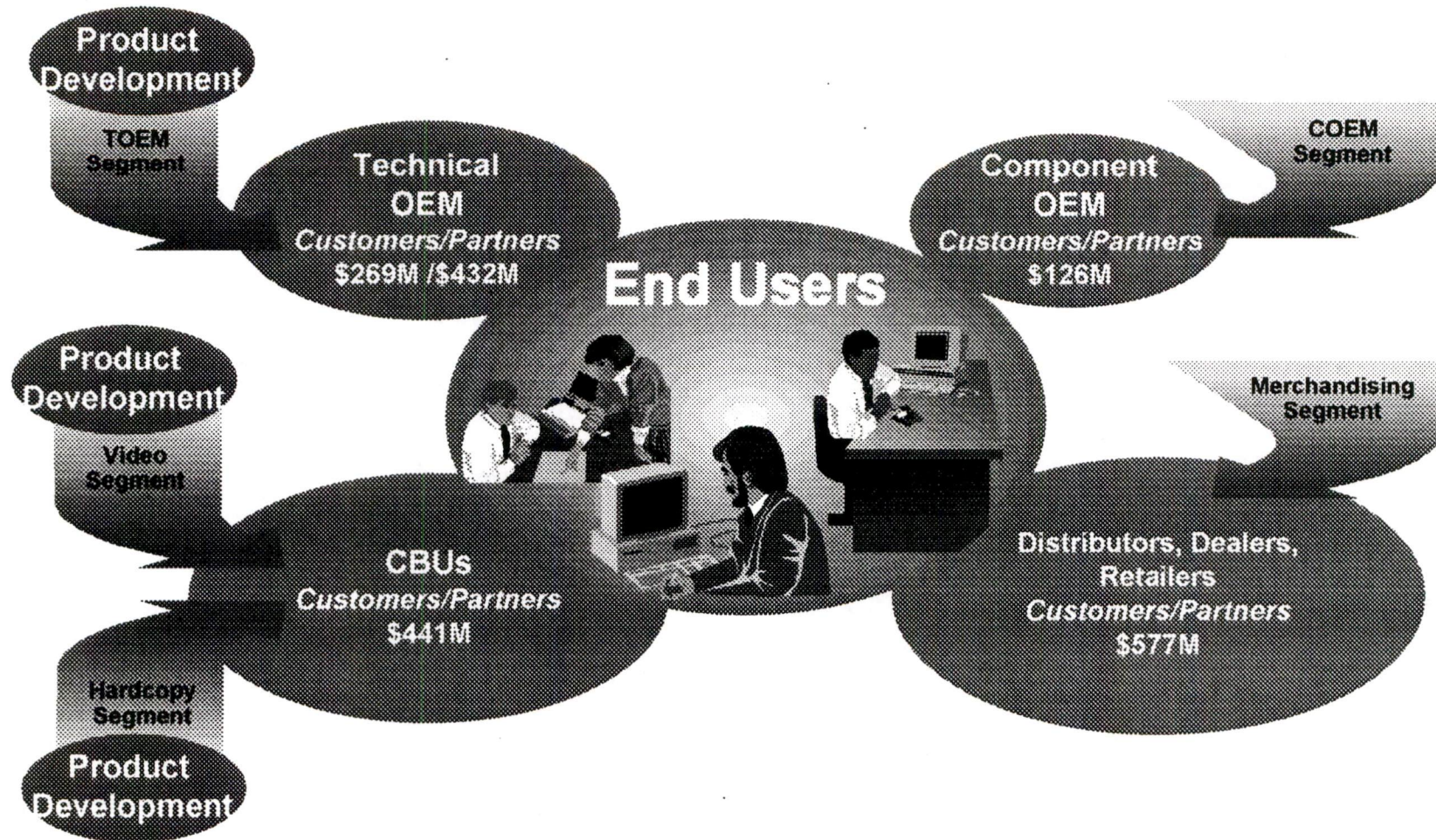
Components and Peripherals Business Unit

Business Challenge





Partnering for Profit...



Components and Peripherals Business Unit

How Are We Going to Win?

Strengths

- New competitive, non-proprietary products (Dorio terminals, DEChubs, Alpha)
- Worldwide service, support, languages
- Best-in-class C&P cost structure: profitable

Weaknesses

- Perceived as proprietary
- Advertising and Marketing ineffective and under invested
- Current Partners/Customers are still DEC-centric

Opportunities

- Use new products to attract Wyse, Sun, Cisco, Synoptics distributors
- Exploit industry shift from make to buy with Private Label offerings of competitive products
- Rebuild TOEM presence

Threats

- HP well positioned to respond to any price, marketing actions
- Availability of critical Alpha applications within next 12 months
- *Economic stagnation worldwide*

Components and Peripherals Business Unit

Why We Will Succeed

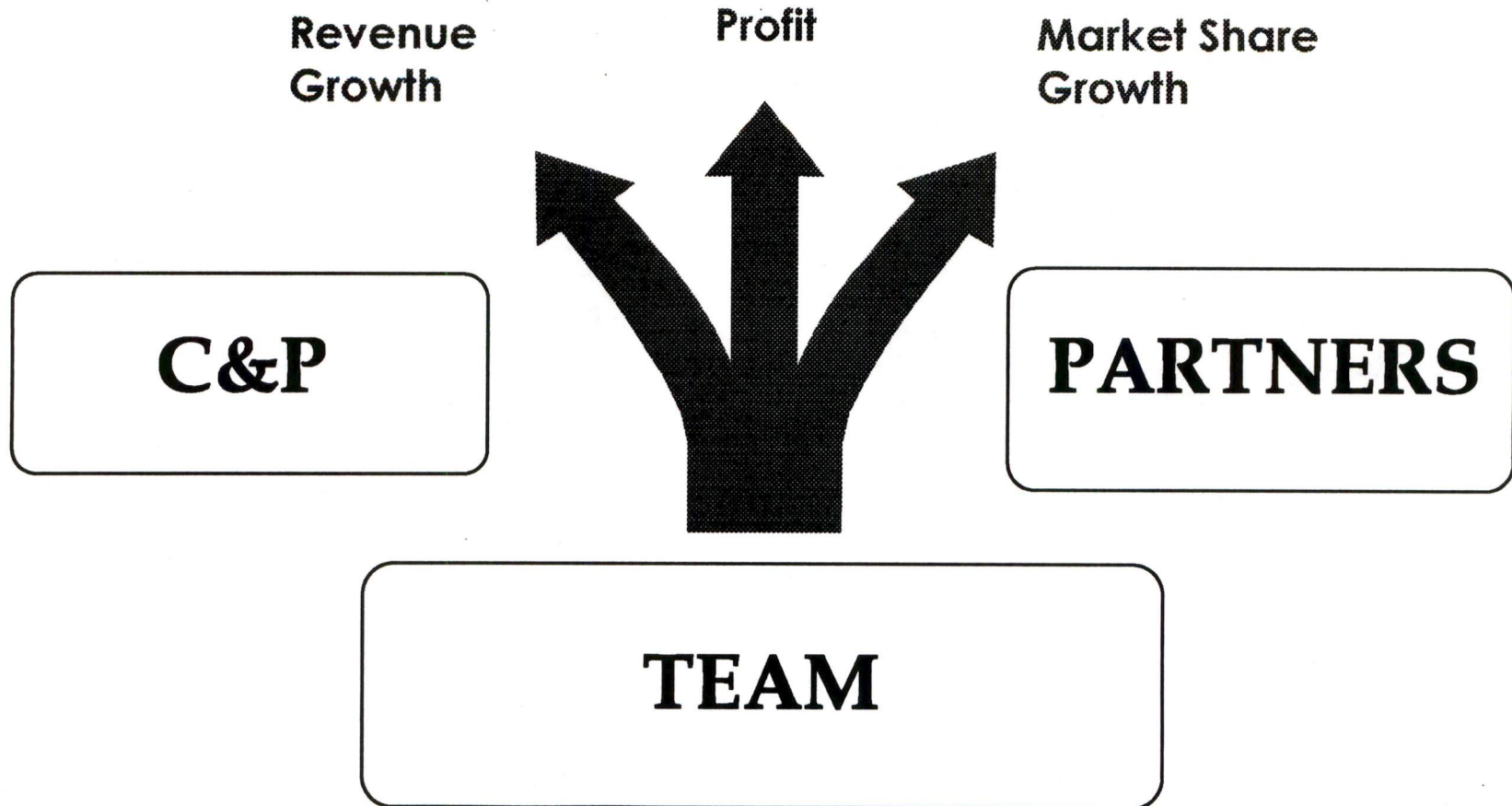
Why we will succeed

- **Leadership, competitive, open products**
- **Design-Win teams** and **Product Specialists** available for customer support
- **Demand creation** : marketing programs and product advertising aimed at creating brand recognition
- **Profit for us** and **our partners** (business practices, simple and consistent pricing)

What might stop us

- **Delays** in delivering new, open products
- New resellers not brought on according to **schedule**
- **Insufficient funding** at Corporate level for Demand Creation Programs, especially Alpha products

Components and Peripherals Business Unit



Components and Peripherals Business Unit Glossary

- **OEM: Original equipment manufacturer**
- **TOEM: Technical original equipment manufacturer**
- **Indirect channels : market not addressed by the Direct Sales force**
- **Private Label: computer manufacturers who purchase peripherals from other companies and apply their own logo to the part**
- **SBC: Single board computer**

digital

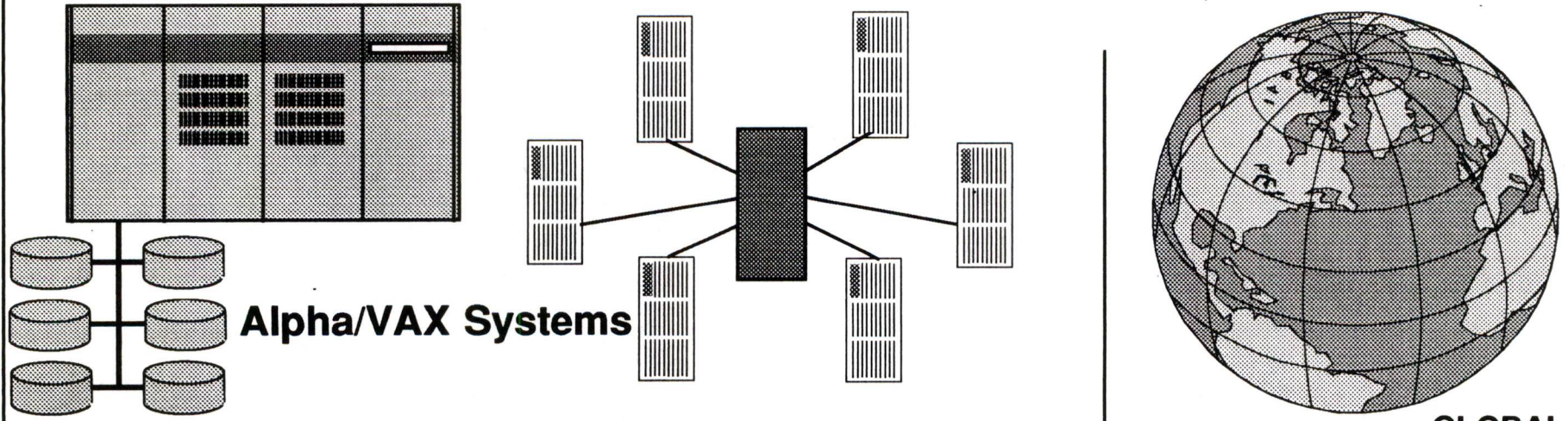
Multivendor Customer Services

Board of Directors Review

June 17, 1993

digital

Multivendor Customer Services Business Challenge



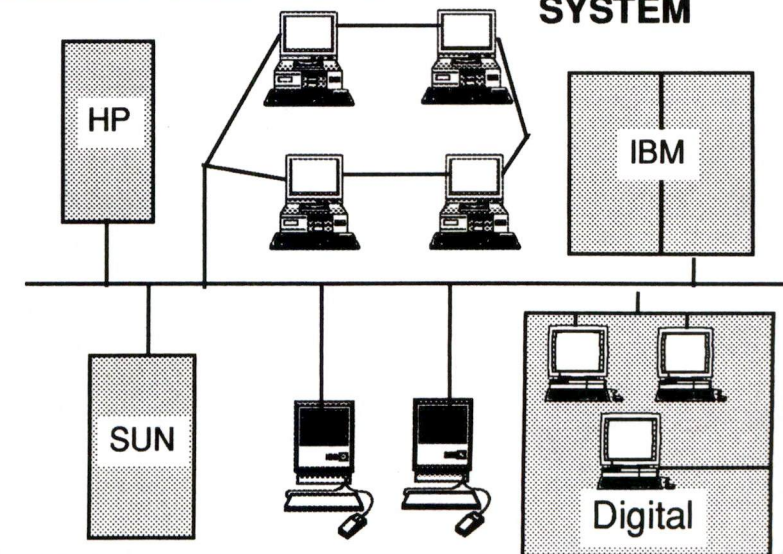
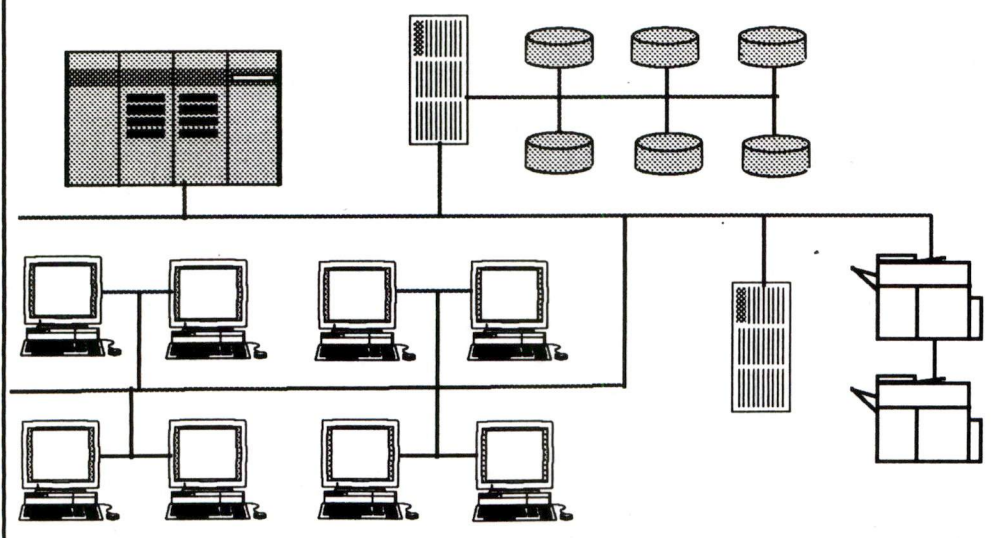
Alpha/VAX Systems

**GLOBAL
VIRTUAL
SYSTEM**

World Leadership in Multivendor Services Environment

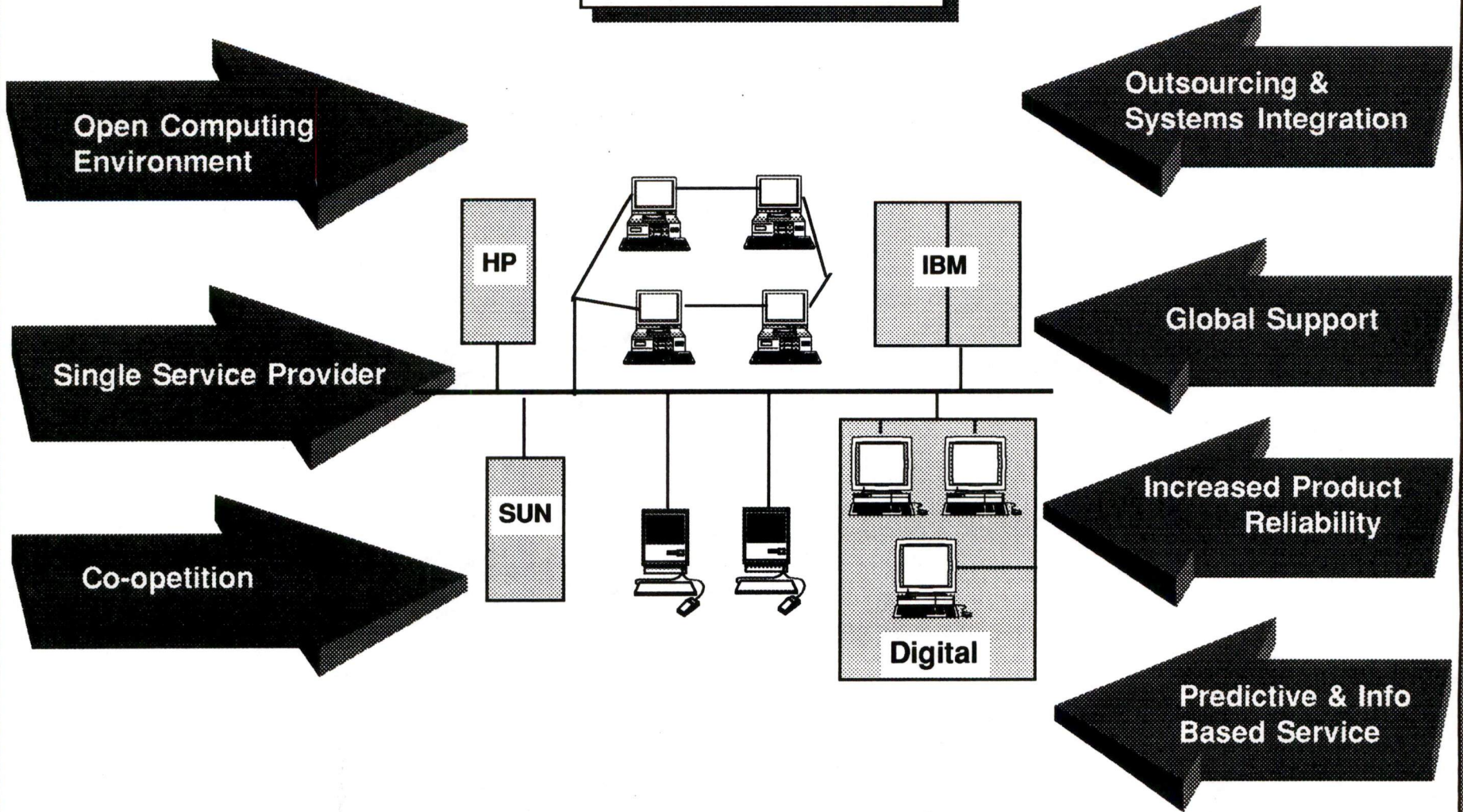
**CLIENT-SERVER
COMPUTING**

**MULTI-VENDOR
DISTRIBUTED
SYSTEM**



Multivendor Customer Services

Market Trends



Multivendor Customer Services Financial Summary

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	
Revenue (\$million)	\$4729	\$4674	\$5000	
Revenue Growth		(1%)	7%	
Operating Profit	\$1381	\$1505	\$1525	
OP % Revenue	29%	32%	31%	
<u>Market Size (\$billion)</u>				
Total	\$101	\$110	\$121	
Digital Accounts	\$25	\$26	\$28	
<u>Market Share</u>				
Total	4.7%	4.3%	4.1%	
Digital Accounts	18.8%	17.9%	18.1%	
				<u>Cumulative</u>
				<u>Average Growth</u>
<u>Revenue: (\$billion)</u>				
Total	\$4.7	\$4.7	\$5.0	3.1%
M-V in Digital Accounts	\$.9	\$1.3	\$1.7	37.5%

Multivendor Customer Services

How are We Going to Win?

Strengths

- Global capacity and presence
- Call Handling and Diagnosis
- Multivendor Coverage

Weaknesses

- Proprietary Image
- Multivendor Selling Capability
- Administration Support Systems

Opportunities

- Multivendor in the DEC installed Base
- Digital as Service Partner
 - Embedded Alpha
 - Other product vendors
 - Outsourcing
 - Helpdesk
- PC Integration

Threats

- Other Hardware vendors and Independents pursuing Multivendor
- Installed Base Migration to non-Digital Platforms will Lower Service Penetration

Key Risks

Contingency Plans

<ul style="list-style-type: none"> o Other Hardware Vendors and Independents pursuing multivendor approach (Price, Promotion) 	<ul style="list-style-type: none"> - First to Market - Service Differentiation (tools, menu, global capability) - Win Back Campaigns in Digital Accounts - Protect the base (High Customer Satisfaction) - Sell off the Digital Base - "Co-opetition"
<ul style="list-style-type: none"> o Installed base migration to non-Digital platforms will lower service penetration 	<ul style="list-style-type: none"> - Assign Specialty Sellers for Multivendor Service opportunities created by migration - Ensure Service Delivery capability for dominant platforms customers are migrating to - Bid to Win - Provide feedback to CBU's/Engineering to address product deficiencies causing migration



Financial, Professional and Public
Services Business Unit

Board of Directors Review

June 17th, 1993

Restricted Distribution

B. Ryan/17 June 1993

Financial, Professional and Public Services Business Unit Market Characteristics

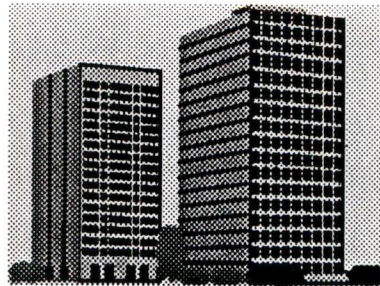
Individuals & Companies



Financial Services

\$35B

- Retail Banking
- Capital Markets
- Corporate Banking
- Insurance



Professional Services

\$48B

- Architecture
- Accounting
- Law
- Software
- Construction



Public Administration

\$25B

- Taxes
- Law Enforcement
- Postal
- Customs

Restricted Distribution

Financial, Professional and Public Services Business Unit Market Characteristics

Information

Individuals & Companies

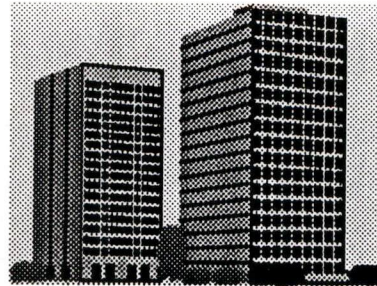
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Financial Services

\$35B

- Retail Banking
- Capital Markets
- Corporate Banking
- Insurance



Professional Services

\$48B

- Architecture
- Accounting
- Law
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Public Administration

\$25B

- Taxes
- Law Enforcement
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- Customs

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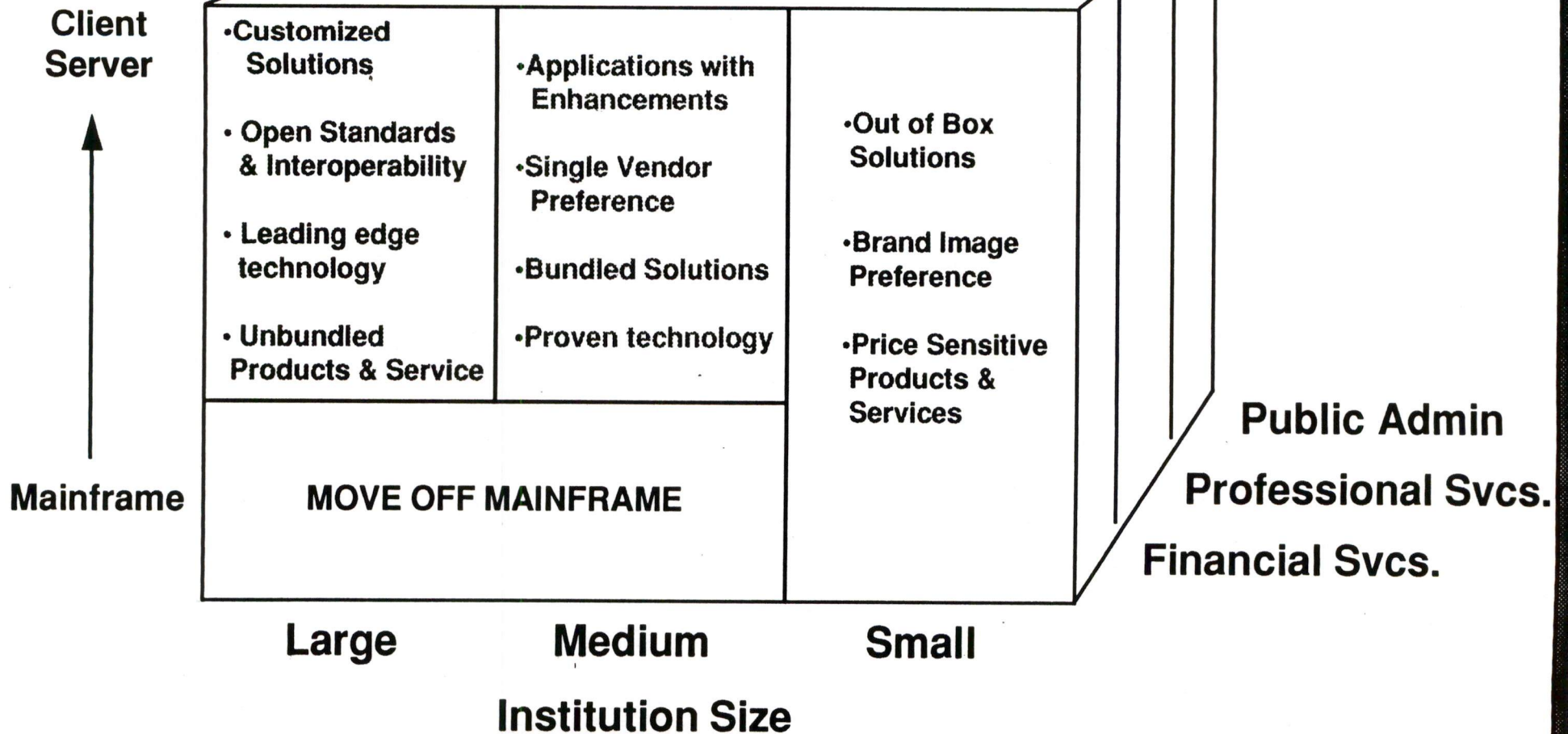
Transform

Restricted Distribution

Financial, Professional and Public Services Business Unit Primary Customer Needs

← VALUE ADDED SERVICES →

← COMMODITIES →



Restricted Distribution

Financial, Professional and Public Services Business Unit Financial Summary

	FY93	FY94	FY95
Revenue	\$2,264.5M	\$2,304.4M	\$2,444.7M
Revenue Growth		1.8%	6.1%
Operating Profit	-304.1	-154.5	0.0
OP % Revenue	-13.4%	-6.7%	0.0%
Market Size	\$102B	\$108B	\$115B
Market Share	2.2%	2.4%	2.6%
Target Market Size	\$57B	\$60B	\$64B
Target Market Share	3.6%	3.7%	3.8%

Restricted Distribution

Financial, Professional and Public Services Business Unit

FY94 Plan

Past Practices

- Components & Products
- Research
- Proprietary

- Large Numbers-Smaller Volume
- Complex Business Practices
- Competitive

- Sell Everything
- Generalists
- Transactional

- Geographically Focused
- Weak & diffused partnering
- Investing in everything

- Redundant Marketing efforts
- Lack of integration with Account teams
- Lost credibility and image

Engineering

**Indirect
Channels**

**Direct
Selling**

Solutions

Marketing


Customer

CBU Focus

- Systems
- Advance Technology with Customers
- Balance with Industry Standards

- Large Volume-Smaller Numbers
- Easy to do Business
- Complementary

- Specialists - Products & Technology
- Focus on High Value
- Sales and Delivery Teams
- Opportunity Response Teams
- Global
- Alliances
- Focused Market Segments

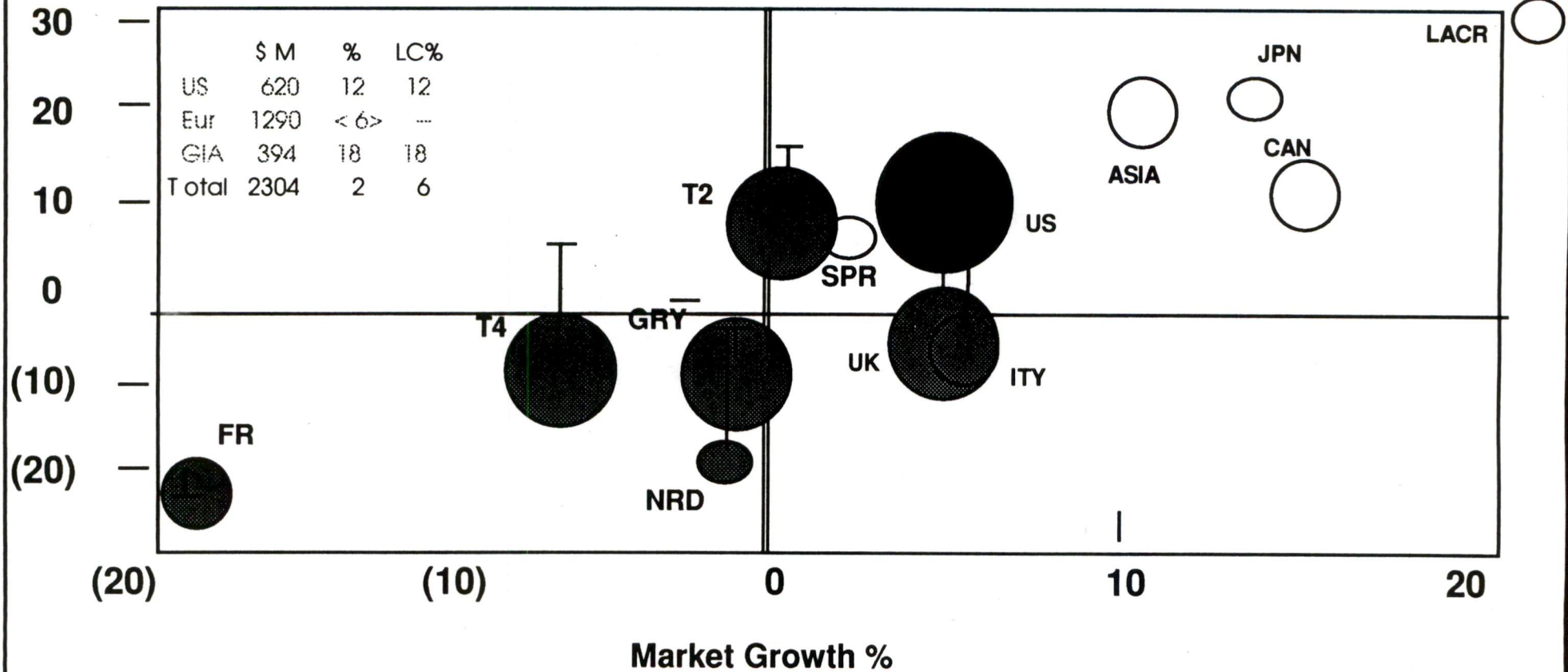
- Integrated Market Plans
- Business Unit Alliances
- Customer & Industry Knowledge
- Build on strengths-Client Server & solutions

Restricted Distribution

Financial, Professional and Public Services Business Unit

FY94 Territory Growth vs. Market

Revenue Growth%



Restricted Distribution

Financial, Professional and Public Services Business Unit How Are We Going to Win?

Strengths

- Leadership technology and price performance
- Strong customer base
- Quality solutions and engineering expertise, e.g., Retail Banking Europe

Weaknesses

- Ability to profitably replicate solutions
- Channels management
- Credibility in US Financial Service Market

Opportunities

- Cost of legacy systems and our ability to leverage client/server technology
- Effective use of indirect channels and alliances
- Focused resources on market segment priorities.

Threats

- Entrenched IBM, Unisys, Tandem, etc.
- Economies
- Timely rollout of partner applications

Restricted Distribution

Discrete Manufacturing & Defense
Business Unit

Board of Directors Review

June 17th, 1993

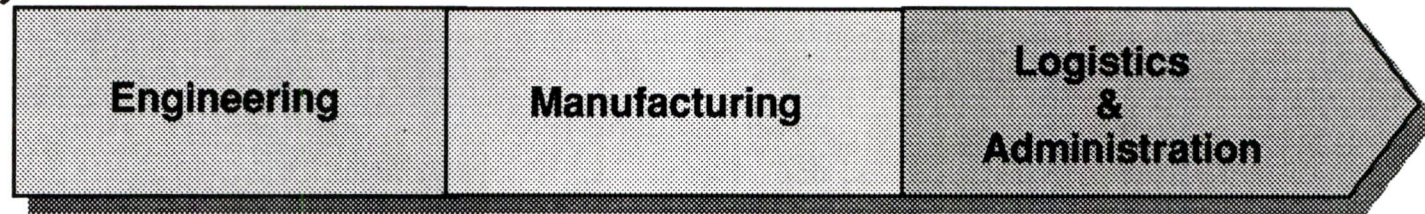
Restricted Distribution

Discrete Manufacturing & Defense Business Unit Industry Value Chain

Market Segments

	<u>Market Size</u>
Aerospace & Defense	\$20B
Electronics	\$19B
Automotive & General Discrete	\$15B

Customer Value Chain



Focus/Strategy

Customer Problem:

- Time to Market →
- Time to Profit
- Cost/Assets
- Quality/Agility
- Customer Responsiveness
- Information Technology Leverage

Platform Solution:

- Alpha AXP/UNIX/Application Partners

Business Re-engineering Solution:

- CASE
- Integrated Data Management
- Planning/Execution Systems
- Integrated Supply Chain
- Client Server Solutions

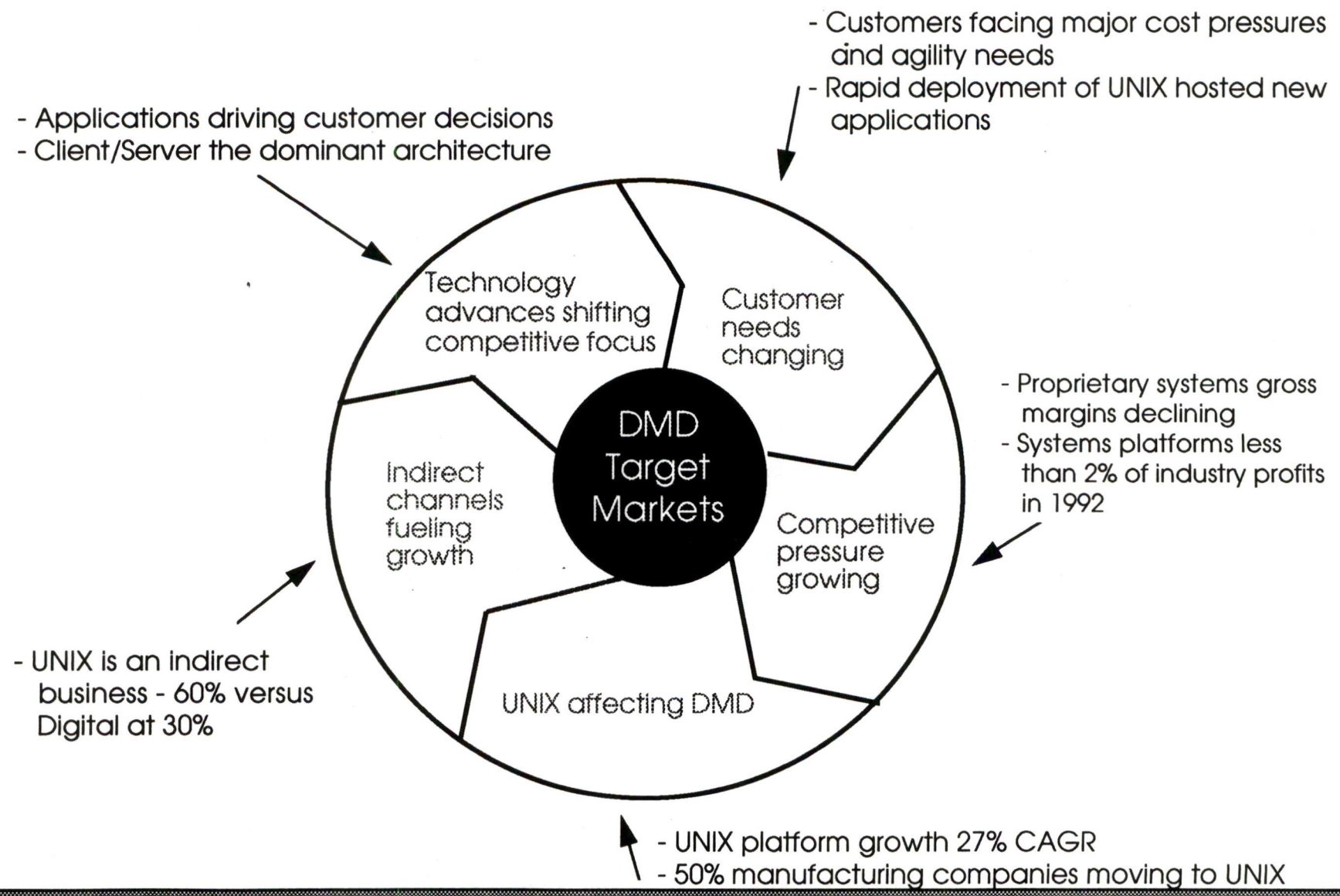
Discrete Manufacturing & Defense Business Unit P&L

	<u>FY93</u>		<u>FY94</u>	<u>% Change</u>		<u>FY95</u>	<u>% Change</u>
N O R							
Product	1460		1457	0%		1567	8%
Service	405		442	9%		522	18%
Total	1865		1899	2%		2089	10%
Cost of Goods Sold							
Product	881		861	-2%		929	8%
Service	337		366	9%		387	6%
Total	1218		1227	1%		1316	7%
Gross Margin							
Product	579		596	3%		638	7%
Service	68		76	12%		135	78%
Total	647		672	4%		773	15%
GM %	35%		35%			37%	
R&E							
	203		176	-13%		163	-7%
R&E %	11%		9%			8%	
SG & A							
	754		656	-13%		557	-15%
SG & A %	40%		35%			27%	
Operating Profit	-310		-160	48%		53	133%
OP%	-17%		-8%			3%	

Restricted Distribution

Discrete Manufacturing & Defense Business Unit

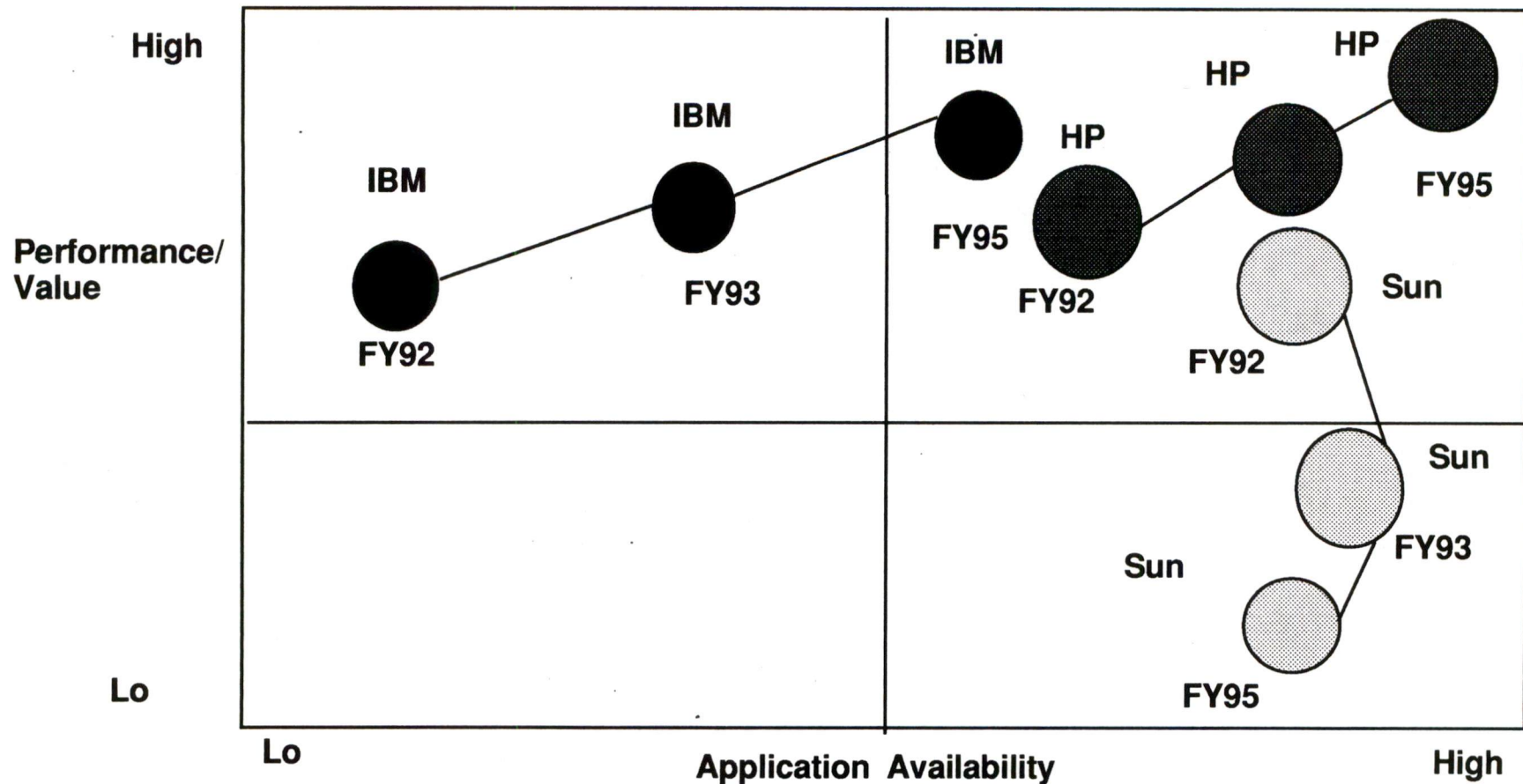
Industry Dynamics



Restricted Distribution

Discrete Manufacturing & Defense Business Unit Industry Trends

UNIX Price Performance vs. Application Availability - HP, Sun, IBM

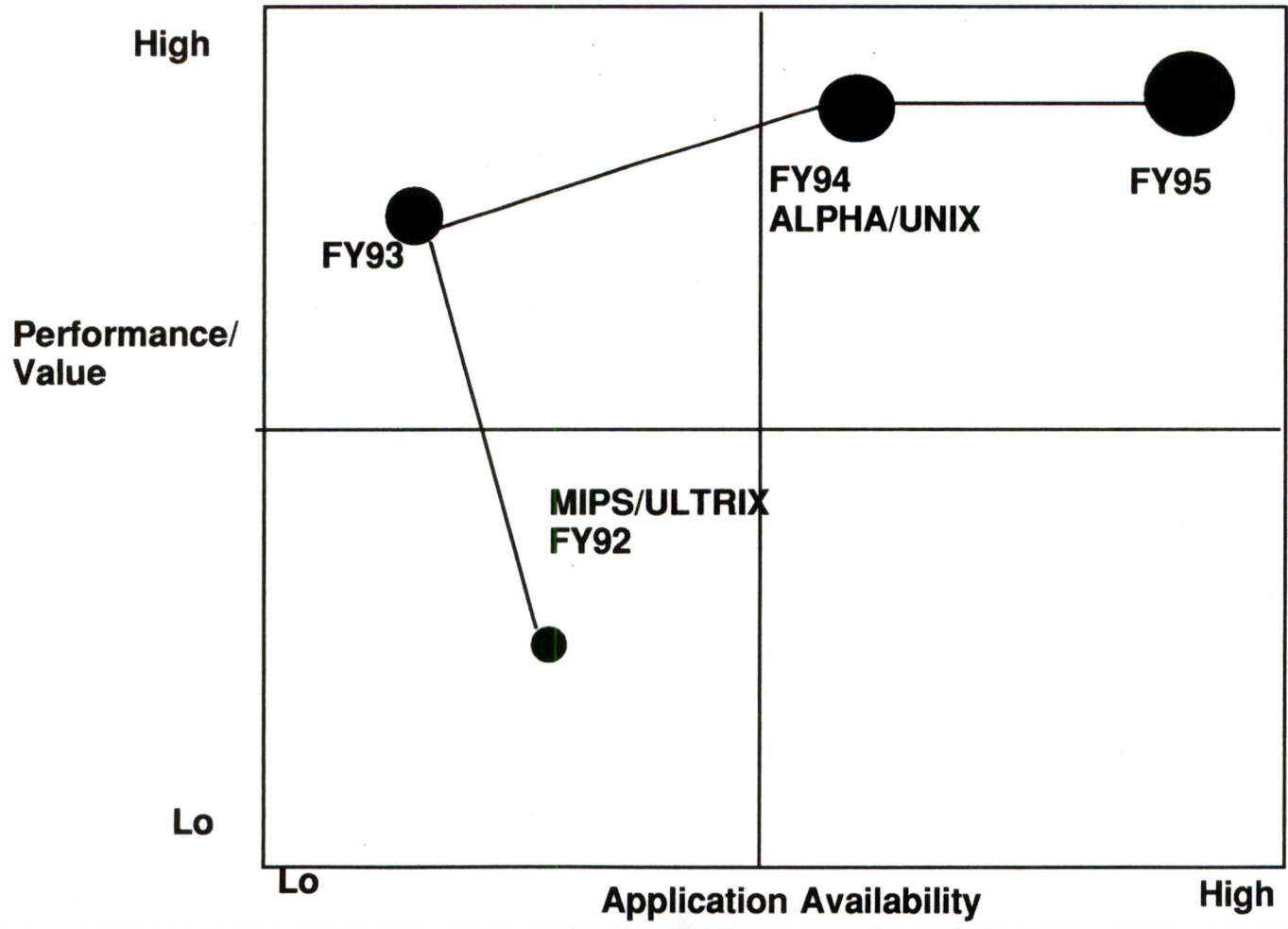


Restricted Distribution

* size of circle indicates market share

Discrete Manufacturing & Defense Business Unit Industry Trends

UNIX Price Performance vs. Application Availability - Digital



Unix Market Share

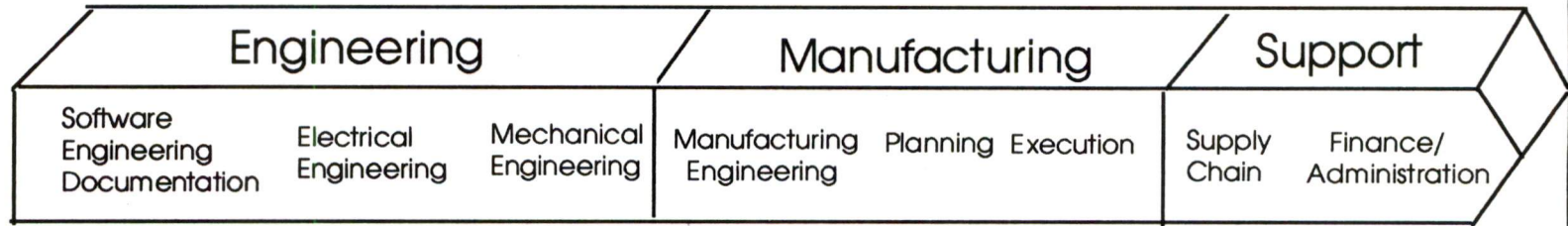
	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Sun	30	26	22
IBM	18	17	16
HP	19	20	20
Digital	1	5	12

Restricted Distribution

* size of circle indicates market share

Discrete Manufacturing & Defense Business Unit

Top Applications



Alpha/UNIX
Availability

Now		ViewLogic	Parametric	Parametric	ASK SAP		SAP	SAP
Q1	IDE SQL Marconi		Rasna	Cimplex		Fastech	Ross	Ross
Q2	CADRE	Cadence Mentor Synopsis	CV Matra EDS SDRC MSC	CV EDS Matra	Cincom Oracle	BBN		Oracle
Q3	EDS/XDADA					Consilium Promise Cimcorp		
Q4								

- Management Process:
- Monthly review of accelerated porting schedules (weekly if off plan)
 - Monthly review of revenue performances with partner CEO.

Restricted Distribution

Discrete Manufacturing & Defense Business Unit

Risks and Opportunities

<u>Risks</u>	<u>Contingency Plan</u>
<ul style="list-style-type: none"> • Hewlett Packard UNIX momentum with application partners, customers, channels. • Aerospace/Defense (U.S. Gov't policy); European Automotive (uncompetitiveness of local manufacturers). • Timely implementation of the new organization structure. 	<ul style="list-style-type: none"> • Shift resources to unilaterally focus on our Alpha-AXP/UNIX strategy. • Trigger points based on revenue, operating profit. <ul style="list-style-type: none"> • Expense Reductions • Shift resources to sectors/territories exceeding plan • Proactive operational management.
<u>Opportunities</u>	<u>Actions</u>
<ul style="list-style-type: none"> • Aggressively attack Sun's workstation performance. • Computer downsizing to client servers. • More rapid deployment of solution selling teams. 	<ul style="list-style-type: none"> • Relentlessly drive home Digital leadership messages with application partners, media and customers. Attack Plan in every sale persons hand. • UNISYS, IBM Attack Plan. • Based on accelerated win rates.

Restricted Distribution

CEM Business Unit

Board of Directors Review

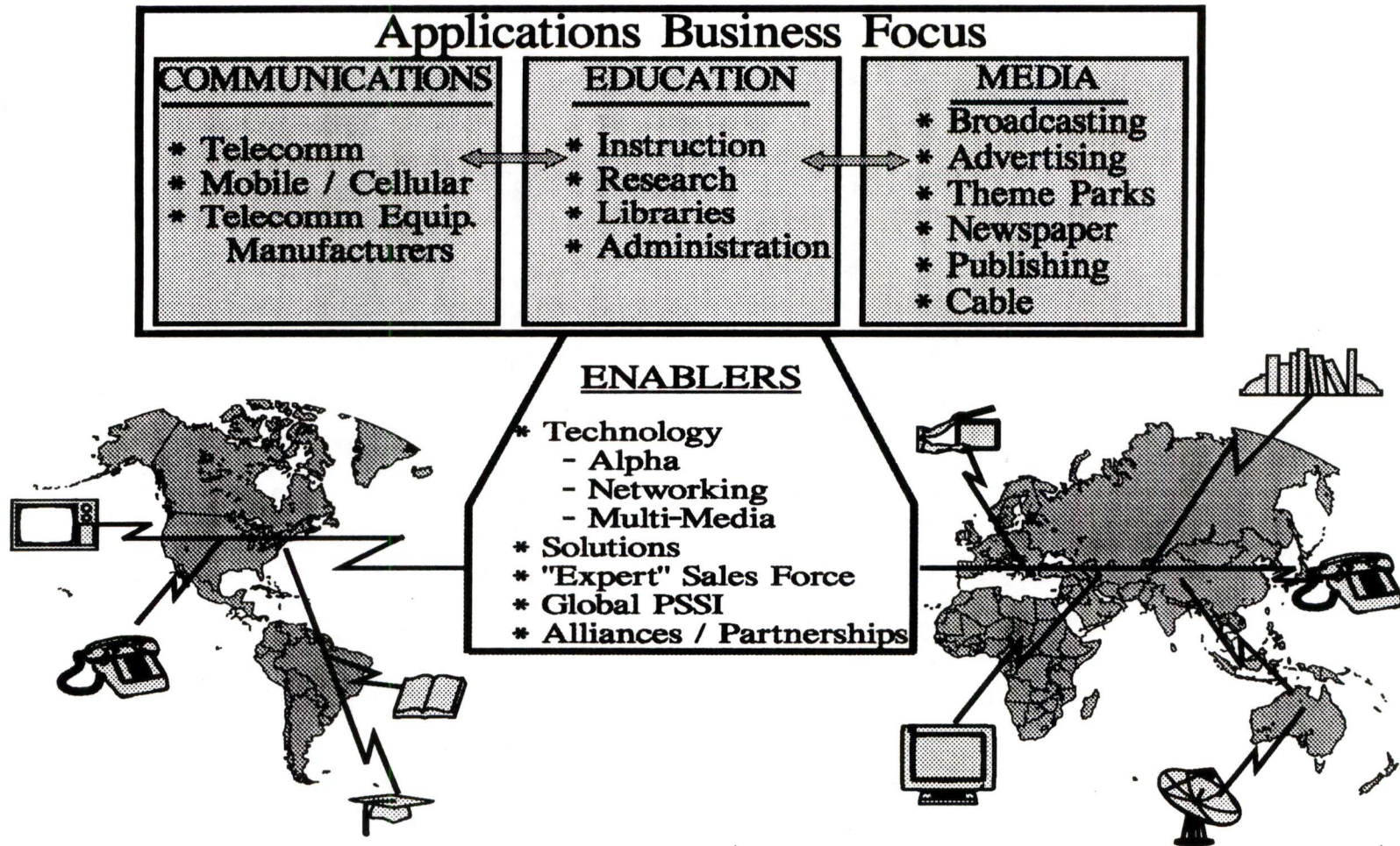
June 17th, 1993

Paul Kozlowski

Restricted Distribution

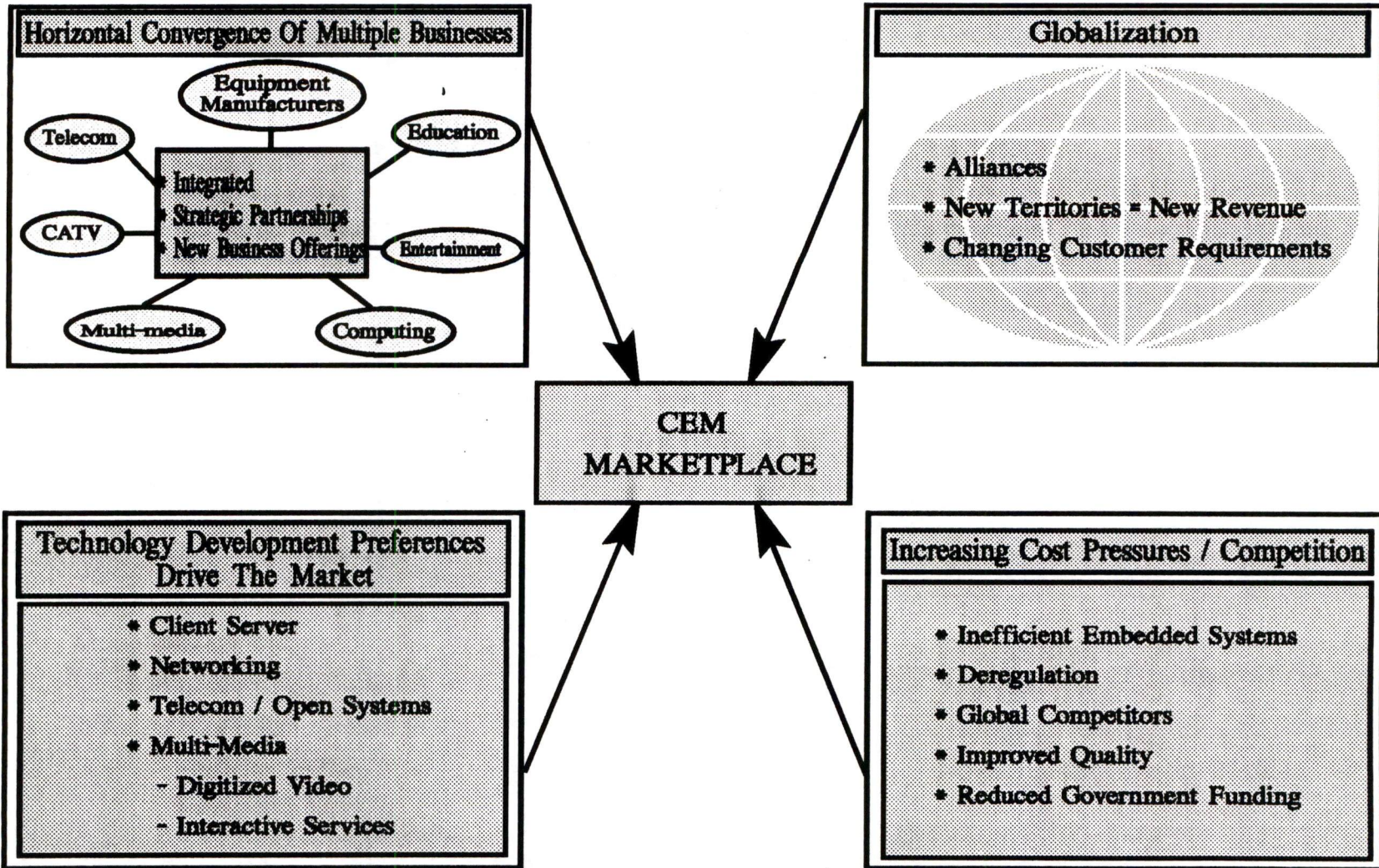
CEM Business Unit Business Challenge

Growth, Efficiency, Convergence



Restricted Distribution

CEM Business Unit Market Trends



Restricted Distribution

CEM Business Unit Financial Summary

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Revenue	1,501M	1,530M	1,683M
Revenue Growth	N/A	2%	10%
Operating Profit	<245>M	<104>M	28M
OP % Revenue	<16>%	<5>%	2%
Market Size	27.7B	28.3B	30.0B
Market Share	5.4%	5.4%	5.6%
Target Market Size	13.3B	13.6B	14.6B
Target Market Share	11.3%	11.3%	11.5%

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CEM Business Unit

How Are We Going to Win?

Strengths

- Recognized SI expertise
- Global business capability
- Networking leadership
- Synergies across market segments

Weaknesses

- Sales force expertise
- Inadequate solution portfolio
- Marketing

Opportunities

- Focus on customer
- Large SI projects managed by global PSCs; repeatable solutions
- Do it right the first time
- High growth markets:
 - .Wireless/Cable/Entertainment
- Alliances / Partnerships

Threats

- Emerging cross-industry alliances
- Established SI vendors
- Niche competitors
- Market perception of DEC's Open Systems strategy
- DEC's internal focus

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CEM Business Unit Risks and Opportunities

Key Risk/Opportunity	Contingency Plan / Dependencies
<ul style="list-style-type: none"> • Development of Telecom solutions delayed • Engineering does not deliver on time • Strategic alliances exclude Digital • Upside revenue opportunity: <ul style="list-style-type: none"> <li style="width: 50%;">-Wireless <li style="width: 50%;">-OSS <li style="width: 50%;">-Video <li style="width: 50%;">-Mobile data <li style="width: 50%;">-Add-ons <li style="width: 50%;">-MIA <li style="width: 50%;">-Objectworks 	<ul style="list-style-type: none"> • Aggressively pursue strategic partner • Outsource/buy technology • Aggressively pursue strategic alliances • Dependent upon: <ul style="list-style-type: none"> - Technical capabilities and solutions portfolio - Partners - Industry-focused sales force - Improved SI capabilities and practices

Restricted Distribution



HEALTH INDUSTRIES BUSINESS UNIT

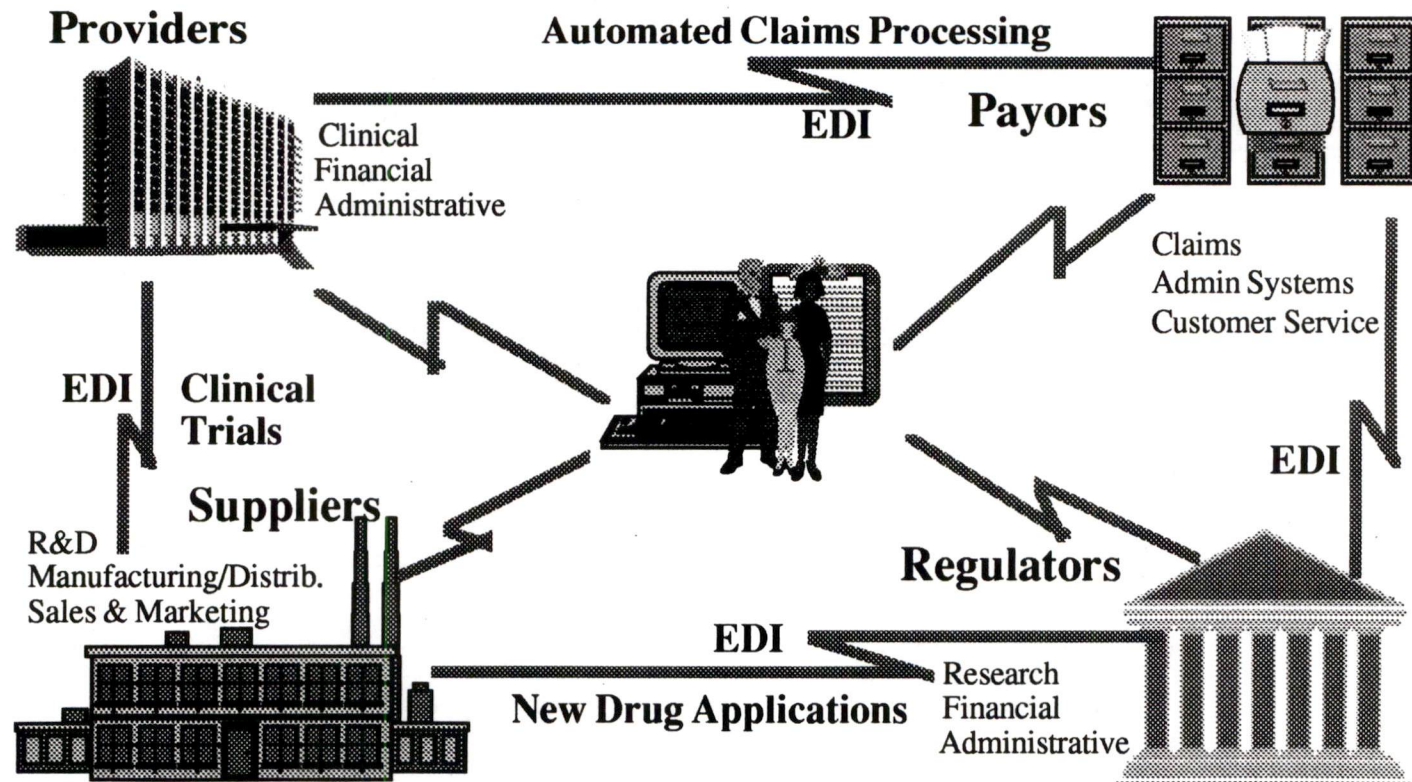
Board of Directors Review

17 June 1993



Health Industries Business Unit Business Challenge

The Extended Health Enterprise





Health Industries Business Unit P & L

	<u>FY93</u>	<u>FY94</u>	<u>% Change</u>	<u>FY95</u>	<u>% Change</u>
NOR					
Product	579	638	10%	717	12%
Service	<u>135</u>	<u>165</u>	<u>22%</u>	<u>206</u>	<u>25%</u>
Total	714	803	12%	923	15%
Gross Margin					
Product	272	280	3%	342	22%
Service	<u>22</u>	<u>35</u>	<u>58%</u>	<u>49</u>	<u>43%</u>
Total	294	315	7%	391	24%
GM %	41%	39%		42%	
R&E	77	65	-15%	69	6%
R&E %	11%	8%		7%	
SG&A	288	256	-11%	276	8%
SG&A %	40%	32%		30%	
Operating Profit	-71	-6		46	
OP %	-10%	-1%		5%	



Health Industries Business Unit Commitment

- Systems Integration
- Alpha AXP
- Vertical Marketing
- Alliances
- Focused Engineering
- Territory Commitment



Health Industries Business Unit Risks

Internal:

- Revenue risk in specific countries
- Lack of profitable Systems Integration model
- Ramp up of industry trained sales/delivery teams

External:

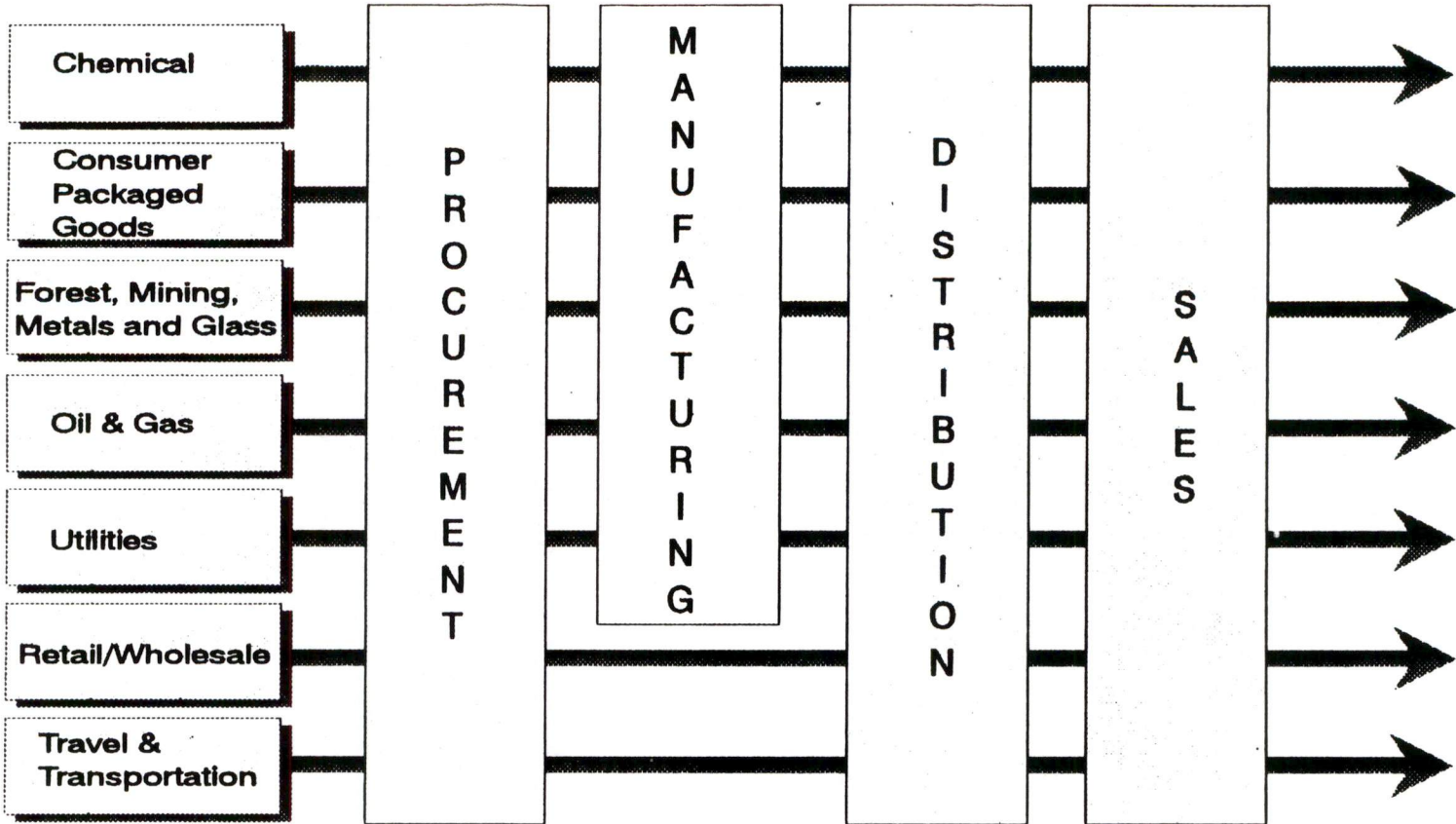
- HP encroachment on third party application customers
- Big '6' & government contractors targeting Systems Integration
- Vertical focus - Microsoft, Oracle

**Consumer Process Transportation
Customer Business Unit**

**Board of Directors
Review**

June 17th, 1993

Distinct Customers with Similar Needs

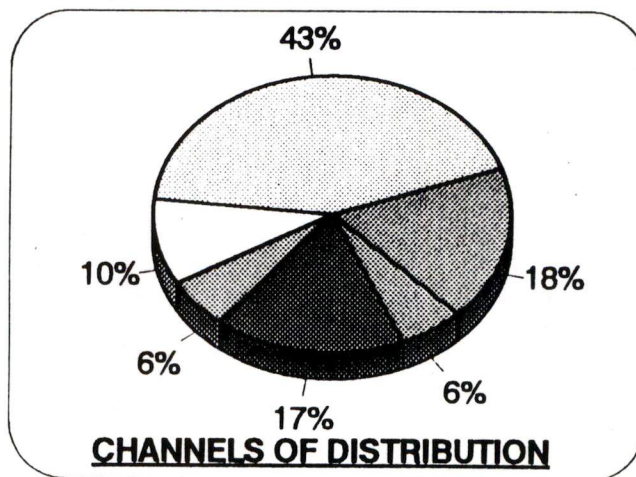
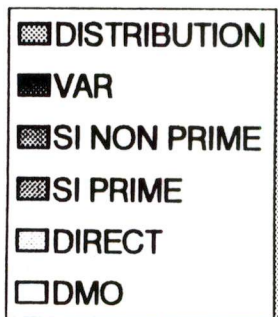
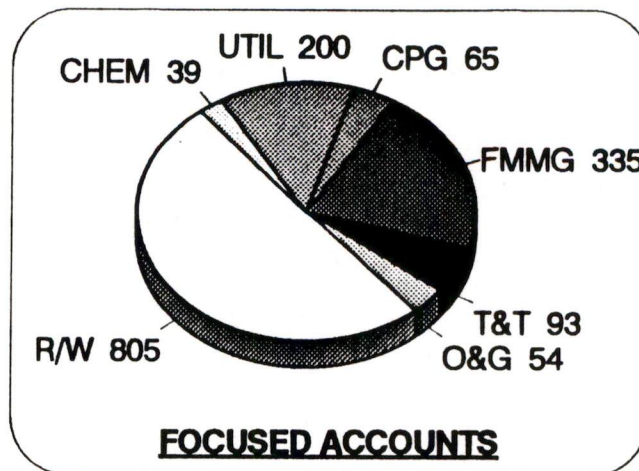
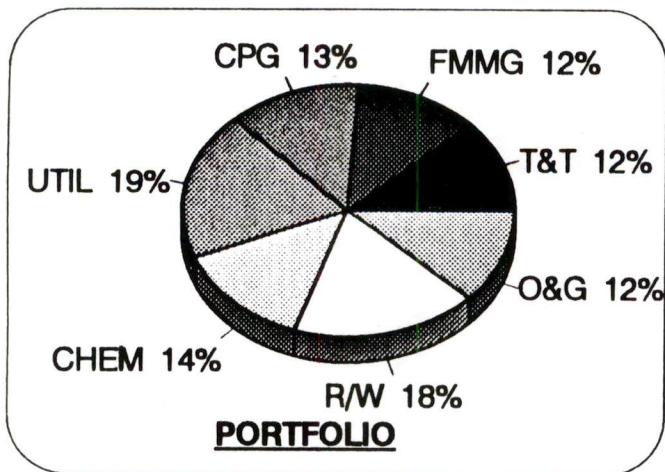


- Managing Complex Supply Chain
- Improving Operations

Bottom Line... Meeting Customer Needs

...A \$2 Billion Worldwide Business

In Consumer Process Transportation industries, we are the only worldwide, fully-integrated IT provider of open solutions organized by customer business.



Financial Summary

(\$ in millions)

	FY93	FY94	CHANGE	FY95	CHANGE
NOR					
<i>Product</i>	\$ 1408	\$ 1425	1%	\$ 1503	5%
<i>Service</i>	<u>503</u>	<u>525</u>	4%	<u>585</u>	11%
<i>Total</i>	1911	1950	2%	2088	7%
COST OF GOODS SOLD					
<i>Product</i>	735	766	4%	823	7%
<i>Service</i>	<u>431</u>	<u>445</u>	3%	<u>473</u>	6%
<i>Total</i>	1166	1211	4%	1296	7%
GROSS MARGIN					
<i>Product</i>	673	659	-2%	680	3%
<i>Service</i>	<u>72</u>	<u>80</u>	11%	<u>112</u>	40%
<i>Total</i>	745	739	-1%	792	7%
<i>GM%</i>	39%	37.8%	-1.2 pts	38%	0.2pts
R&E	183	166	-9%	161	-3%
<i>R&E%</i>	9.6%	8.5%	-1.1 pts	7.7%	-0.8 pts
SG&A	769	675	-12%	603	-11%
<i>SG&A%</i>	40.2%	34.6%	-5.6 pts	28.8%	-5.8pts
OPERATING PROFIT	(\$207)	(\$102)	51%	\$ 28	NM
<i>OP%</i>	(10.8%)	(5.2%)	5.6 pts	1.3%	6.5 pts

FOCUS BY OPPORTUNITY

	US	CANADA	LACR	ASIA	SPR	JAPAN	UK	-----	IRELAND	SPAIN	GERMANY	SWITZERLAND	NORDIC	ITALY	FRANCE
Chemical		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Consumer Goods		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Forest, Mining, Metals and Glass		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Oil & Gas		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Retail/Wholesale		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Travel & Transportation		■	■	■	■	■	■	■	■	■	■	■	■	■	■
Utilities	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

- Avg. Segment Growth Rate 1.5 - 2.5
- ▨ Avg. Segment Growth Rate 2.5 - 3.5
- Avg. Segment Growth Rate >3.5

LOCAL CURRENCY GROWTH

We will achieve our objectives by focusing in selected territories on:

SOLUTIONS

- Real-Time Manufacturing & Predictive Process Control
- Supply Chain Management & EDI
- Geographic Information Systems (GIS)
- Document Management Systems
- Integrated Business/Financial Systems
- Point-of-Sale Systems (POS)

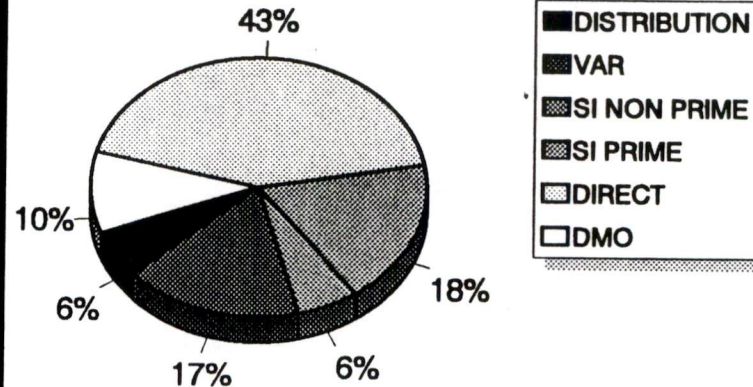
ALPHA APPLICATIONS

SEGMENT	VMS	UNIX	NT
CHEM	14	12	4
CPG	12	11	3
FMMG	20	10	0
O&G	10	17	4
R/W	15	10	3
T&T	12	1	1
UTIL	4	6	0

PARTNER

	CHEM	CPG	FMMG	O&G	R/W	T&T	UTIL
Price Waterhouse	X	X		X			
Andersen Consulting		X		X		X	
Cap Gemini		X		X		X	
EDS						X	X
Westinghouse			X			X	X
Honeywell	X	X	X	X			
ABB			X	X			X
Bailey Controls	X		X	X			
Fisher Controls	X			X			
SAP	X	X	X	X	X	X	X
Consilium	X		X				
Ross Systems		X	X			X	X
Setpoint			X	X			
D&B		X					X

CHANNELS



Why Will We Succeed?

Intense Focus on Customers and Competitors

- Close alignment with our customers and their requirements
- Strengthen partner relationships/distribution channels
- Target key competitors to exploit opportunities

What Might Stop Us

- Internal:
 - Clear consistent strategies
 - Repeatable solution delivery
 - Skills, morale
- External:
 - Alpha acceptance
 - Application shortage
 - Channel trust and confidence

We will deliver \$1.95 billion NOR and \$102 million loss in FY94 and \$2.08 billion NOR and \$28 million profit in FY95.

We will achieve this by focusing on:

- **Selected Territories**
- **Repeatable Solutions**
- **Applications**
- **Partners**
- **Channels**
- **Human Resources**