

RECEIVED

MAY 17 1994

SAM FULLER

Digital
Q3, FY94
Financial Results



fi DEC Financial

INTEROFFICE MEMORANDUM

TO: Distribution

DATE: 25 April 1994
FROM: Joe Magee
DEPT: Corporate Shared Service Center
PHONE: 223-2740
LOCATION: MLO3-5/36B
E-MAIL: @MLO

SUBJECT: Digital Q3, FY94 Financial Results

Enclosed is a hardcopy package of Digital's Q3, FY94 financial results. This package is distributed to senior managers for use by their staffs, with customers or Digital business partners.

The composition of the packet includes a series of summary messages which highlight the quarter's performance as regards operations, revenue, expenses, etc.. This is followed by a number of tables which contain a profit and loss statement, a cash flow report, and a balance sheet analysis as compared to last year's results. Next, there are fifteen graphs which chart the trend of major P&L lines and balance sheet activity for the last ten quarters. Also included within the package are schedules which compare the revenue and profit performance of fourteen of our competitors and a ten quarter comparison between IBM and HP.

Finance managers who support the Senior Leadership Team, please note that team members have received the SLT Results Communications Package. That package is limited to an internal Digital audience. This is due to "company confidential" material such as comparisons to the Revised Plan, the impact of currency, and pricing/mix BFA analysis. Conversely, the contents of this attached package can be shared with an external audience.

Please call me at DTN 223-2740 if you have any questions.

Overhead Transparencies:

There are color overhead transparencies of this package which may be borrowed from our library at any time. Graphs of the latest ten year financial history of the company are also available in color overhead transparencies. If you wish to borrow them, please contact Joe Magee at 223-2740 or E-Mail at ROLAID::Magee_J. In order to insure timely delivery and availability of the information, we ask that you contact our office **at least forty-eight hours in advance.**

Regards,

Corporate Shared Service Center Quarterly Presentation Materials Distribution

PAT	ADAMS	MRO3-3/J19	JOE	LAROSE	BXB1-2/F11
BRAD	ALLEN	MLO3-2/T98	GIGO	LEE-TAYLOR	AKO1-3/N6
DICK	ASHENFELTER	GEO	DINESH	MAHESHWARY	AKO1-3/E12
FRAN	BARTON	OGO1-2/R12	PAUL	MAHONEY	MRO1-3/B1
STEVE	BEHRENS	RTO	JAN	MCCARTHY	MPO
PETER	BLANCHARD	GEO	TOM	MCEACHIN	MSO2-2/C22
JAN	BLANCKAERT	UTO	HARRY	MCKNIGHT	GEO
ZEER	BOTVINIK	ISO	PAUL	MILBURY	MSO2-2/F21
DOINA	BUNACIU	GEO	DENISE	MINCET	KAO4-1/2B
CHUCK	BUSHEY	LJ02/H8	BRENDA	MORRIS	BXC1-3/H2
RICH	BUTLER	OGO1-2/L17	AMIT	NANAVATI	AKO1-3/Q3
DICK	CARLI	MSO2-2/F21	JOHN	NIGGLE	OGO1-2/L17
MICHEL	CAVADINI	GEO	HENNING	NYGAARD	SOO
CATHERINE	CHARRAS	GEO	MARIAN	O'LEARY	BXC1-1/H4
BERNARD	CHATTON	GEO	JEAN-PIERRE	PARRY	EVO
JIM	CHIAFFREY	MLO3-2/T98	BARCY	PROCTOR	SHR1-4/D18
BOB	COHEN	GEO	MARK	QUIGLEY	OGO1-2/T12
ERIC	COHEN	MLO3-2/T98	LEO	QUINN	MSO2-2/G4
CARMINE	COLETTA	MRO2-4/D6	SHOAIB	QURAEISHI	REO
JAY	CONNOR	BXC1-1/B4	RICHARD	RACKLEY	ALF2-3/K1
AGNES	CONNORS	LKG1-3/B17	FRANK	RAMEAKA	MRO3-3/B14
STEPHEN	CRINNION	WRO3-2/T11	CAROL	REID	MLO12-B/U49
HEIDI	ELWORTHY	OGO1-1/M11	JOE	REILLY	ZKO1-3/B10
WALTER	ESCHLER	GEO	TRACY	ROTH	BXC1-1/B4
BOB	FAULCONER	MRO3-3/J19	STEPHEN	RUSSELL	GEO
DICK	FISHBURN	OGO1-2/R12	RICK	RYAN	SHR3-2/W4
PAT	FITZGERALD	MKO2-2/C12	GEOFF	SACKMAN	MLO3-5/T58
JIM	FLANAGAN	SHR3-2/J16	DICK	SCARBOROUGH	MKO2-2/E11
BUD	FLYNN	MRO3-1/K17	RAY	SCHMALZ	MSO2-2/F19
SUSAN M	FOLEY	MLO12-B	KEN	SMITH	OFO1
ALEXIS	FORD	MLO3-2/T98	STEVE	SMITH	MSO1-1/N9
SAM	FULLER	LJ02/D12	DAVE	SPRATT	MRO3-1/G18
DOUG	FULRATH	MRO3-3/J19	PAT	SPRATT	LJ02/B10
DEBORAH	GAMBA	AKO1-1/E11	LYNN	ST AMOUR	GEO
TORBJORN	GEIJER	GEO	BRUCE	STEELE	MLO3-5/T58
BILL	GERVAIS	AKO1-1/D12	MARY JANE	STEVENS	MRO4-2/C19
IAN	GILLINGHAM	AYO	SUE	STREETER	BXB1-2/E2
LOIS	HASKINS	MRO3-2/T98	STEVEN	TAYLOR	MLN
DEB	HERCHEK	MLO3-2/T98	GERRY	UVA	MRO2-4/D6
IAN	HICKSON	OGO1-1/M11	BILL	VANATTEN	MRO3-3/J19
RICK	HILLS	MLO3-5/A16	PIERRE	VANDENPLAS	BRK
JOANNE	HO	OGO1-2/T12	MICHEL	VANDIER	EVB
FRED	HOLLAND	MRO3-1/K17	MIKE	VOCKE	GEO
TEDDY	HOPSON	WRO2-1/R2	TONY	WAIN	AKO1-3/N6
BOB	HULT	AKO1-2/F8	RAY	WALKER	SBP
ILENE	JACOBS	MSO2-2/F17	TONY	WALLACE	MLO10-1/T77
DICK	JAILLET	BXC1-2/H4	JAY	ZAGER	LJ02/C5
DAVID	JAMES	MRO3-1/G18			
KO	JOOSSE	APD			
PHIL	KUEHNE	MSO2-1/E21			
KAREN	KUPFERBERG	MLO1-4/T35			
PHIL	LADDS	IME			
KEVIN	LANE	OGO1-2/L17			
LARRY	LANGMORE	HLO2-2/M10			
TAPIO	LAPPI	GEO			

Digital Q3, FY94 Financial Results

Table of Contents

I. Q3, FY94 Summary and Key Messages

II. Q3, FY94 Results

Profit & Loss Statement

Asset Summary

Cash Flow Statement

Balance Sheet

- Assets

- Liabilities & Equity

Digital Business Model - Q3, FY94 vs. Q3, FY93

Competitor Results

III. Latest Ten Quarter Graphs

Revenue Growth by Segment

Composition of Revenue

Revenue and Cost Growth

Research & Engineering Expense

Sales, General & Administrative Expense

Operating Profit Margin

Net Income

Return on Assets

Return on Equity

Population Trends

Capital Spending

Cash and Long Term Debt

Inventory Turns

Days Sales Outstanding

Operating Assets

Competitor Comparison

- Revenue Growth

- Operating Profit Margin

*Q3, FY94 Summary
and Key Messages*

Corporate
Shared Service Center

Digital Equipment Corporation Q3, FY94 Summary Results

Total Revenue

Q3, FY94

- * Revenue was down (6)%, or \$(195)M year-over-year. Revenue was flat vs. the prior quarter.
- * Product revenue was impacted by a continued shift to low-end products.
- * Alpha/AXP revenue grew 66% from Q2, FY94.
- * Alpha/AXP was 27% of systems sales (15% of total product sales).
- * Service revenue was down year-over-year due to pricing pressure and an unfavorable currency impact.

Digital Equipment Corporation
Q3, FY94 Summary Results

Gross Margin

Q3, FY94

- * Total gross margin declined year-over-year due to a continued shift to low-end products, competitive pricing pressures, and the impact of currency.
- * Total gross margin declined (6) points year-over-year from 39.8% to 33.8%

Digital Equipment Corporation Q3, FY94 Summary Results

Expenses

Q3, FY94

- * R&D, SG&A spending declined substantially year-over-year in absolute dollars, and as a percent of revenue.
- * R&D dropped by \$(34)M or (10)% year-over-year.
- * SG&A declined by \$(96)M or (9)% year-over-year.

Digital Equipment Corporation
Q3, FY94 Summary Results

Operating Profit and Profit After Tax

Q3, FY94

- * The Q3, FY94 Operating loss was \$(170)M. This was \$(142)M worse than Q3, FY93 and \$(104)M worse than Q2, FY94.

Digital Equipment Corporation

Q3, FY94 Summary Results

Balance Sheet

Q3, FY94

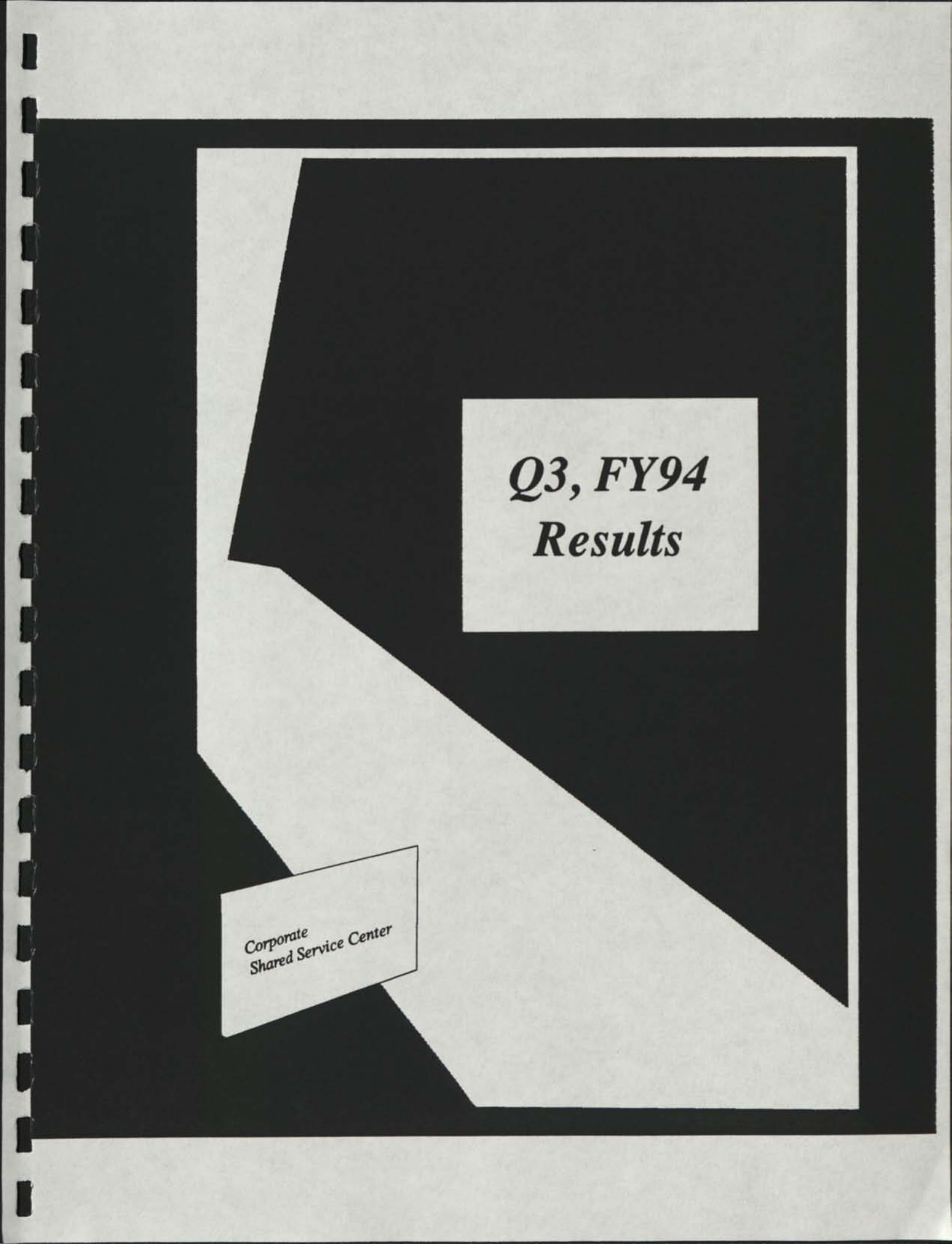
- * With \$1.3B in cash at the end of the quarter we continue to have sufficient funds for operating, investing, and restructuring activities.
- * DSO of 81 days was 3 days worse than Q3, FY93 .
- * Ending net inventory of \$2,165M reflected a \$214M increase over Q2,FY94.
- * Capital spending continues to place priority on equipment and technology development, including spending on semiconductors and tooling. Total spending was \$166M compared to \$102M in Q3, FY93.

Digital Equipment Corporation
Q3, FY94 Summary Results

Restructuring/Population

Q3, FY94

- * The total population was about 92,000.
- * Since the start of the restructuring program, total population reduction has resulted in annualized cost eliminations of \$2.1B.

The image shows the cover of a binder. On the left side, there is a vertical strip of punch holes. The main cover area is black with a large, white, stylized letter 'S' shape. In the center of the 'S', there is a white rectangular box containing the text 'Q3, FY94 Results'. In the lower-left part of the 'S', there is another white rectangular box containing the text 'Corporate Shared Service Center'.

***Q3, FY94
Results***

*Corporate
Shared Service Center*

Q3, FY94 Results Compared with Q3, FY93 (\$Mils)

	Q3, FY94 Actual	Percent Growth Over Q3, FY93
Product Revenue	\$ 1,750	(1) %
Service Revenue	<u>1,509</u>	(11)
Total Revenue	\$ 3,259	(6) %
Gross Margin	\$ 1,102	(20) %
(% of Revenue)	33.8 %	(6.0) pts.
Research & Engineering	317	(10) %
(% of Revenue)	9.7 %	(0.4) pts.
Selling, General & Administrative	955	(9) %
(% of Revenue)	29.3 %	(1.1) pts.
Operating Income	\$ (170)	N/M
(% of Revenue)	(5.2) %	(4.4) pts.
Net Interest Income (Expense)	(8)	N/M %
Profit Before Taxes	\$ (178)	N/M
Income Taxes	<u>5</u>	N/M %
Net Income	\$ (183)	N/M %
EPS	\$ (1.34)	N/M %

Q3, FY94 Results ASSET SUMMARY

(\$Mils)

	<u>Q3, FY94</u>	<u>Q3, FY93</u>
Cash Balance	\$ 1,264	\$ 1,552
Accounts Receivable DSO	\$ 2,925 81 Days	\$ 3,009 78 Days
Net Inventory Inventory Turns	\$ 2,165 4.2x	\$ 1,815 4.6x
Capital Spending PP&E Turns	\$ 166 4.1x	\$ 102 4.2x

Q3, FY94 Results

CASH FLOW

	<u>Q3, FY94</u>	<u>Q2, FY94</u>	<u>Q3, FY93</u>
Beginning Cash	\$ 1,147	\$ 1,247	\$ 1,365
Net Income	\$ (183)	\$ (72)	\$ (30)
Depreciation & Amortization	160	188	215
Other Adj. to Net Income	21	55	27
Receivables	(129)	63	123
Inventories	(214)	(29)	17
Restructuring - Cash Exp.	(157)	(125)	(186)
Other Working Capital	<u>377</u>	<u>(74)</u>	<u>142</u>
Total from Operating	\$ (125)	\$ 6	\$ 308
Capital Spending	\$ (166)	\$ (181)	\$ (102)
Proceeds from Disp. of PP&E	23	6	11
Investment in Other Assets	(21)	(26)	(26)
Proceeds from Disp. Other Assets	20	3	0
Business Acquisition	<u>0</u>	<u>0</u>	<u>0</u>
Total from Investing	\$ (144)	\$ (198)	\$ (117)
Total from Ops & Investing	\$ (269)	\$ (192)	\$ 191
Financing Activities			
Employee Stock Plans	0	74	2
Issuance of Preferred Stock	387	0	0
Debt	<u>(1)</u>	<u>(9)</u>	<u>(6)</u>
Total from Financing	\$ 386	\$ 65	\$ (4)
Total Change	\$ 117	\$ (127)	\$ 187
Ending Cash	\$ 1,264	\$ 1,147	\$ 1,552

Q3, FY94 Results TOTAL ASSETS

(\$Mils)

	<i>Balance as of</i>	
	<u>Q3, FY94</u>	<u>Q3, FY93</u>
Current Assets:		
Cash	\$ 1,264	\$ 1,552
Accounts Receivable	2,925	3,009
Net Inventory	2,165	1,815
Prepaid Expenses	293	369
Current Deferred Taxes	<u>109</u>	<u>223</u>
Total Current Assets	6,756	6,968
Property, Plant & Equipment	7,117	7,346
Accumulated Depreciation	<u>(3,980)</u>	<u>(4,106)</u>
Net Property, Plant & Equipment	3,136	3,240
Non-Current Deferred Tax	120	0
Other Assets	783	737
Total Assets	<u>\$10,795</u>	<u>\$10,945</u>

Q3, FY94 Results

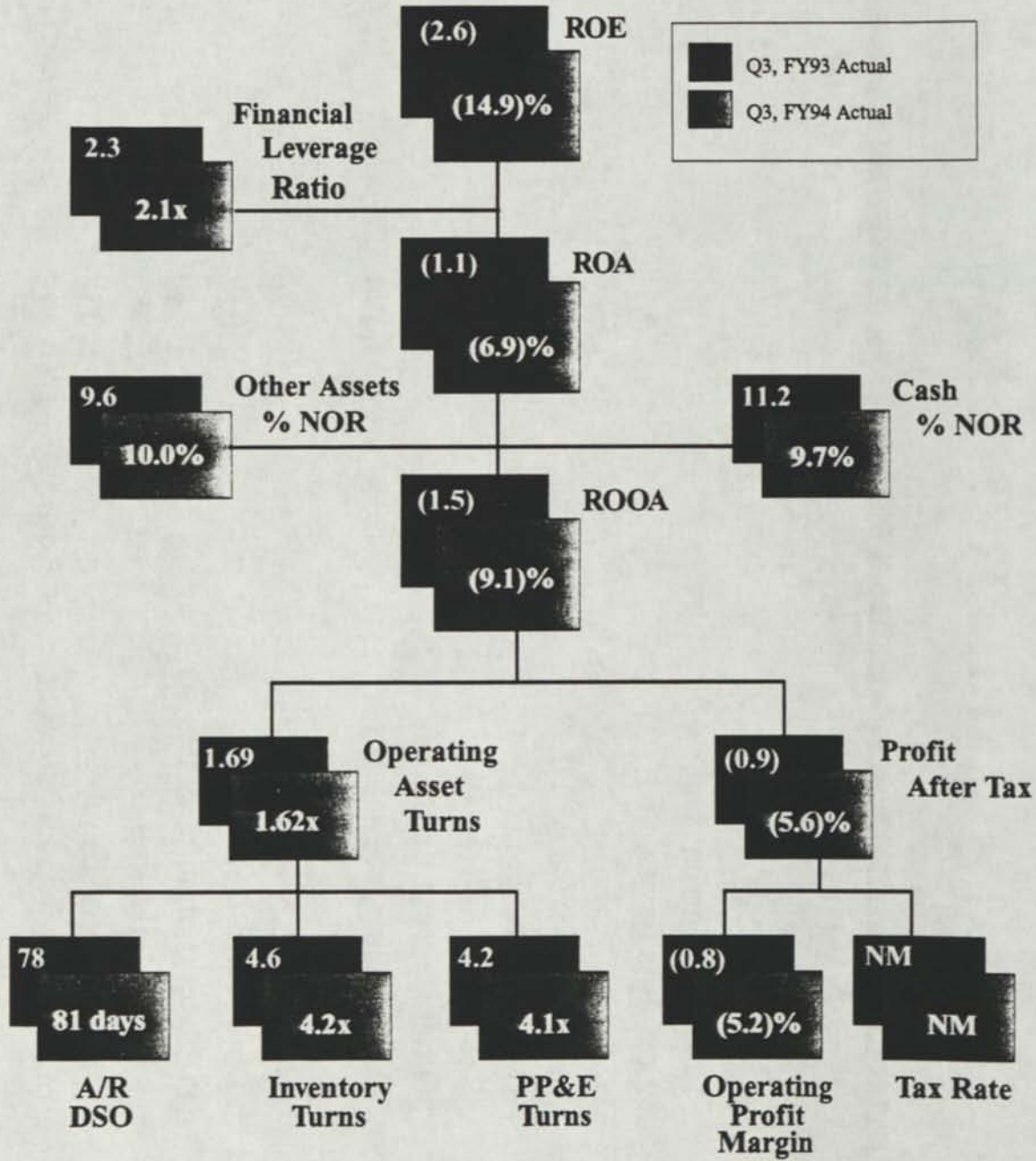
LIABILITIES & EQUITY

(\$Mills)

	<u>Q3, FY94</u>	<u>Q3, FY93</u>
<i>Balance as of</i>		
Liabilities:		
Loans & Current Debt	\$ 11	\$ 40
Accounts Payable	877	797
Taxes	10	157
Salaries & Wages	598	618
Deferred Revenue	1,157	1,141
Restructuring Reserve	276	874
Other Current Liabilities	<u>544</u>	<u>589</u>
Total Current Liabilities	\$ 3,474	\$ 4,216
Non-Current/Deferred Tax	\$ 26	\$ 23
Long Term Debt	1,017	777
Post Retirement Benefits	<u>1,240</u>	<u>1,223</u>
Total Liabilities	5,757	6,239
Stockholders' Equity	5,038	4,706
Total Liabilities and Stockholders' Equity	<u>\$ 10,795</u>	<u>\$ 10,945</u>

Digital Business Model

Q3, FY94 Actual



COMPETITOR RESULTS

For Quarter Ended March, 1994

(Adjusted for One-Time Charges)

	Year/Year Revenue (% Change)	Gross Margin (% Revenue)	Operating Profit (% Revenue)	Net Income (1) (% Revenue)
	(6)	%	(5)	(6)
DIGITAL		34		
IBM	2	37	5	3
Hewlett-Packard *	24	39	11	7
Apple	5	24	2	1
Stratus	18	53	9	8
Compaq	41	27	13	9
Sun Microsystems	5	43	7	5
Dell Computer *	20	19	4	2
Intel	31	58	35	23
Novell *	20	79	32	23
3COM** (One-Time Charge)	35	52	19	(47)
Microsoft	30	83	29	21
Conner Peripherals	1	23	8	4
Seagate	21	21	10	7
EDS	8	25	11	13

*Quarter ended January, 1994

**Quarter ended February, 1994

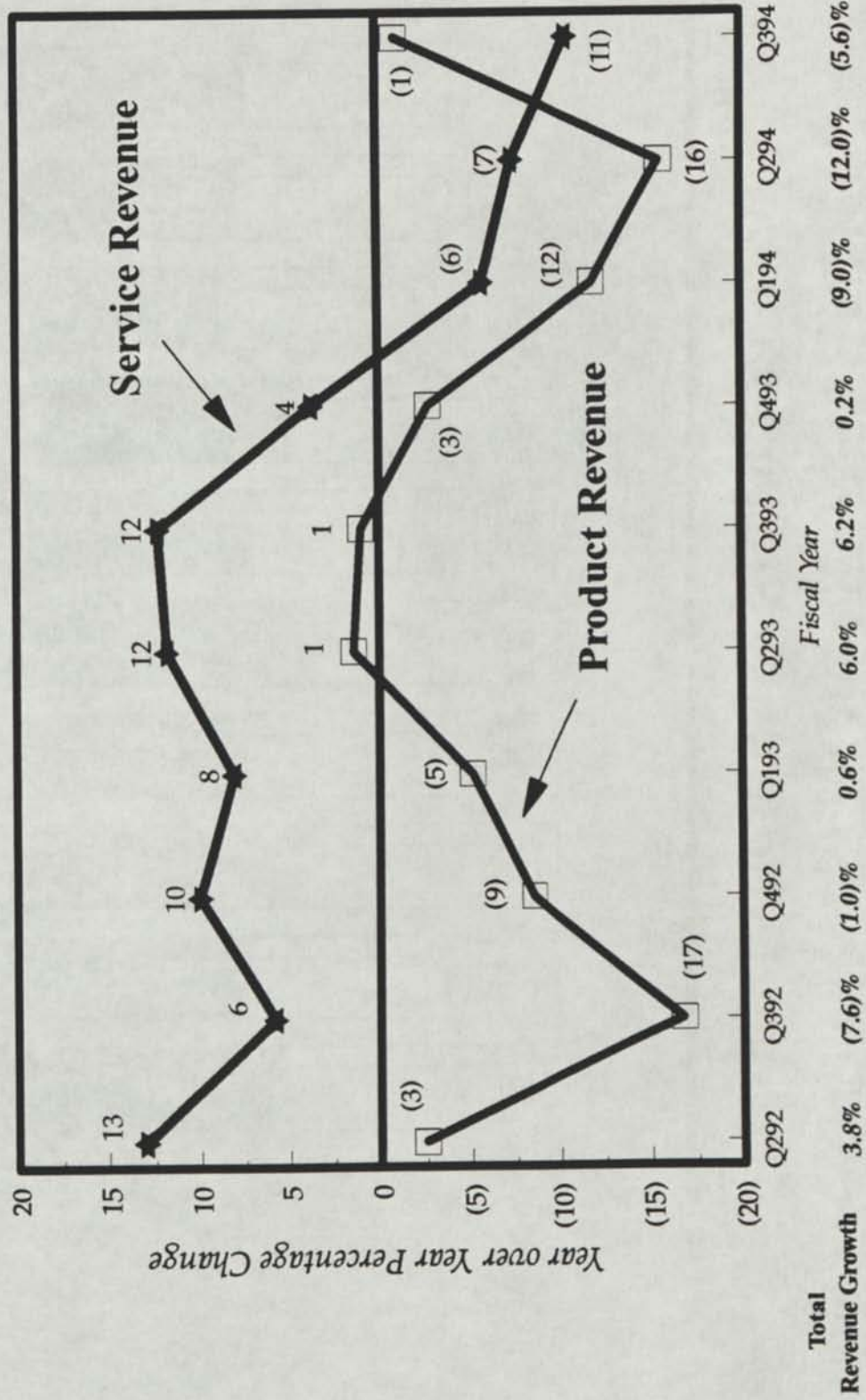
***Quarter ended December, 1993

(1) - Because of tax implications Net Income includes one-time charges.

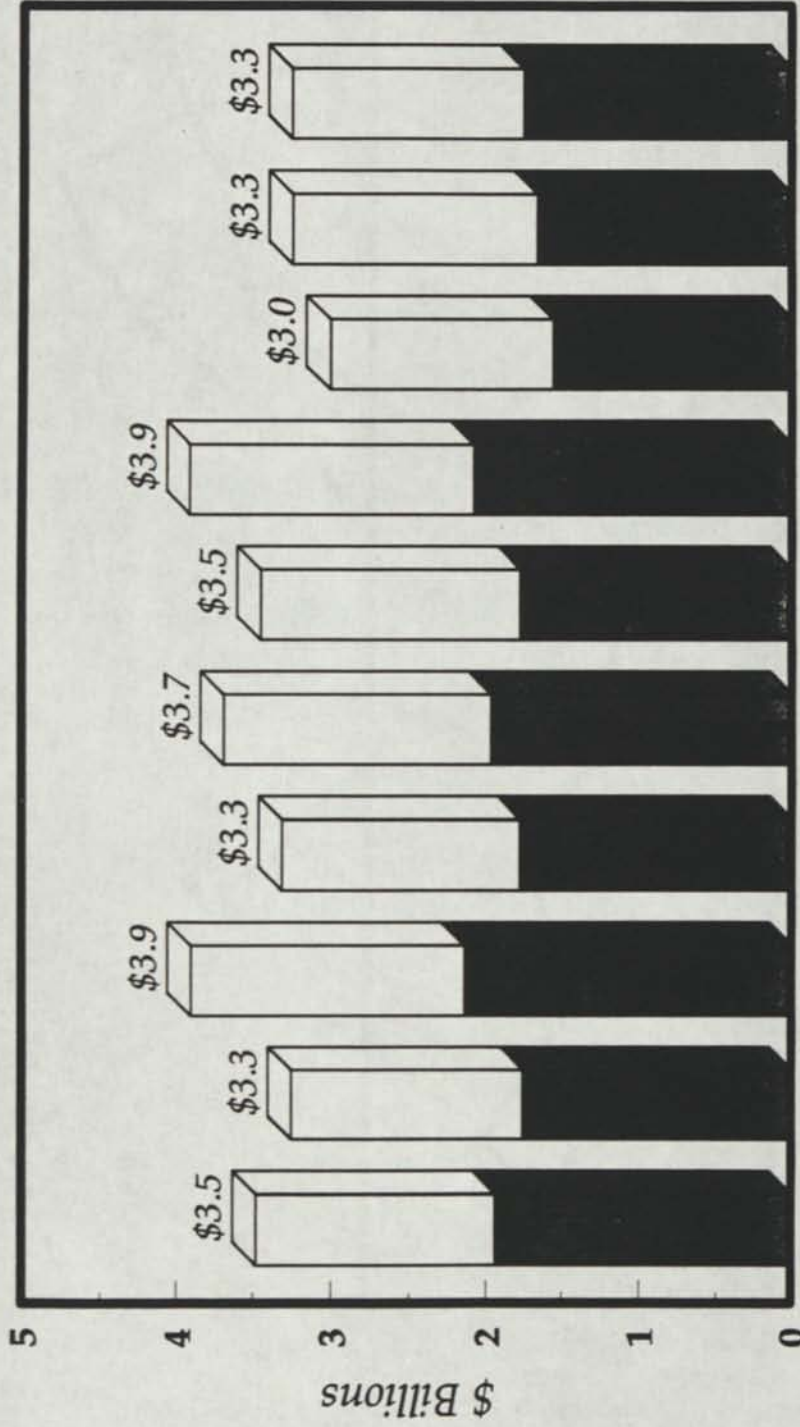
*Latest
Ten Quarter
Graphs*

Corporate
Shared Service Center

REVENUE GROWTH BY SEGMENT

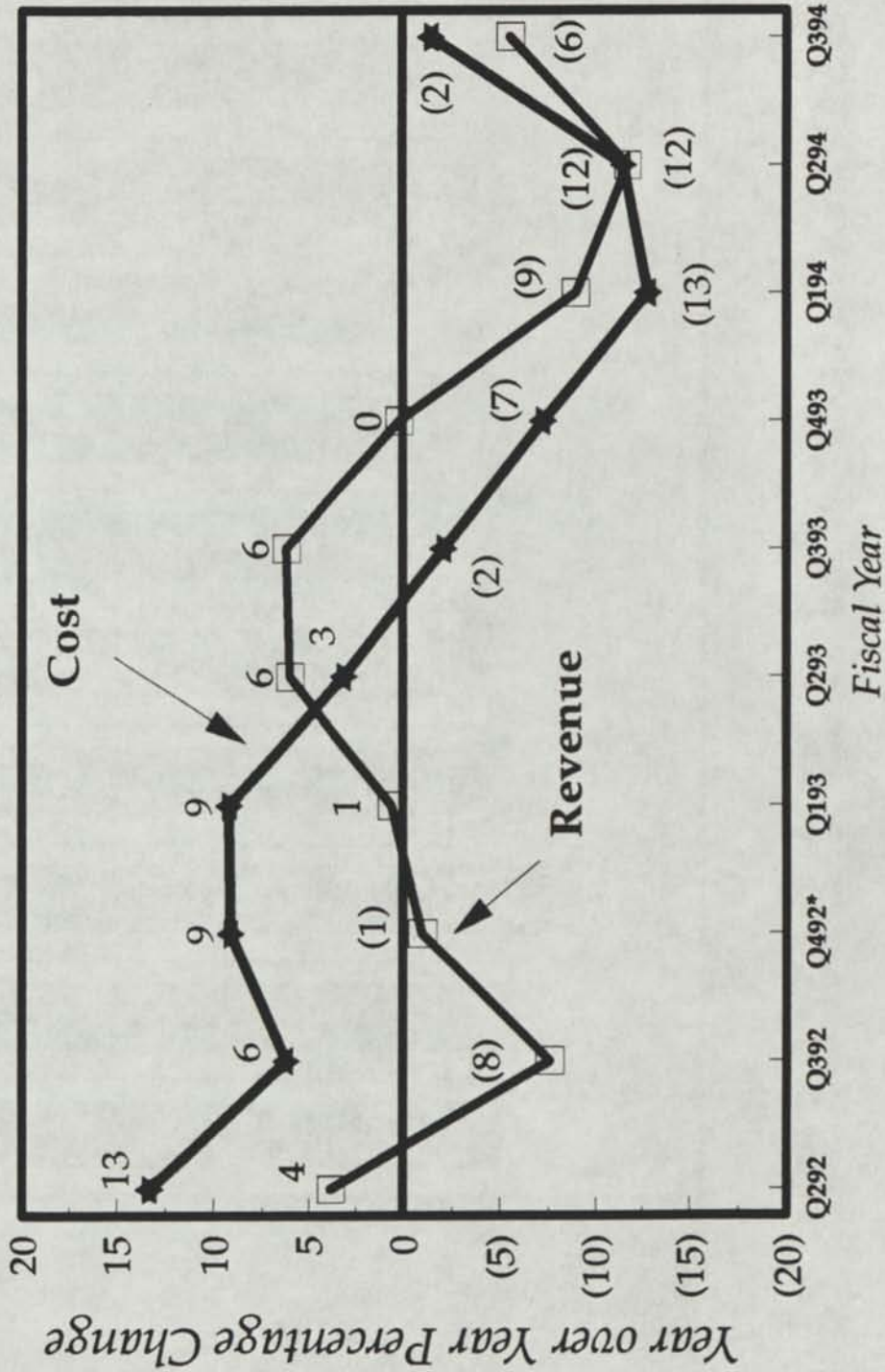


COMPOSITION OF REVENUE Products & Services



	Q292	Q392	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394
Product	\$1.9	\$1.8	\$2.1	\$1.8	\$2.0	\$1.8	\$2.1	\$1.6	\$1.7	\$1.7
Services	\$1.5	\$1.5	\$1.8	\$1.5	\$1.7	\$1.7	\$1.8	\$1.5	\$1.6	\$1.5

REVENUE & COST GROWTH

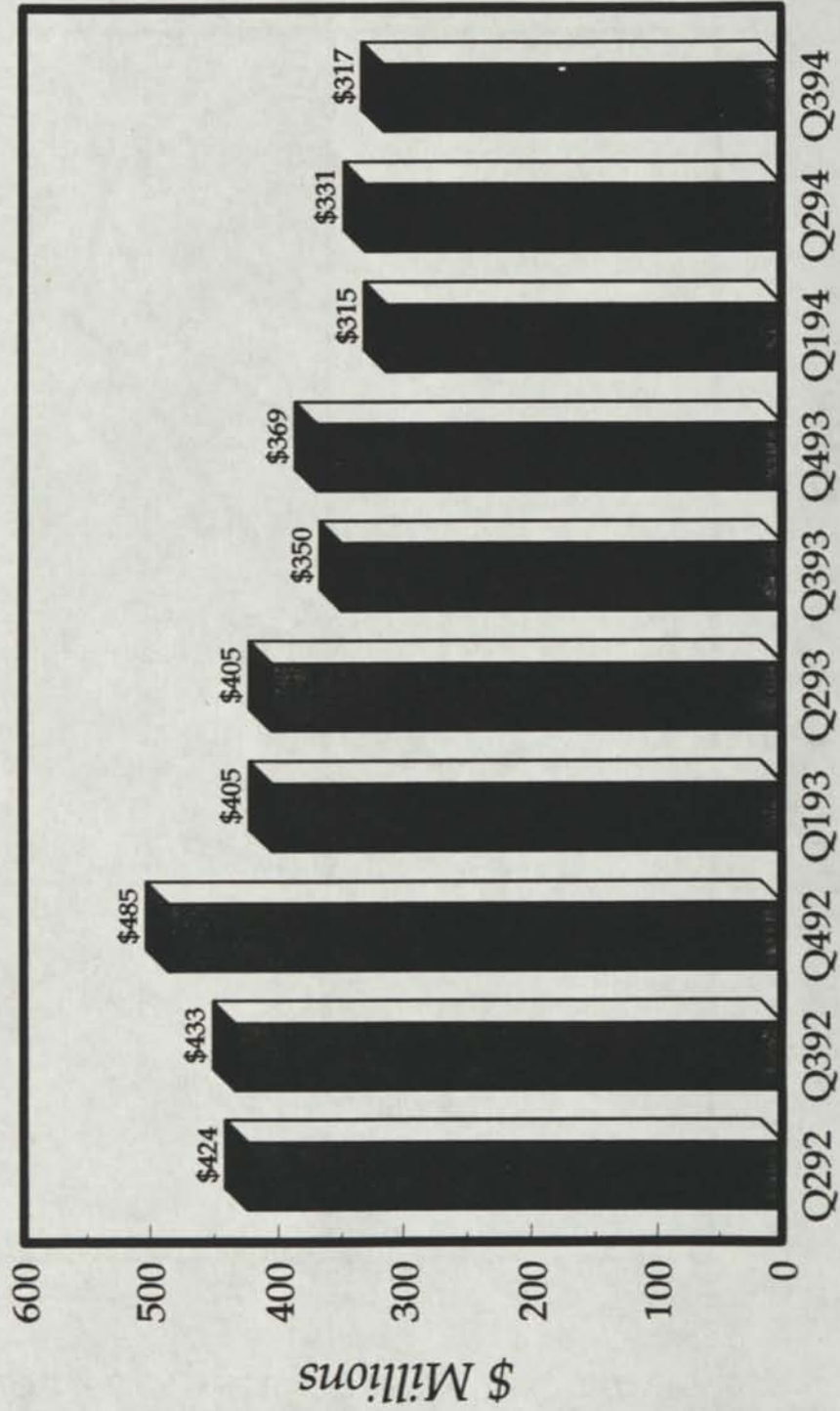


Operating Profit Margin

(4.7)% (9.3)% (4.8)% (7.8)% (1.8)% (0.8)% 3.0% (3.2)% (2.0)% (5.2)%

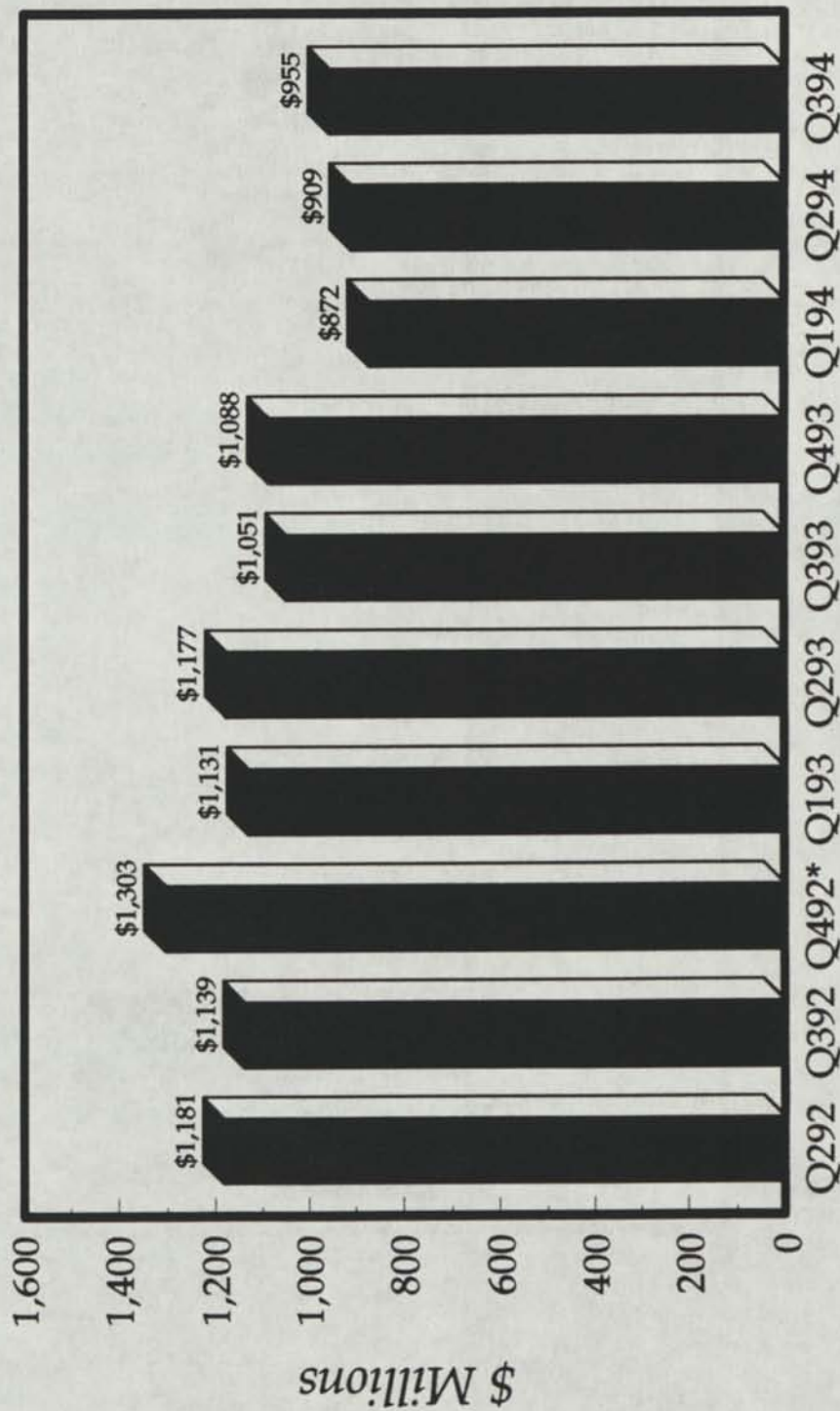
* Excludes restructuring and one-time charges.

RESEARCH & ENGINEERING EXPENSE



% of Revenue

SALES, GENERAL & ADMINISTRATIVE EXPENSE



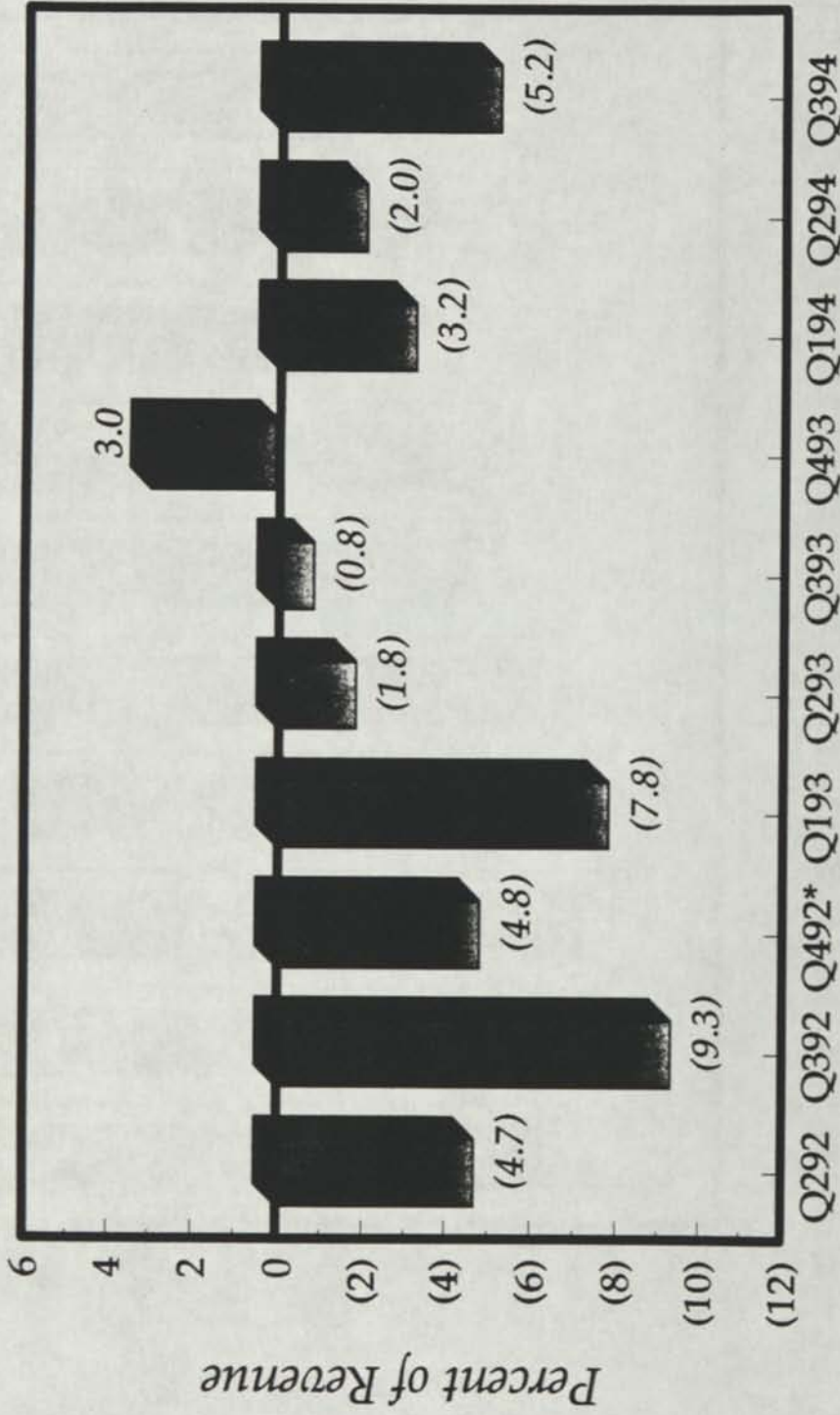
% of

Revenue

Fiscal Year

* Excludes restructuring and associated expenses

OPERATING PROFIT MARGIN

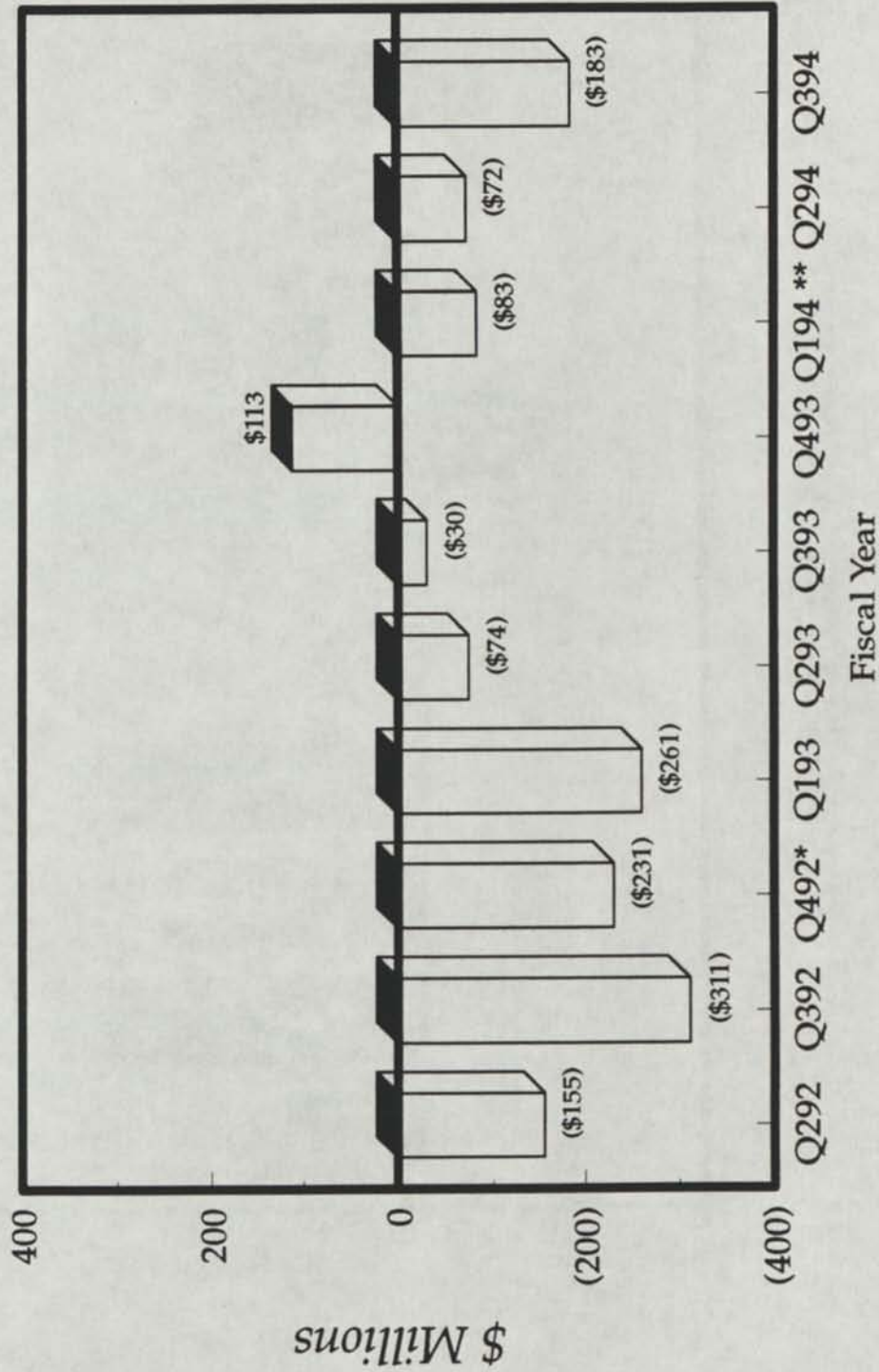


Operating Profit
(\$ Mills)

Fiscal Year

* Excludes restructuring and one-time charges.

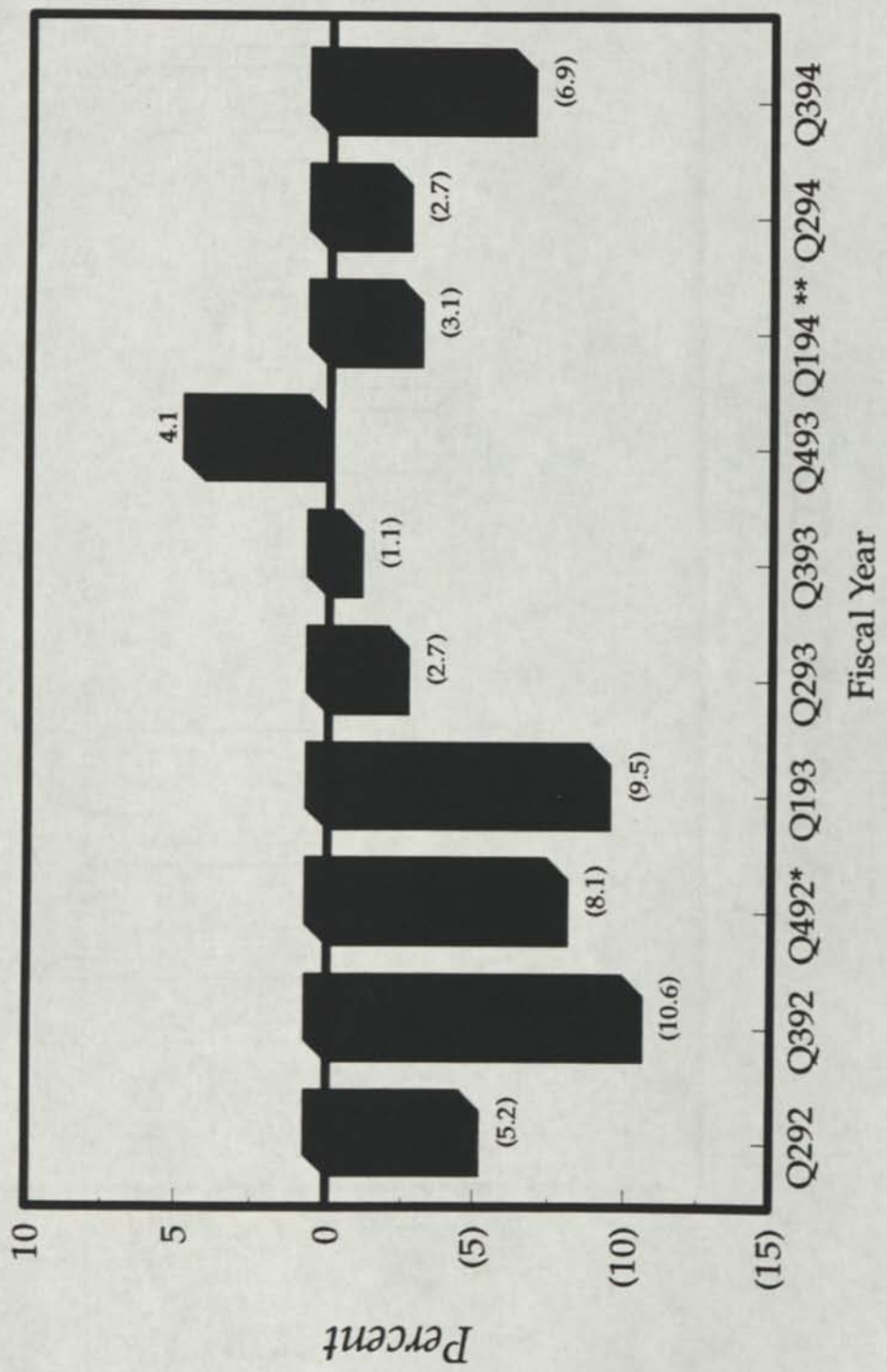
NET INCOME



* Excludes restructuring and one-time charges.

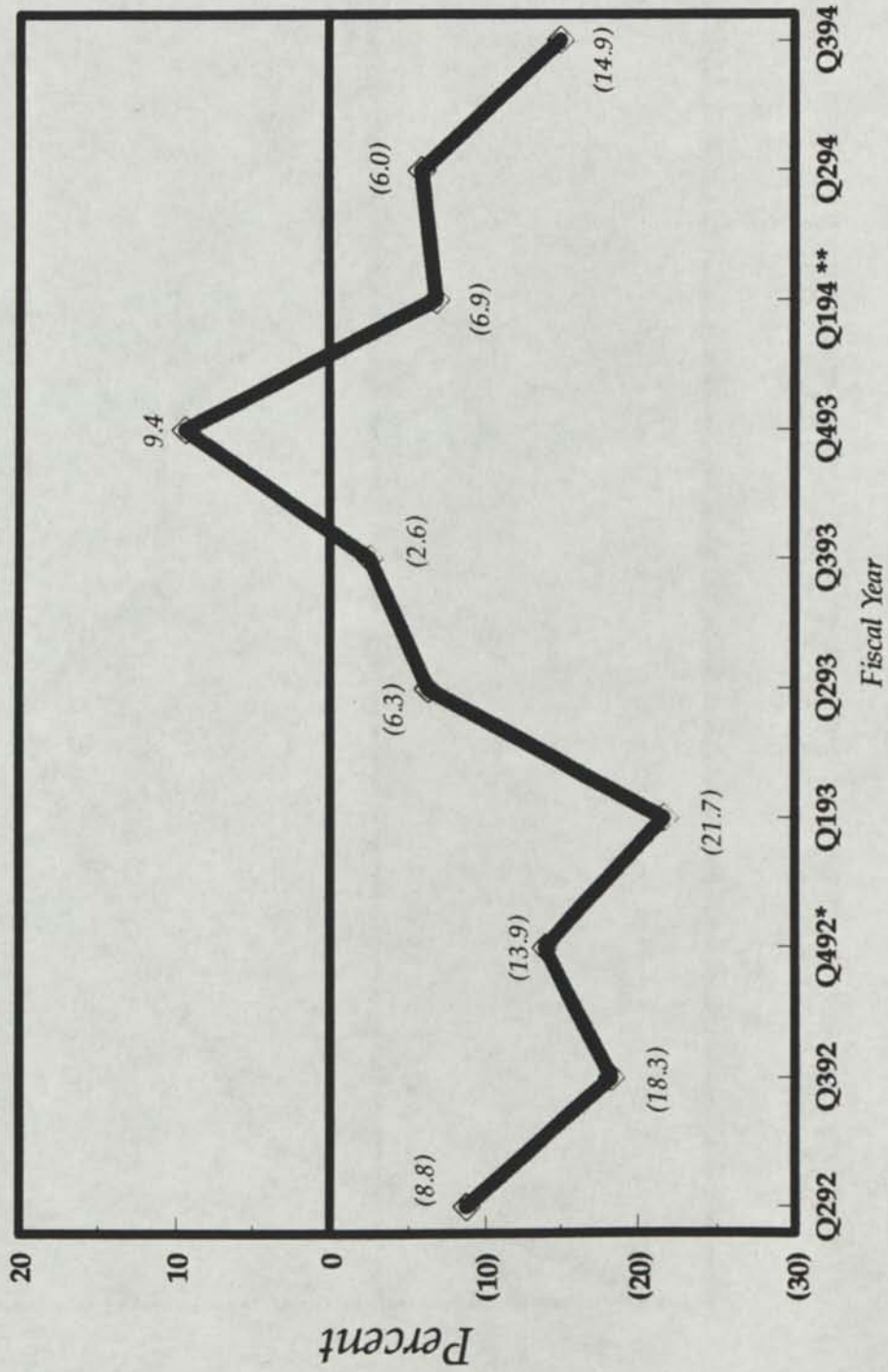
** Includes FAS 109.

RETURN ON ASSETS



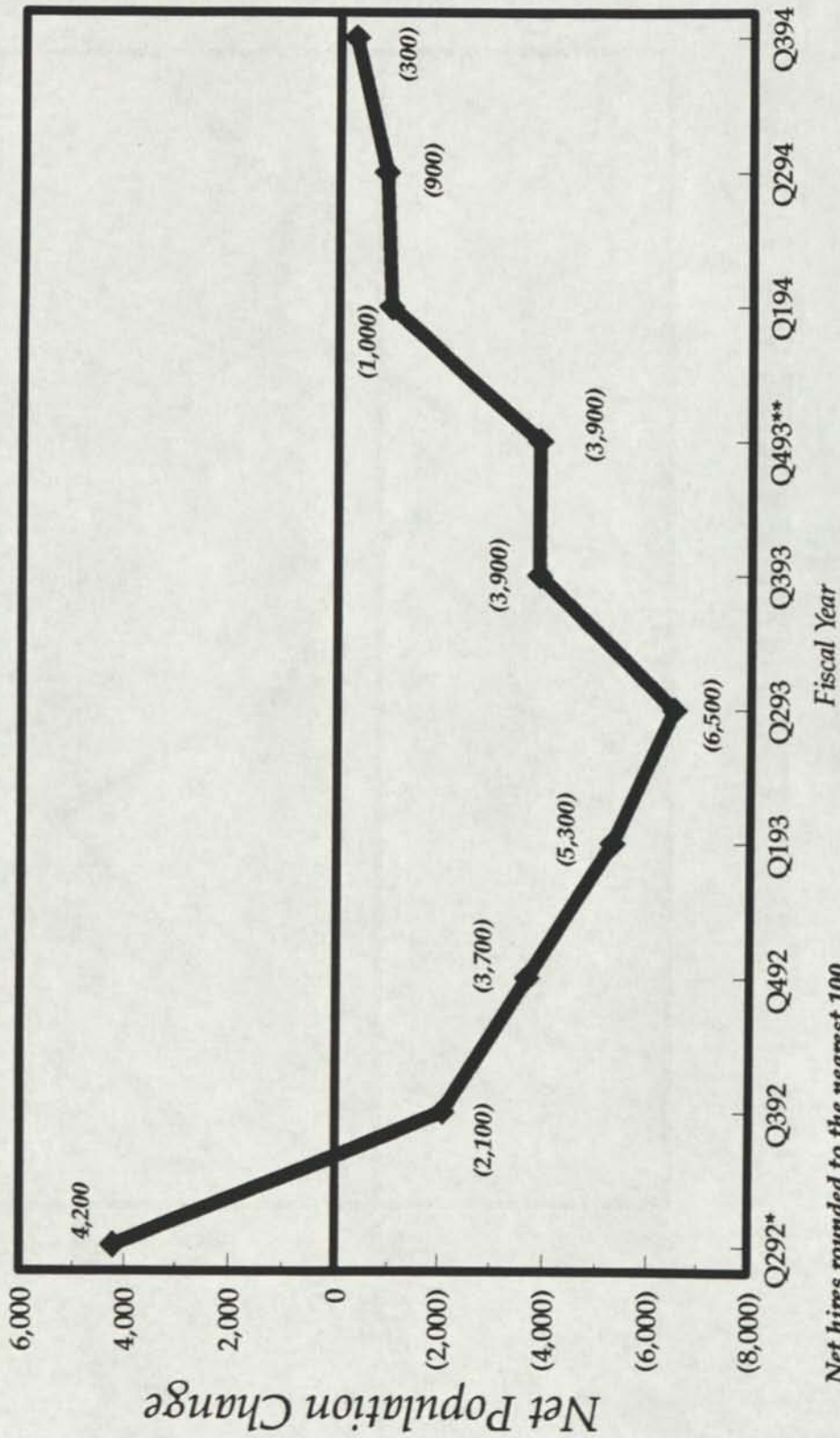
* Excludes restructuring and one-time charges. ** Includes FAS 109.

RETURN ON EQUITY



* Excludes restructuring and one-time charges. ** Includes EAS 109.

POPULATION TRENDS - NET HIRES

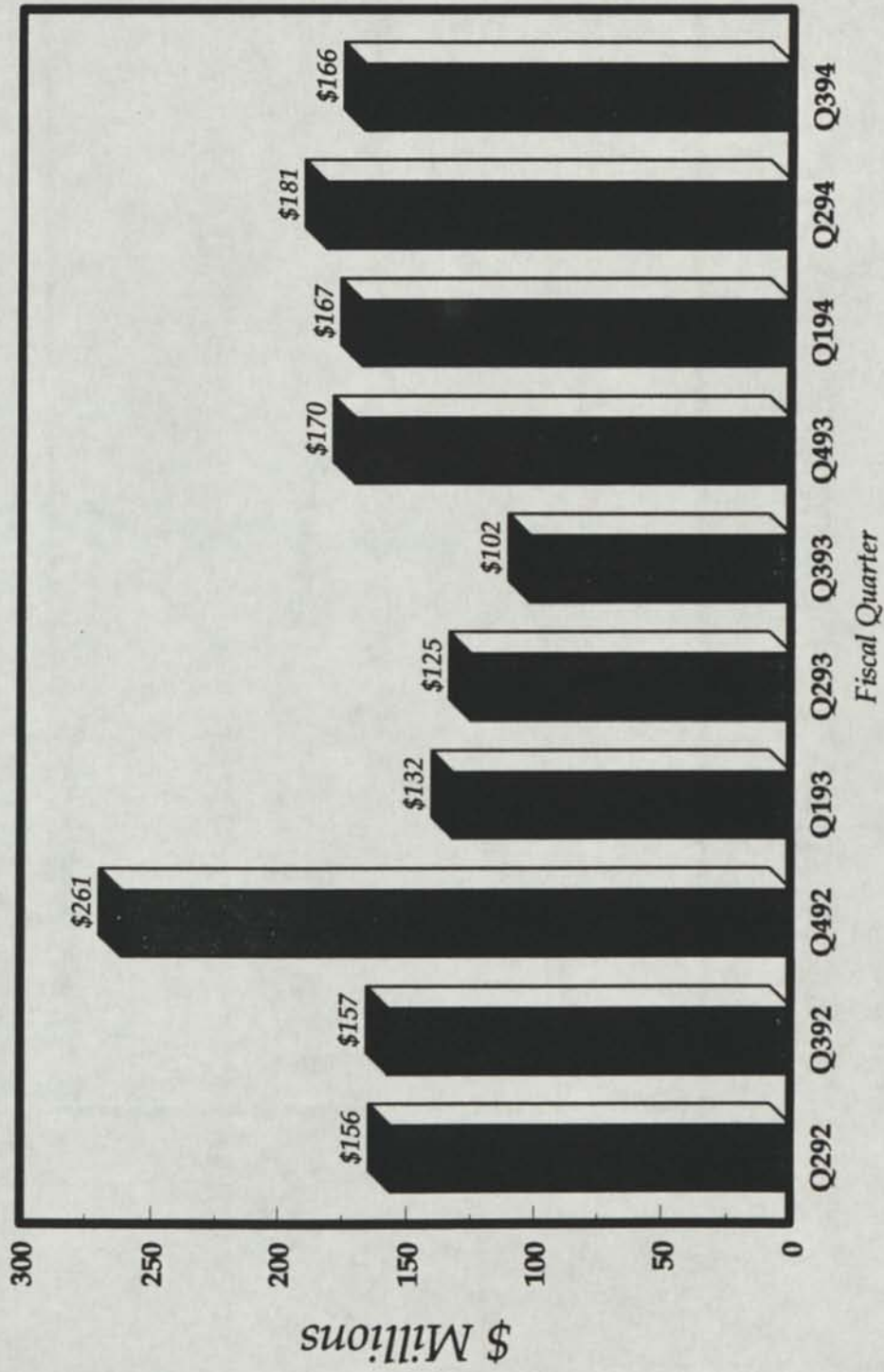


Net hires rounded to the nearest 100

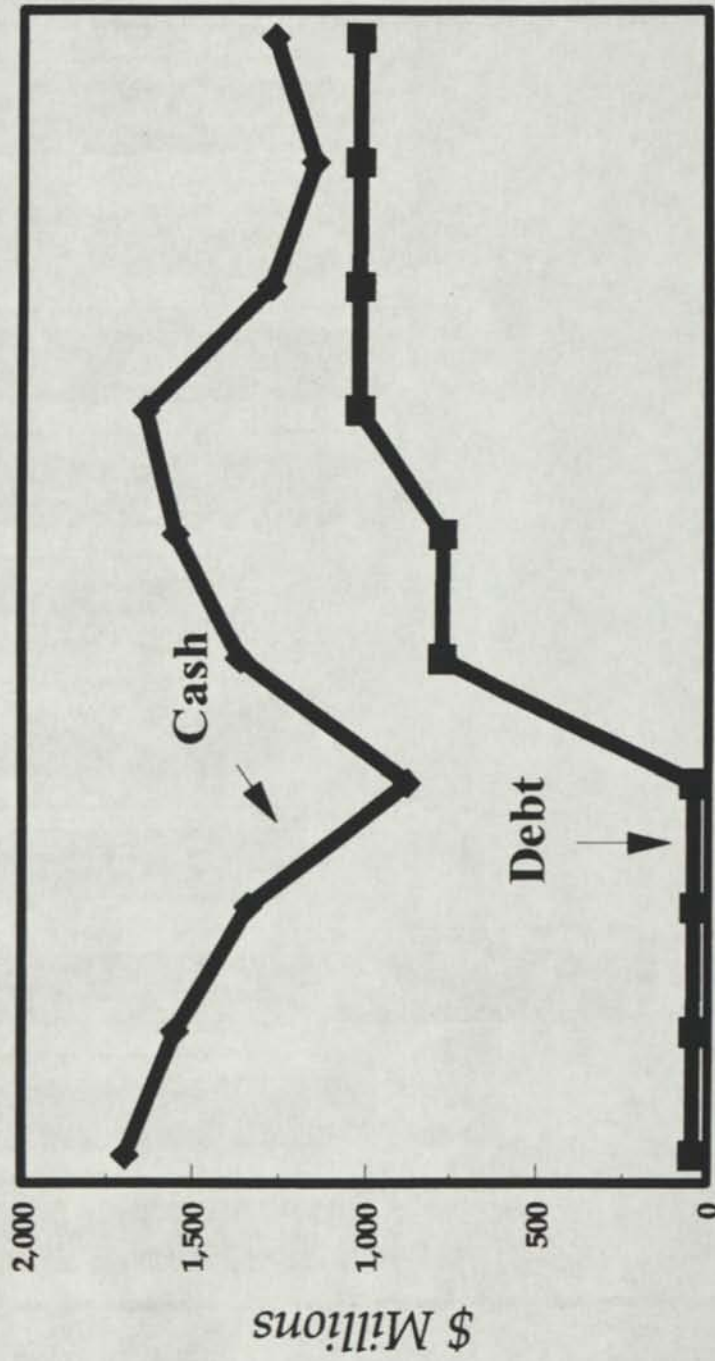
* Philips acquisition.

** Includes F.A. Rocky Mountain and Deil.

CAPITAL SPENDING

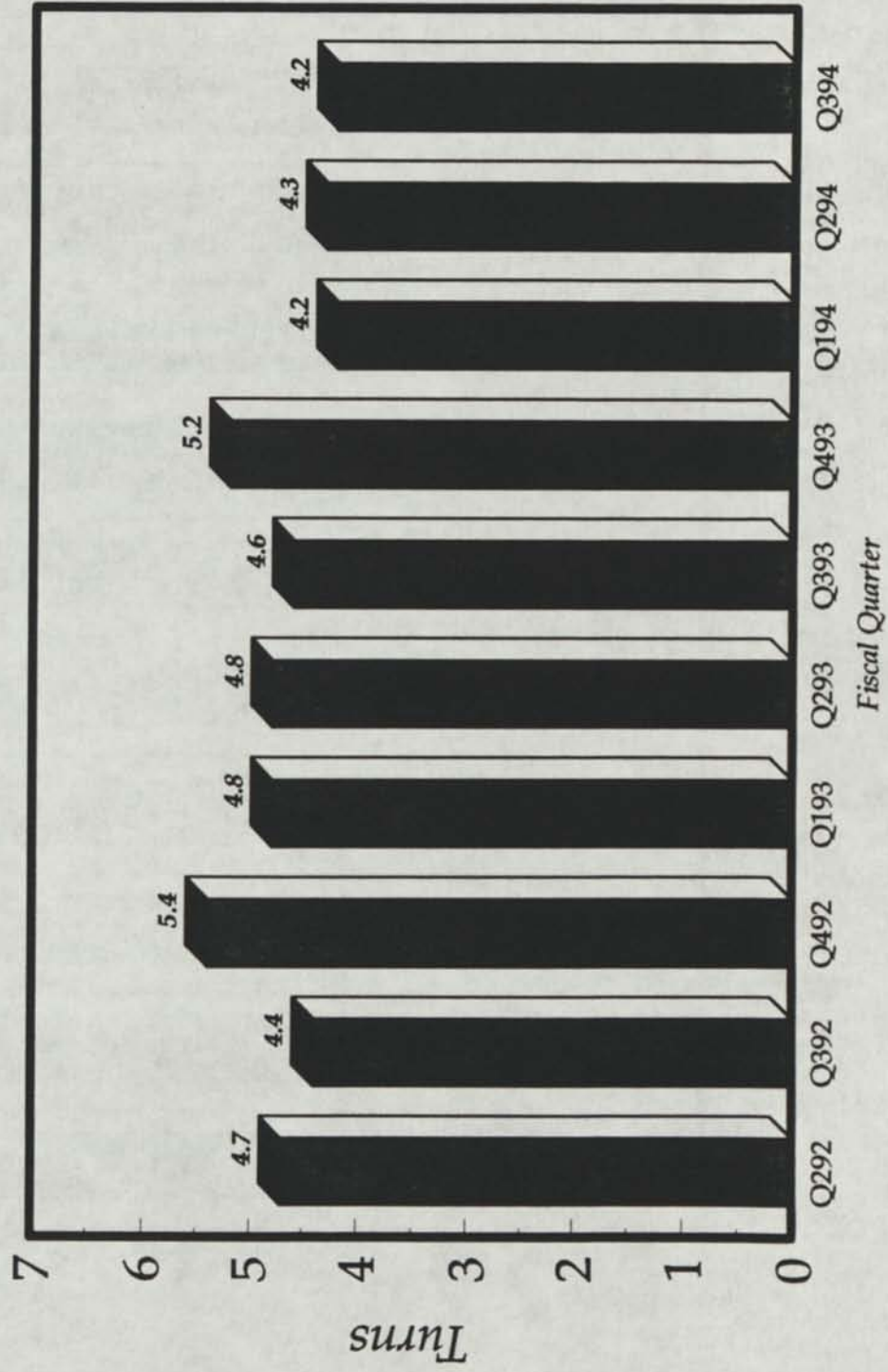


CASH AND LONG TERM DEBT

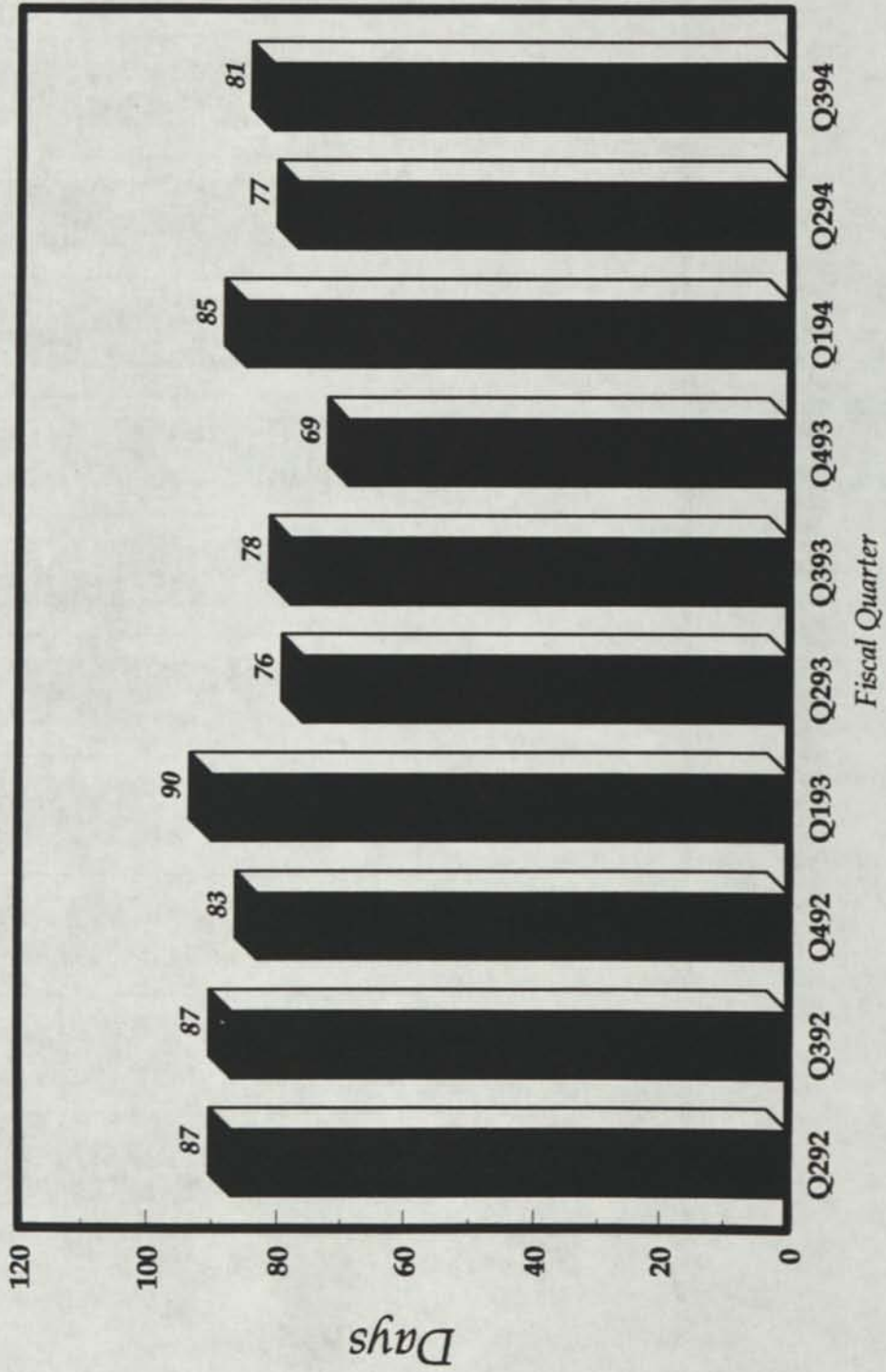


Fiscal Quarter	Q292	Q392	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394
CASH	\$1,694	\$1,547	\$1,337	\$881	\$1,365	\$1,552	\$1,643	\$1,274	\$1,147	\$1,264
L T DEBT	\$44	\$44	\$42	\$43	\$780	\$777	\$1,018	\$1,018	\$1,017	\$1,017

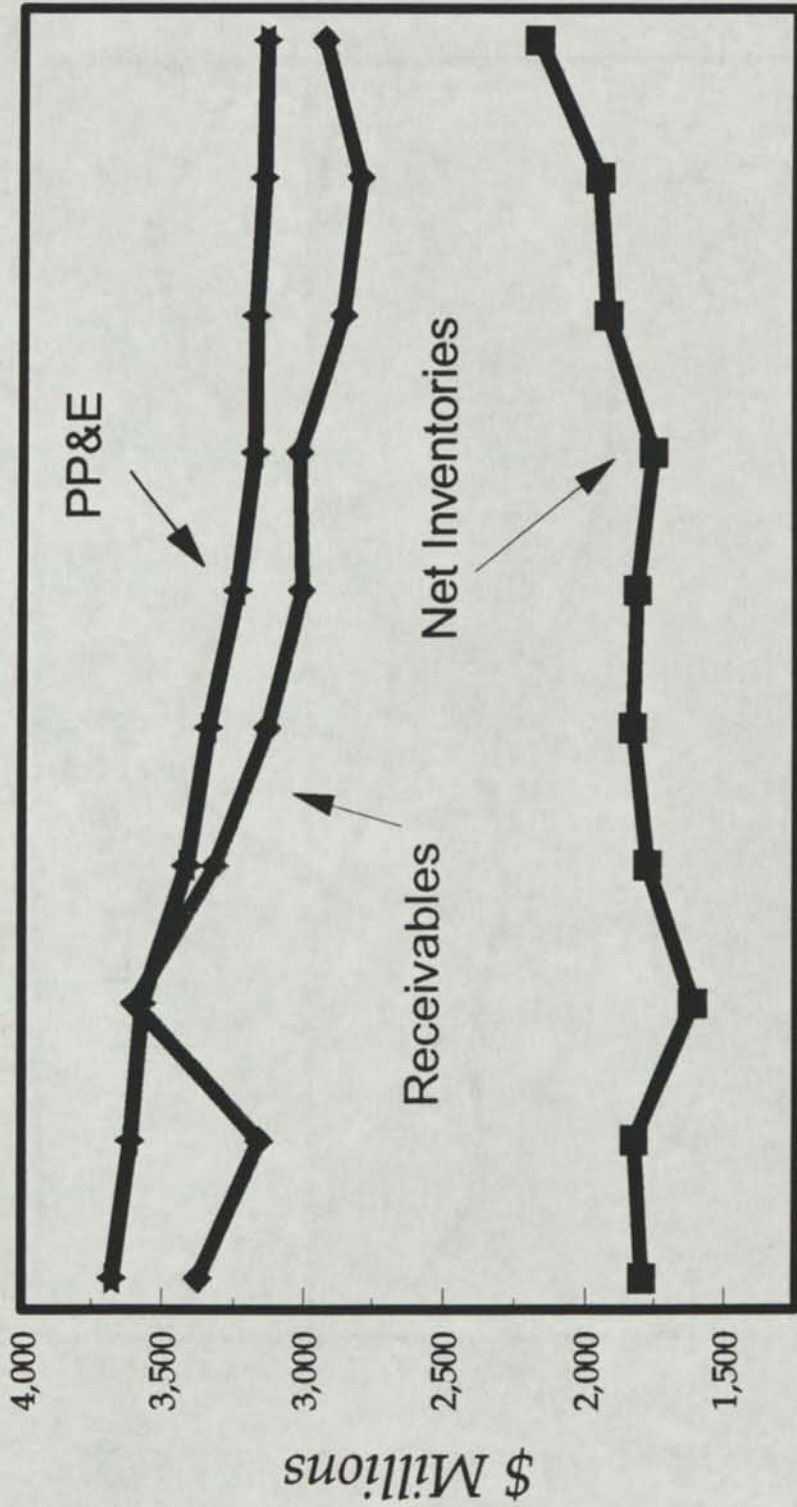
INVENTORY TURNS



DAYS SALES OUTSTANDING



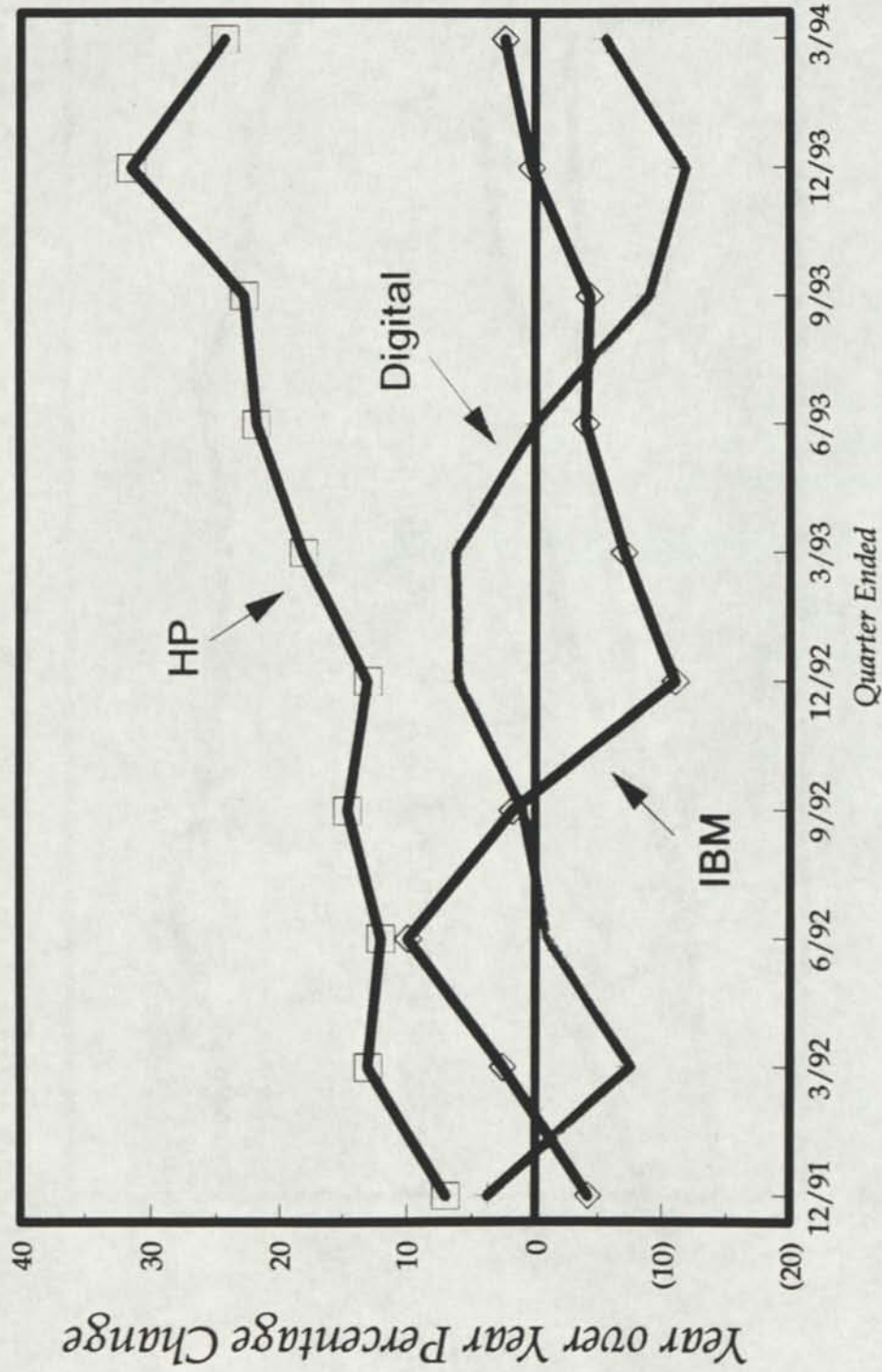
OPERATING ASSETS



Fiscal Quarter	Q292	Q392	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394
PP&E	\$3,675	\$3,610	\$3,570	\$3,418	\$3,342	\$3,240	\$3,178	\$3,175	\$3,146	\$3,136
A/R	\$3,374	\$3,158	\$3,594	\$3,316	\$3,132	\$3,009	\$3,020	\$2,859	\$2,796	\$2,925
INV	\$1,794	\$1,824	\$1,614	\$1,777	\$1,832	\$1,815	\$1,755	\$1,921	\$1,950	\$2,165

DIGITAL vs. IBM & HP

Revenue Growth Trends

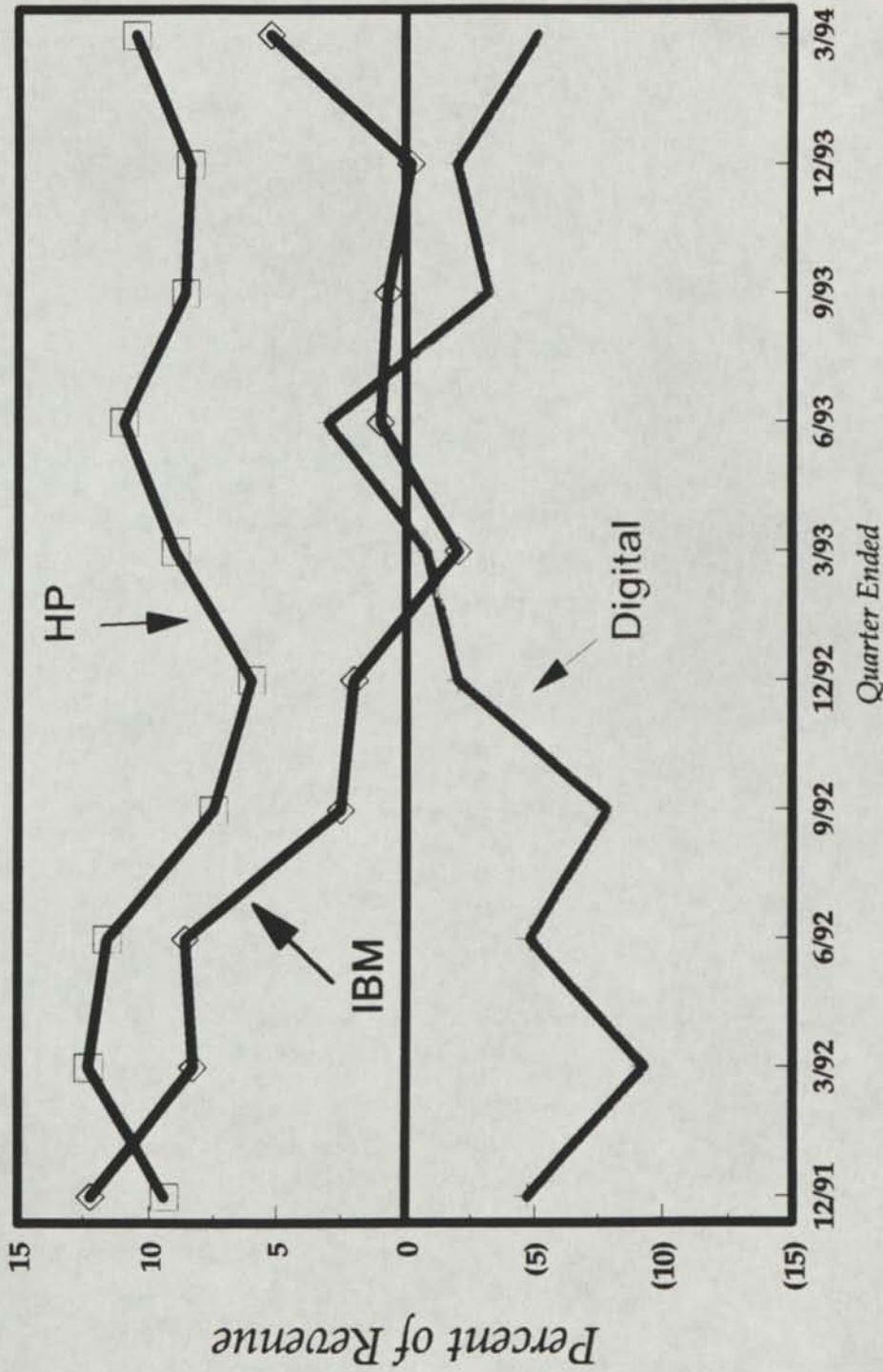


Corp. SSC:jwm
94Q3SLDB.PRE

Note: Data for HP reflects their quarter ended January.

DIGITAL vs. IBM & HP

Operating Profit As A Percent of Revenue



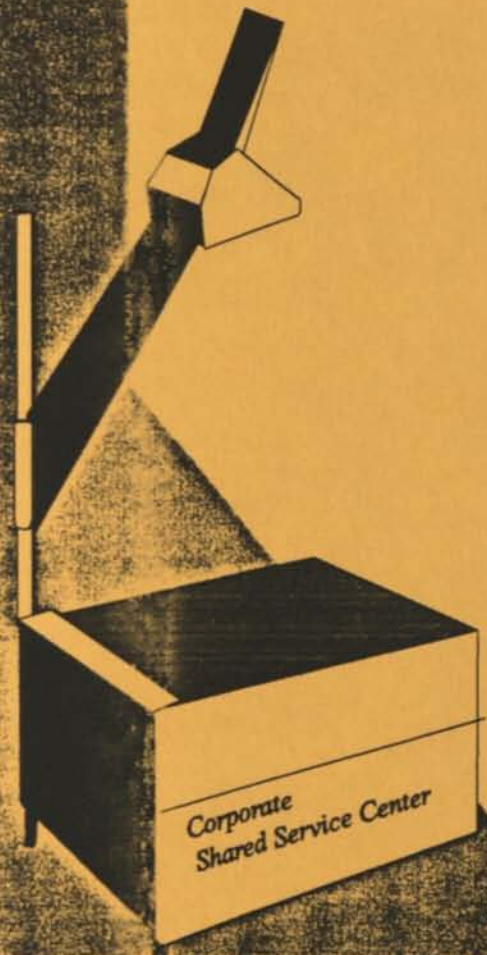
Note: Data for HP reflects their quarter ended January 1994.

Corp. SSC:jwm
94Q3SLDB.PRE

*Corp Inf
Finan Results*

f: corp. info

**Digital
Q4, FY94
Financial Results**



INTEROFFICE MEMORANDUM

TO: Distribution

DATE: 16 August 1994
FROM: Joe Magee
DEPT: Corporate Shared Service Center
PHONE: 223-2740
LOCATION: MLO3-5/36B
E-MAIL: @MLO

SUBJECT: Digital Q4 FY94 Financial Results

Enclosed is a hardcopy package of Digital's Q4, FY94 and full year FY94 financial results. This package is distributed to senior managers for use by their staffs, with customers or Digital business partners.

The composition of the packet includes a series of summary messages which highlight the quarter's and year's performance as regards operations, revenue, expenses, etc.. This is followed by a number of tables which contain a profit and loss statement, a cash flow report, and a balance sheet analysis as compared to last year's results for the quarter and for the year. Next, there are a number of graphs which chart the trend of major P&L lines and balance sheet activity for the last ten quarters. This is followed by graphs showing various trends over the last ten years. Also included, are schedules which compare the revenue and profit performance of a select group of our competitors during the last quarter and over the last ten years.

Finance managers who support the Senior Leadership Team, please note that team members have received the SLT Results Communications Package. That package is limited to an internal Digital audience. This is due to "company confidential" material such as comparisons to the Revised Plan, the impact of currency, and pricing/mix BFA analysis. Conversely, the contents of this attached package can be shared with an external audience.

Please note, to accommodate SEC regulations, some graphs which contain adjusted ("excluding one-time charges") values now also include the numbers as reported. These graphs will reflect the adjusted numbers as data values, however, the reported values will be shown at the bottom of the page.

Please call me at DTN 223-2740 if you have any questions.

Overhead Transparencies:

There are color overhead transparencies of this package which may be borrowed from our library at any time. If you wish to borrow them, please contact Joe Magee at 223-2740 or E-Mail at ROLAID::Magee_J. In order to insure timely delivery and availability of the information, we ask that you contact our office **at least forty-eight hours in advance.**

**Corporate Shared Service Center
Quarterly Presentation Materials
Distribution**

PAT	ADAMS	MRO3-3/J19	KEVIN	LANE	OGO1-2/L17
BRAD	ALLEN	MLO3-2/T98	LARRY	LANGMORE	HLO2-2/M11
DICK	ASHENFELTER	GEO	TAPIO	LAPPI	GEO
ANDREW	BARNETT	GEO	JOE	LAROSE	MSO1-1/K13
FRAN	BARTON	OGO1-2/R12	DINESH	MAHESHWARY	SHR3-1/S14
STEVE	BEHRENS	RTO-2/C18	PAUL	MAHONEY	MRO1-3/B1
PETER	BLANCHARD	GEO	GEORGE	MATHERS	GEO
JAN	BLANCKAERT	BRO	JAN	MCCARTHY	MPO1
ZEER	BOTVINIK	ISO	TOM	MCEACHIN	MSO2-2/C22
DOINA	BUNACIU	GEO	HARRY	MCKNIGHT	GEO
CHUCK	BUSHEY	BXB1-2/D10	PAUL	MILBURY	MSO2-2/F21
RICH	BUTLER	OGO1-2/L17	DENISE	MINCET	KAO4-1/2B
DICK	CARLI	MSO2-2/F21	BRENDA	MORRIS	BXC1-3/H2
MICHEL	CAVADINI	GEO	DAVE	MURRAY	MSO2-2/B23
JEAN-CLAUDE	CHAMPLONG	GEO	AMIT	NANAVATI	MSO1-1/L9
CATHERINE	CHARRAS	GEO	JOHN	NIGGLE	OGO1-2/L17
BERNARD	CHATTON	GEO	HENNING	NYGAARD	DMO
BOB	COHEN	GEO	MARIAN	O'LEARY	BXC1-1/H14
ERIC	COHEN	MSO1-1/L9	JEAN-PIERRE	PARRY	EVO
CARMINE	COLETTA	MRO2-4/D6	BARCY	PROCTOR	SHR1-4/D18
JAY	CONNOR	BXC1-1/B4	MARK	QUIGLEY	AKO1-2/T12
AGNES	CONNORS	LKG1-3/B17	LEO	QUINN	MSO2-2G4
STEPHEN	CRINNION	WRO2-2/T11	SHOAB	QURAESHI	REO
MILLER	DONALDSON	GEO	RICHARD	RACKLEY	ALF1-2/M25
HEIDI	ELWORTHY	OGO1-1/M11	FRANK	RAMEAKA	MRO3-3/B14
WALTER	ESCHLER	GEO	RON	RANA	GEO
BOB	FAULCONER	MRO3-3/J19	JOHN	REEVE	REO
DICK	FISHBURN	MLO12-2/U49	CAROL	REID	MLO12-B/U49
DAVID	FITZGERALD	REO	JOE	REILLY	MSO1-1/K13
PAT	FITZGERALD	REO	TRACY	ROTH	SHR1-4/SHR
JIM	FLANAGAN	SHR3-2/J16	STEPHEN	RUSSELL	GEO
BUD	FLYNN	OGO1-2/L17	RICK	RYAN	SHR3-2/W4
SUSAN.M	FOLEY	MLO10-1/T77	GEOFF	SACKMAN	MLO3-5/T58
ALEXIS	FORD	MLO3-2/T98	DICK	SCARBOROUGH	MKO2-2/E11
SAM	FULLER	LJO2-D12	RAY	SCHMALZ	OGO1-1/M11
DOUG	FULRATH	MRO3-3/J19	WERNER	SCHWARZ	RTO
DEBARAH	GAMBA	MRO4-2/H19	KEN	SMITH	OFO1
TORBJORJN	GEIJER	GEO	STEVE	SMITH	MSO1-1/N9
BILL	GERVAIS	MRO4-2/H19	DAVE	SPRATT	MRO3-1/G18
IAN	GILLINGHAM	AYO	DAVE	SPRATT	MLO22-2
YVES	GUILLAUMOT	EVO	PAT	SPRATT	MLO3-4/A11
DEB	HERCHEK	MLO3-2/T98	LYNN	ST AMOUR	GEO
IAN	HICKSON	OGO1-1/M11	BRUCE	STEELE	MSO1-1/K13
RICK	HILLS	MSO1-1/F2	OLIVIER	TABURET	EVO
JOANNE	HO	OGO1-2/T12	STEVEN	TAYLOR	MLN
FRED	HOLLAND	MRO3-1/K17	GERRY	UVA	MRO2-4/D6
TEDDY	HOPSON	WRO2-1/R2	BILL	VANATTEN	MRO3-3/J19
BOB	HULT	AKO2-2/B5	PIERRE	VANDENPLAS	BRO
ILENE	JACOBS	MSO2-2/F17	MICHEL	VANDIER	EVB
DICK	JAILLET	BXC1-2/H4	MIKE	VOCKE	GEO
DAVID	JAMES	MRO3-1/G18	TONY	WAIN	MSO1-1/F14
KO	JOOSSEE	APD	RAY	WALKER	SBP
REINHARD	KRAMER	RTO	TONY	WALLACE	MLO10-1/T77
PHIL	KUEHNE	MSO2-1/E21	PIET	WEJERS	UTO
KAREN	KUPFERBERG	MLO1-4/T35	JAY	ZAGER	LJO2/C5
PHIL	LADDS	REO			

Digital Q4 and Full Year FY94 Financial Results

Table of Contents

I. Q4, FY94 and Full Year Summary and Key Messages

II. Q4, FY94 Results

- Profit & Loss Statement
 - As Reported
 - Excluding One-time Charges
- Asset Summary
- Cash Flow Statement
- Balance Sheet
 - Assets
 - Liabilities & Equity
- Digital Business Model vs Prior Qtr.
- Competitive Analysis

III. FY94 Results

- Profit & Loss Statement
 - As Reported
 - Excluding One-time charges
- Asset Summary
- Cash Flow Statement
- Competitive Analysis

IV. Latest Ten Quarter Graphs

- Revenue Growth by Segment
- Revenue and Cost Growth
- Research & Engineering Expense
- Sales, General & Administrative Expense
- Operating Profit Margin
- Net Income
- Return on Assets
- Return on Equity
- Population Trends

Digital Q4 and Full Year FY94 Financial Results

Table of Contents, Cont'd

IV. Latest Ten Quarter Graphs, cont'd

- Capital Spending
- Cash and Long Term Debt
- Inventory Turns
- Days Sales Outstanding
- Operating Assets
- Competitor Comparison
 - Revenue Growth
 - Operating Profit Margin

V. Ten Year Graphs

- Revenue
- Composition of Revenue
 - Domestic & International
 - Products & Services
- Revenue Growth by Segment
- Revenue and Gross Margin
- Revenue and Cost Growth Rates
- Research & Engineering Expense
- Sales, General & Administrative
- Operating Profit Margin
- Total Costs
- Net Income
- Return on Assets
- Return on Equity
- Population
- Average Revenue per Employee
- Cash Flow from Operations
- Cash and Long Term Debt
- Capital Spending
- Operating Assets
- Days Sales Outstanding
- Inventory Turns
- Competitor Comparison
 - Revenue Growth
- Stock Price vs Book Value

***Q4, FY94
and Full Year FY94
Summary and Key
Messages***

*Corporate
Shared Service Center*

Digital Equipment Corporation

Q4 & FY94 Summary Results

Total Revenue

Q4, FY94

- * Revenue was flat year-over-year, but grew 20.4%, or \$664M, vs. the prior quarter.
- * Year-over-year product growth of 7% was offset by a decline in service growth, (7)%.
- * Revenue grew in the U.S. and Asia while declining in Europe.
- * Alpha AXP revenues now represent 31.5% of systems revenue, and over 50% of systems revenue excluding Intel PCs.
- * Unit volumes almost doubled year-over-year, driven by growth in Intel PCs.

Total FY94

- * Total revenue declined by (6.4)%, \$(921)M, year-over-year due to:
 - Product competitive pricing pressures
 - Services revenue decline related to lower services content in low-end products
 - Significant weakness in Europe
- * In Q4, Alpha AXP systems/servers revenue exceeded VAX.
- * Alpha AXP grew 3.5X vs. FY93.

Digital Equipment Corporation Q4 & FY94 Summary Results

Gross Margin

Q4, FY94 & FY94

- * Total gross margin declined year-over-year.
- * Product gross margin declined year-over-year due to competitive pricing and a greater contribution of revenue from our channel partners.
- * Services gross margin declined due to pricing pressure in the highly competitive multi-vendor and consulting services.

Digital Equipment Corporation Q4 & FY94 Summary Results

Expenses

Q4, FY94

- * R&D and SG&A expenses both dropped year-over-year in absolute dollars and as a percent of revenue.
- * R&D dropped by \$(30)M, or (8)%, year-over-year.
- * SG&A declined by \$(106)M, or (10)%, year-over-year.

Total FY94

- * R&D and SG&A expenses both dropped year-over-year in absolute dollars and as a percent of revenue.
- * R&D spending fell by \$(229)M, or (15)%, year-over-year.
- * R&D expenses are benefitting from an increased focus on investments in key technologies.
- * SG&A spending dropped by \$(729)M, or (16)%, year-over-year.
- * SG&A expense improvement is the result of a focus on restructuring administrative systems.

Digital Equipment Corporation FY94 Summary Results

Profit

Q4, FY94

- * Q4, 94 was unprofitable. Operating Profit (operating results only) was \$(146)M.
- * PAT (operating results only) was \$(273)M worse than prior year. However, it was an improvement over Q3, FY94.

Total FY94

- * FY94 was unprofitable, which was disappointing.
- * The decline in both products and services revenue, coupled with the continuing pressure on gross margins from competitive pricing and growth in the low-end margin products and services, negatively impacted profitability.
- * PAT (operating results only) was \$(268)M worse than prior year.

Digital Equipment Corporation Q4 & FY94 Summary Results

Balance Sheet

Q4, FY94

- * A positive cash flow was generated from operations in Q4, FY94.
- * Q4, FY94 PP&E turns were 5.0X, up 0.1 turns from Q4, FY93.
- * Q4, Inventory turns were 5.2X, the same as Q4, FY93, but up 1.0 turns from Q3, FY94.

Total FY94

- * Ending cash was \$1.2B. This strong position is primarily due to aggressive inventory management, strong cash collection and strict adherence to corporate disbursement policies.
- * Total capital spending was \$682M. Semiconductor investments were a substantial part of this spending.
- * Ending net inventory was \$2.1B with an annual net turns of 4.7X, a decrease of 0.4 turns from FY93.

Digital Equipment Corporation

Q4 & FY94 Summary Results

Restructuring/Population

Q4, FY94 and FY94

- * The total population is about 83,000.
- * The employee population has declined by approximately 11,500 or (12)% over the last twelve months.
- * The Q4, FY94 workforce reduction of about 7,000 resulted in annual savings of approximately \$380M.
- * Since the inception of the restructuring program, approximately 47,500 positions have been eliminated. Resulting in annual savings of around \$2,470M.
- * In Q4, FY94 a restructuring charge of \$1.2B was taken.

***Q4, FY94
Results***

*Corporate
Shared Service Center*

Q4, FY94 Results

Compared with Q4, FY93

(\$Mils)
(As Reported)

	Q4, FY94 <u>Actual</u>	Percent Growth <u>Over Q4, FY93</u>
Product Revenue	\$ 2,225	6.7 %
Service Revenue	<u>1,698</u>	(7.1)
Total Revenue	\$ 3,923	0.2 %
Gross Margin	\$ 1,175	(25.4) %
(% of Revenue)	29.9 %	(10.3) pts.
Research & Engineering	339	(8.2) %
(% of Revenue)	8.6 %	(0.8) pts.
Selling, General & Administrative	1,292	18.7 %
(% of Revenue)	32.9 %	5.1 pts.
Operating Income	\$(1,662)	N/M
(% of Revenue)	(42.4) %	(45.4) pts.
Net Interest (Income)/Expense	10	N/M
Profit Before Taxes	\$(1,673)	N/M
Income Taxes	<u>74</u>	N/M
Net Income	\$(1,746)	N/M
EPS	\$(12.64)	N/M

Q4, FY94 Results

Compared with Q4, FY93

(\$Mils)

(Excluding Restructuring & One-time Charges)

	Q4, FY94	Percent Growth
	<u>Actual</u>	<u>Over Q4, FY93</u>
Product Revenue	\$ 2,225	6.7 %
Service Revenue	\$ 1,698	(7.1)
Total Revenue	\$ 3,923	0.2 %
Gross Margin	1,175	(25.4) %
(% of Revenue)	29.9 %	(10.3) pts.
Research & Engineering	339	(8.2) %
(% of Revenue)	8.6 %	(0.8) pts.
Selling, General & Administrative	982	(9.7) %
(% of Revenue)	25.0 %	(2.8) pts.
Operating Income	(146)	N/M
(% of Revenue)	(3.7) %	(6.8) pts.
Net Interest (Income)/Expense	\$ 10	N/M
Profit Before Taxes	(157)	N/M
Income Taxes	4	N/M
Net Income	(160)	N/M
EPS	(1.22)	N/M

Q4, FY94 Results ASSET SUMMARY

(\$Mils)

	<u>Q4, FY94</u>	<u>Q4, FY93</u>
Cash Balance	\$ 1,181	\$ 1,643
Accounts Receivable	\$ 3,319	\$ 3,020
DSO	76 Days	69 Days
Net Inventory	\$ 2,064	\$ 1,755
Inventory Turns	5.2	5.2
Capital Spending	\$ 168	\$ 170
PP&E Turns	5.0	4.9

Q4, FY94 Results

CASH FLOW

	<u>Q4, FY94</u>	<u>Q3, FY94</u>	<u>Q4, FY93</u>
Beginning Cash	\$ 1,264	\$ 1,147	\$ 1,552
Net Income	\$ (1,746)	\$ (183)	\$ 113
Depreciation & Amortization	158	160	209
Other Adj. to Net Income	354	21	29
Receivables	(394)	(129)	(11)
Inventories	101	(214)	60
Restructuring - Cash Exp.	(226)	(157)	(190)
Other Working Capital	<u>1,764</u>	<u>378</u>	<u>(112)</u>
Total from Operating	\$ 10	\$ (125)	\$ 98
Capital Spending	\$ (168)	\$ (166)	\$ (170)
Proceeds from Disp. of PP&E	21	23	10
Investment in Other Assets	(3)	(21)	(179)
Proceeds from Disp. Other Assets	0	20	22
Business Acquisition	<u>0</u>	<u>0</u>	<u>0</u>
Total from Investing	\$ (150)	\$ (145)	\$ (317)
Total from Ops & Investing	\$ (140)	\$ (270)	\$ (219)
Employee Stock Plans	\$ 44	\$ 0	\$ 89
Issuance of Preferred Stock	(1)	387	0
Debt	<u>13</u>	<u>(1)</u>	<u>221</u>
Total from Financing	\$ 57	\$ 386	\$ 310
Total Change	\$ (83)	\$ 116	\$ 91
Ending Cash	\$ 1,181	\$ 1,264	\$ 1,643

Q4, FY94 Results TOTAL ASSETS

(\$Mils)

	<i>Balance as of</i>	
	<u>Q4, FY94</u>	<u>Q4, FY93</u>
Current Assets:		
Cash	\$ 1,181	\$ 1,643
Accounts Receivable	3,319	3,020
Net Inventory	2,064	1,755
Prepaid Expenses	302	379
Current Deferred Taxes	<u>22</u>	<u>85</u>
Total Current Assets	6,888	6,883
Property, Plant & Equipment	7,021	7,193
Accumulated Depreciation	<u>(3,891)</u>	<u>(4,015)</u>
Net Property, Plant & Equipment	3,129	3,178
Non-Current Deferred Tax	115	33
Other Assets	447	856
Total Assets	<u>\$10,580</u>	<u>\$10,950</u>

Q4, FY94 Results

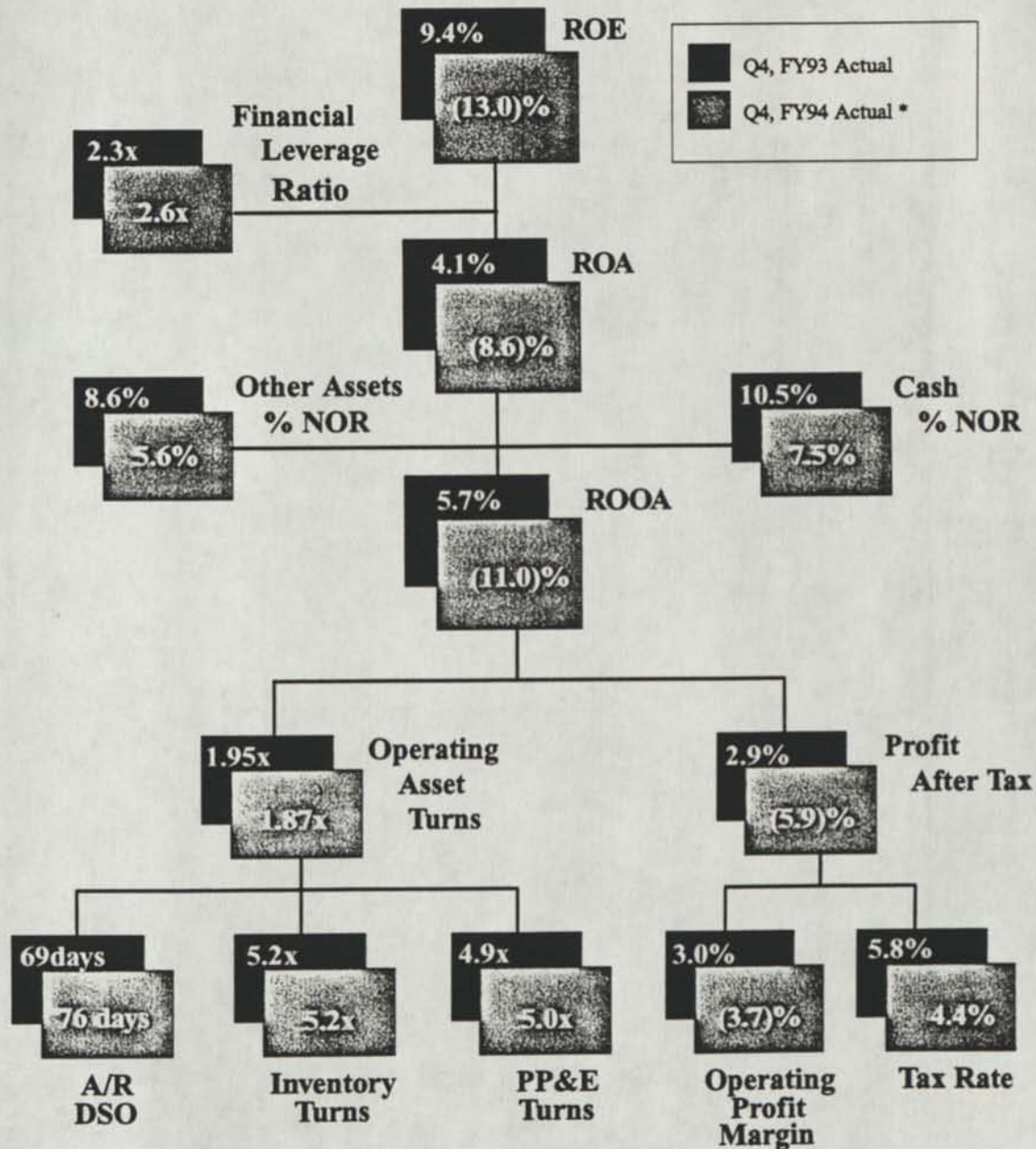
LIABILITIES & EQUITY

(\$Mills)

	<u>Q4, FY94</u>	<u>Q4, FY93</u>
<i>Balance as of</i>		
Liabilities:		
Loans & Current Debt	\$ 33	\$ 21
Accounts Payable	1,197	822
Taxes	21	58
Salaries & Wages	620	556
Deferred Revenue	1,240	1,138
Restructuring Reserve	1,351	739
Other Current Liabilities	<u>595</u>	<u>584</u>
Total Current Liabilities	\$ 5,056	\$ 3,918
Non-Current Deferred Tax	\$ 5	\$ 0
Long Term Debt	1,011	1,018
Post Retirement Benefits	<u>1,228</u>	<u>1,129</u>
Total Liabilities	7,300	6,065
Stockholders' Equity	3,280	4,885
Total Liabilities and Stockholders' Equity	<u>\$ 10,580</u>	<u>\$10,950</u>

Digital Business Model

Q4, FY94 Actual *



*Excludes one-time charges.

COMPETITOR RESULTS

For Quarter Ended June, 1994

(Adjusted for One-Time Charges)

	Year/Year Revenue (% Change)	Gross Margin (% Revenue)	Operating Profit (% Revenue)	Net Income (% Revenue)
DIGITAL (a)	0 %	30 %	(4) %	(45) %
IBM	(1)	40	7	5
Hewlett-Packard *	23	38	10	7
Apple	16	27	11	6
Stratus***	18	53	10	8
Compaq	53	27	12	8
Sun Microsystems	11	40	8	6
Dell Computer *	14	22	8	3
Intel	30	58	35	23
Novell *	45	74	37	26
3COM**	44	52	17	11
Microsoft	24	84	38	28
Conner Peripherals	33	22	9	5
Seagate	30	22	11	8
EDS***	9 %	24 %	12 %	8 %

*Quarter ended April, 1994

** Quarter ended May, 1994

*** Quarter ended March, 1994

(a) Operating Profit adjusted for one-time charges;
Because of tax implications Net Income includes one-time charges.

***FY94
Results***

*Corporate
Shared Service Center*

FY94 Results Compared with FY93 (\$Mils) (As Reported)

	FY94 Actual	Percent Growth Over FY93
Product Revenue	\$ 7,191	(5) %
Service Revenue	<u>6,260</u>	(8) %
Total Revenue	\$ 13,451	(6) %
Gross Margin	\$ 4,539	(21) %
(% of Revenue)	33.7 %	(6.2) pts.
Research & Engineering	1,301	(15) %
(% of Revenue)	9.7 %	(1.0) pts.
Selling, General & Administrative	4,028	(9) %
(% of Revenue)	29.9 %	(1.0) pts.
Operating Income	\$ (1,996)	NM
(% of Revenue)	(14.8)	(13.1) pts.
Net Interest (Income)/Expense	24	NM
Profit Before Taxes	\$ (2,020)	NM
Income Taxes	85	NM
Net Income	\$ (2,156)	NM
EPS	\$ (15.80)	NM

FY94 Results Compared with FY93

(\$Mills)

(Excluding Restructuring & One-time Charges)

	<u>FY94</u> <u>Actual</u>	<u>Percent Growth</u> <u>Over FY93</u>
Product Revenue	\$ 7,191	(5) %
Service Revenue	<u>6,260</u>	(8) %
Total Revenue	\$ 13,451	(6) %
Gross Margin	\$ 4,539	(21) %
(% of Revenue)	33.7 %	(6.2) pts.
Research & Engineering	1,301	(15) %
(% of Revenue)	9.7 %	(1.0) pts.
Selling, General & Administrative	3,718	(16) %
(% of Revenue)	27.6 %	(3.3) pts.
Operating Income	\$ (480)	NM
(% of Revenue)	(3.6)	(1.9) pts.
Net Interest (Income)/Expense	24	NM
Profit Before Taxes	\$ (504)	NM
Income Taxes	15	NM
Net Income	\$ (519)	NM
EPS	\$ (3.86)	NM

FY94 Results ASSET SUMMARY

(\$Mils)

	<u>FY94</u>	<u>FY93</u>
Cash Balance	\$ 1,181	\$ 1,643
Accounts Receivable DSO	\$ 3,319 76 Days	\$ 3,020 69 Days
Net Inventory Inventory Turns	\$ 2,064 4.7x	\$ 1,755 5.1x
Capital Spending PP&E Turns	\$ 682 4.3x	\$ 529 4.3x

FY94 Results CASH FLOW

	<u>FY94</u>	<u>FY93</u>
Beginning Cash	\$ 1,643	\$ 1,337
Net Income	\$ (2,156)	\$ (251)
Depreciation & Amortization	681	838
Other Adj. to Net Income	458	186
Receivables	(299)	574
Inventories	(309)	(141)
Restructuring - Cash Exp.	(683)	(767)
Other Working Capital	<u>1,952</u>	<u>(392)</u>
Total from Operating	\$ (356)	\$ 47
Capital Spending	\$ (682)	\$ (529)
Proceeds from Disp. of PP&E	97	46
Investment in Other Assets	(64)	(424)
Proceeds from Disp. Other Assets	24	22
Business Acquisition	<u>0</u>	<u>0</u>
Total from Investing	\$ (626)	\$ (884)
Total from Ops & Investing	\$ (982)	\$ (837)
Employee Stock Plans	\$ 131	\$ 196
Issuance of Preferred Stock	387	0
Debt	<u>2</u>	<u>948</u>
Total from Financing	\$ 519	\$ 1143
Total Change	\$ (462)	\$ 306
Ending Cash	\$ 1,181	\$ 1,643

COMPETITOR RESULTS

For Four Quarters Ending June, 1994

(Adjusted for One-Time Charges)

	<u>Revenue</u> (% Change)	<u>Gross</u> <u>Margin</u> (% Revenue)	<u>Operating</u> <u>Profit</u> (% Revenue)	<u>Net Income</u> (% Revenue)
DIGITAL(a)	(6) %	34 %	(4) %	(16) %
IBM	0	38	4	2
Hewlett-Packard*	25	39	10	6
Apple (Q3)(a)	16	25	2	2
Stratus***	9	56	5	4
Compaq	52	25	12	8
Sun Microsystems	9	41	6	4
Dell Computer (Q2)(a)*	28	17	3	(1)
Intel	35	60	36	24
Novell (Q3)(a)*	25	77	33	(1)
3 COM (Q3)(a)**	36	51	17	(4)
Microsoft	24	84	37	25
Conner Peripherals (Q3)(a)	1	16	3	(13)
Seagate	15	20	9	6
EDS***	5 %	25 %	13 %	8 %

*Quarter ended April, 1994

** Quarter ended May, 1994

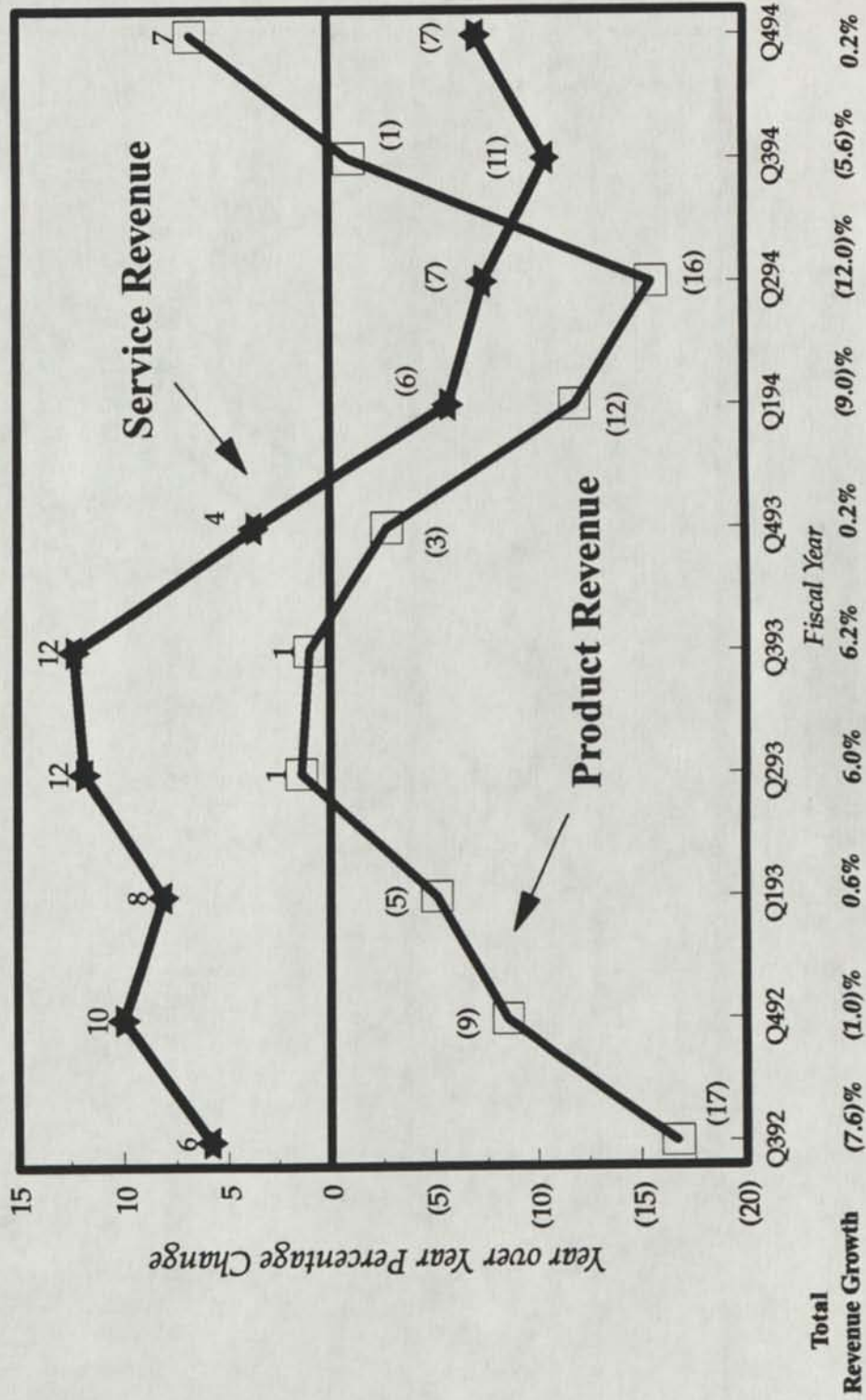
*** Quarter ended March, 1994

(a) Operating Profit adjusted for one-time charges;
Because of tax implications Net Income includes one-time charges.

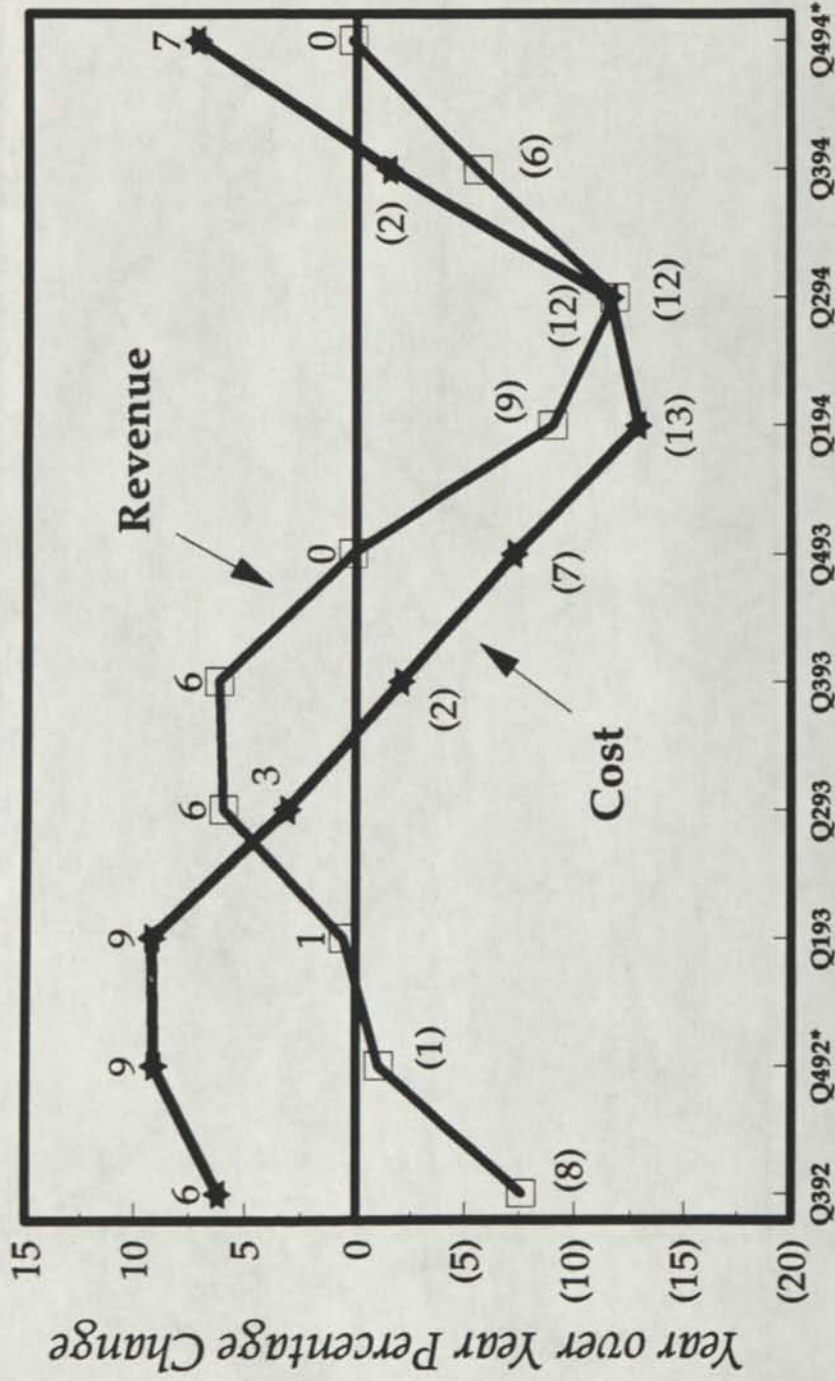
*Latest
Ten Quarter
Graphs*

*Corporate
Shared Service Center*

REVENUE GROWTH BY SEGMENT



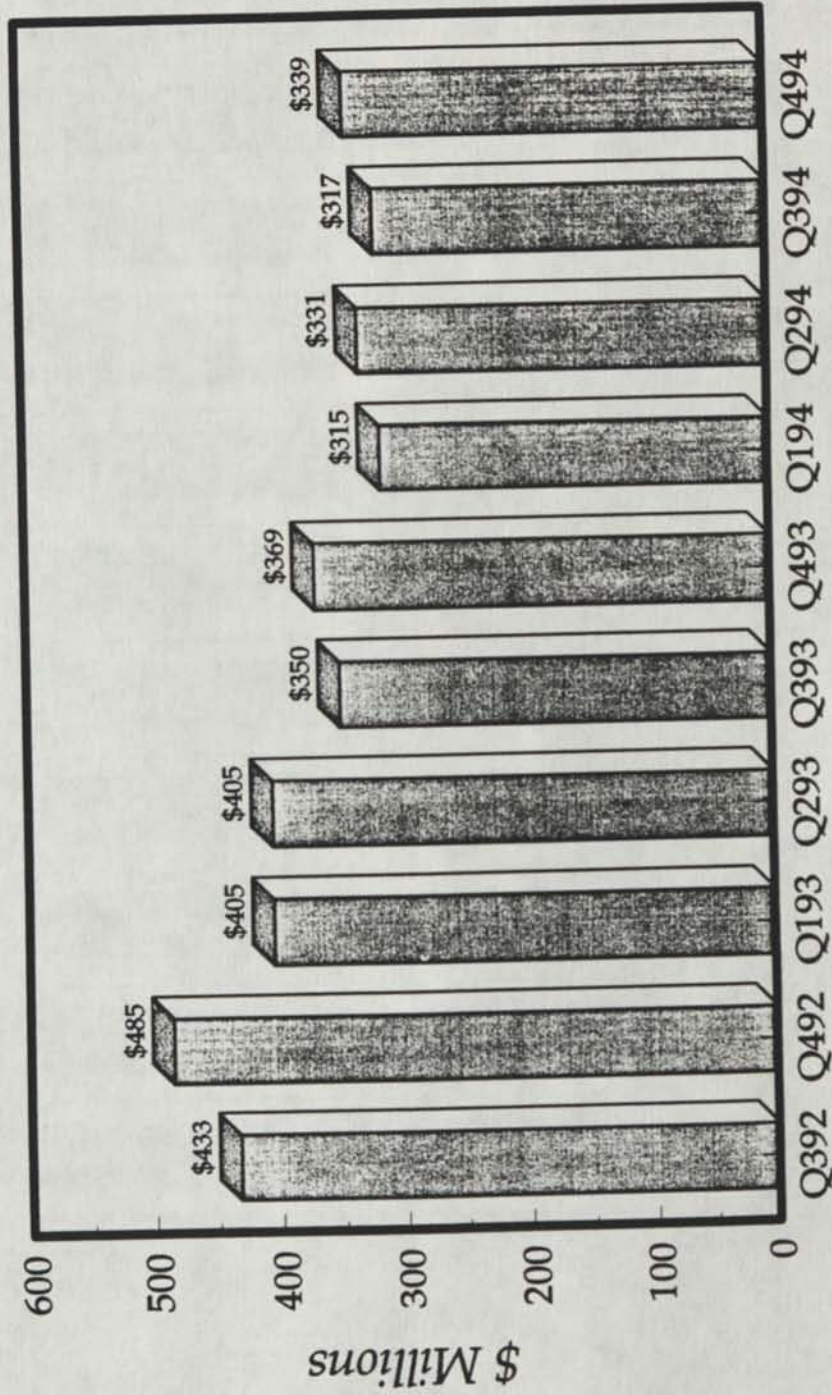
REVENUE & COST GROWTH



Operating Profit Margin	Q392	Q492*	Q193	Q293	Q393	Q493	Q194	Q294	Q394	Q494
As reported	(9.3)%	(4.8)%	(7.8)%	(1.8)%	(0.8)%	3.0%	(3.2)%	(2.0)%	(5.2)%	(3.7)%
		(43.2)%								(42.4)%

* Excludes restructuring and one-time charges.

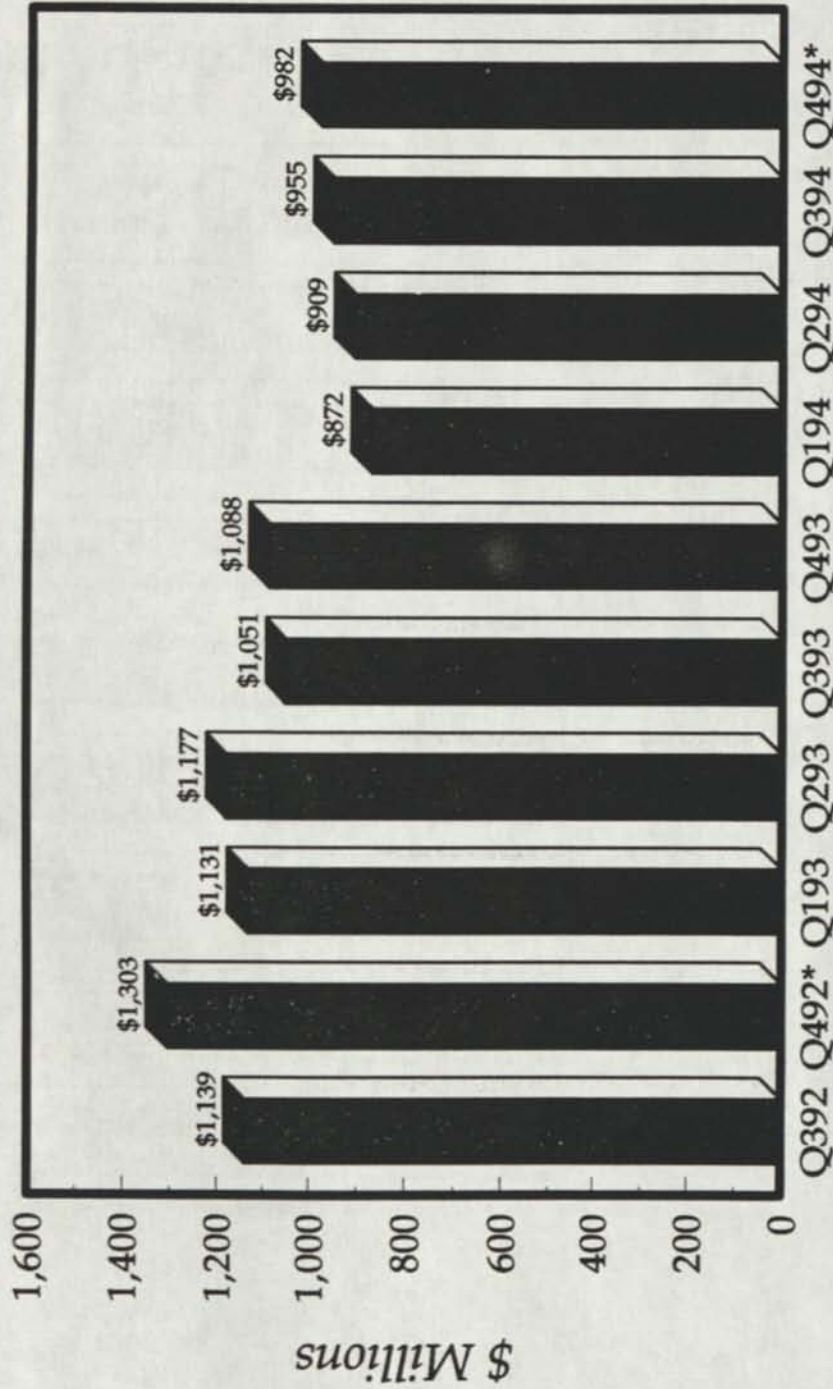
RESEARCH & ENGINEERING EXPENSE



% of Revenue

Fiscal Year

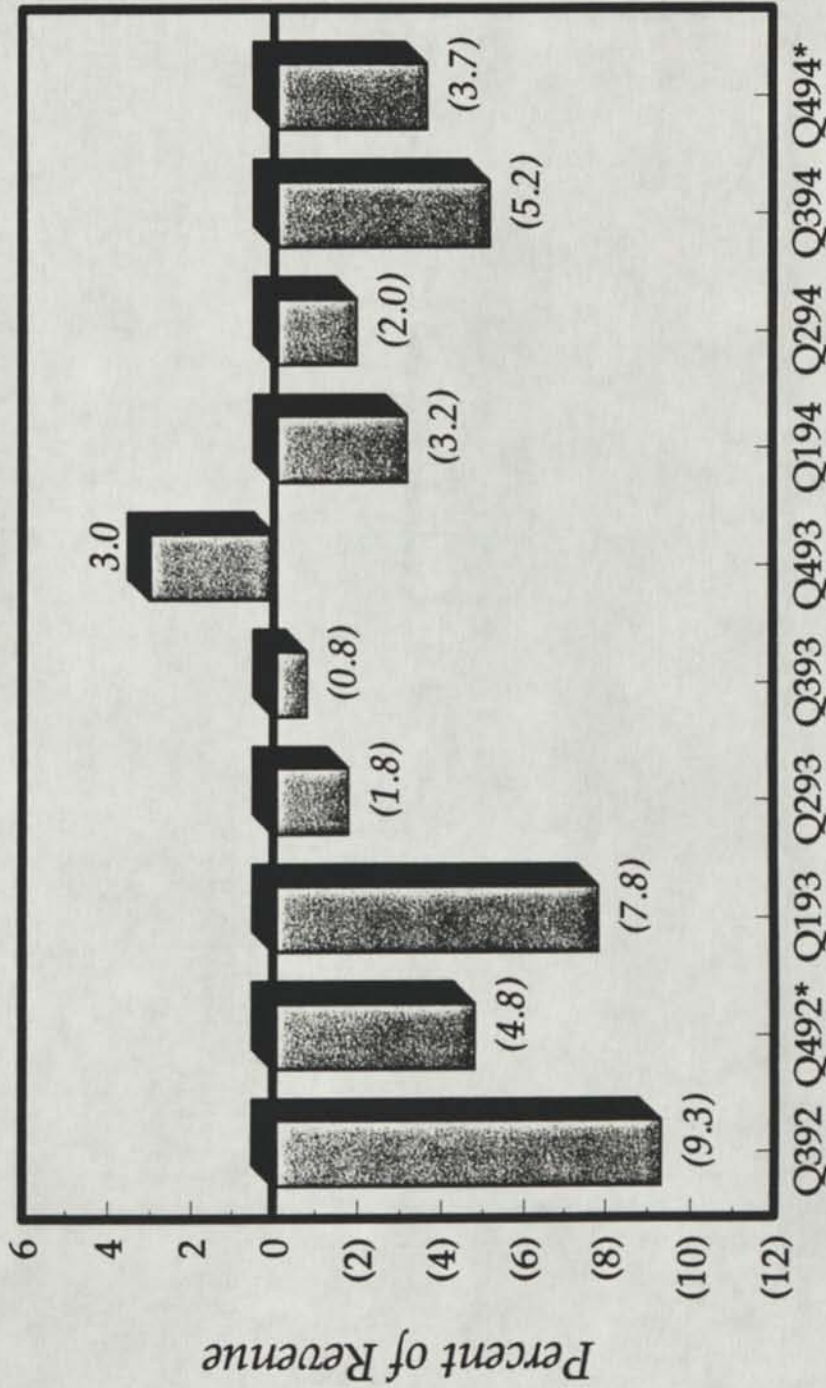
SALES, GENERAL & ADMINISTRATIVE EXPENSE



Fiscal Year
 Corp. SSC:jwm
 94Q4SLDA.PRE

* Excludes restructuring and one-time charges.

OPERATING PROFIT MARGIN



Operating Profit
(\$ Mills)

As reported

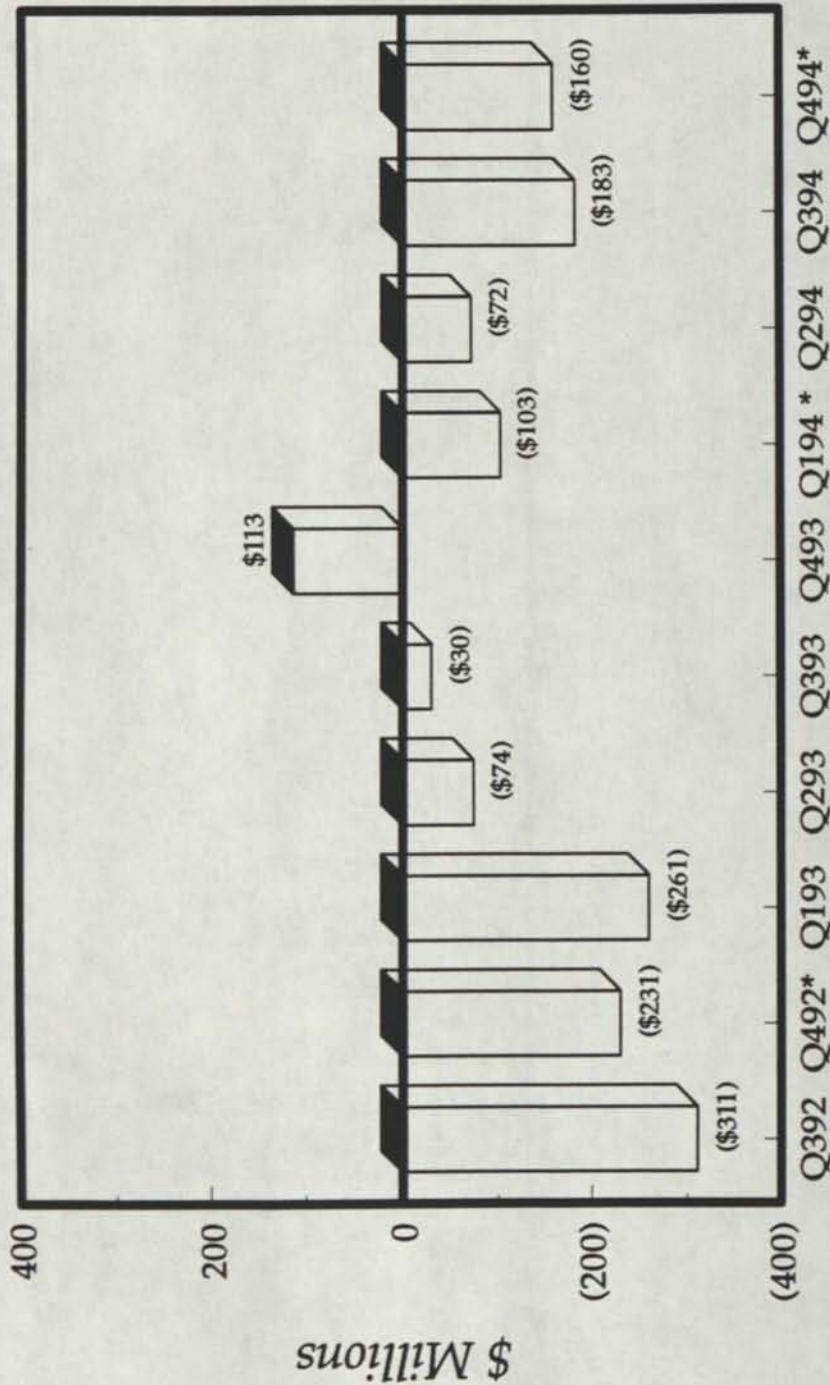
\$ (1,688)

\$ (1,662)

Corp. SSC:jwm
94Q4SLDA.PRE

* Excludes restructuring and one-time charges.

NET INCOME



As reported (\$1,855)

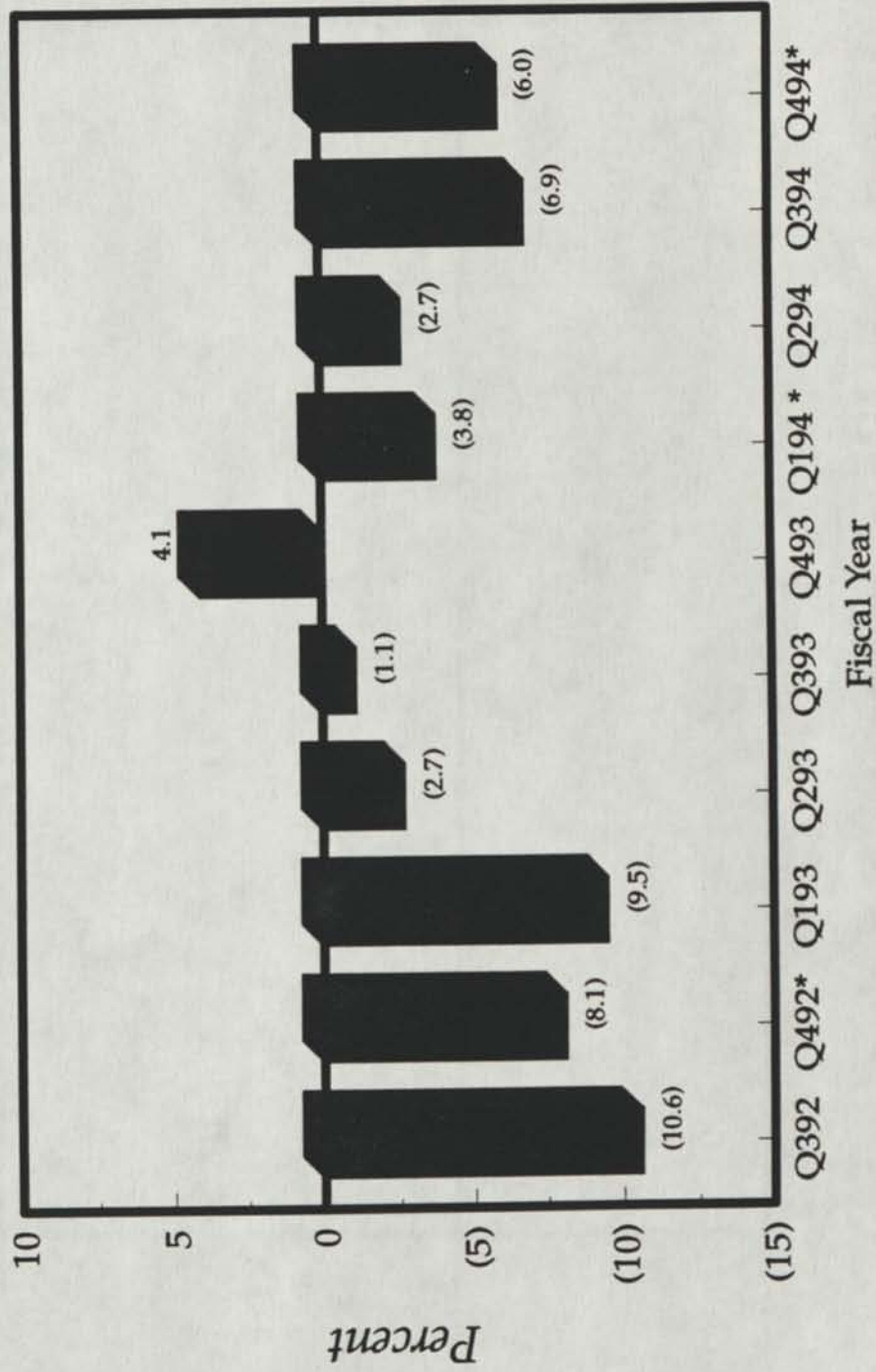
(\$154)

(\$1,746)

Fiscal Year

* Excludes restructuring and one-time charges.

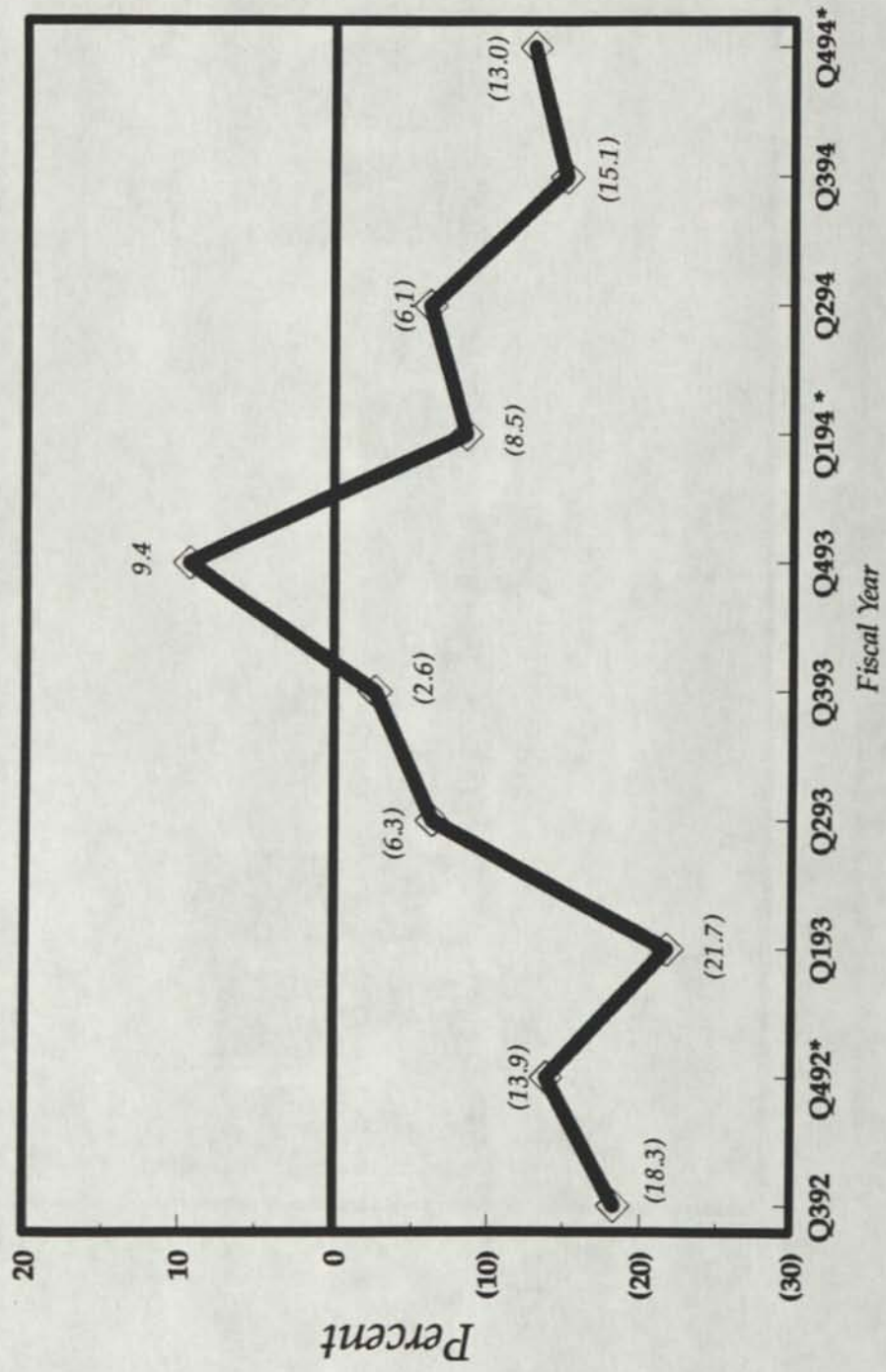
RETURN ON ASSETS



As reported (65.0)%
 Fiscal Year (5.7)%
 (65.4)%

* Excludes restructuring and one-time charges.

RETURN ON EQUITY



As reported

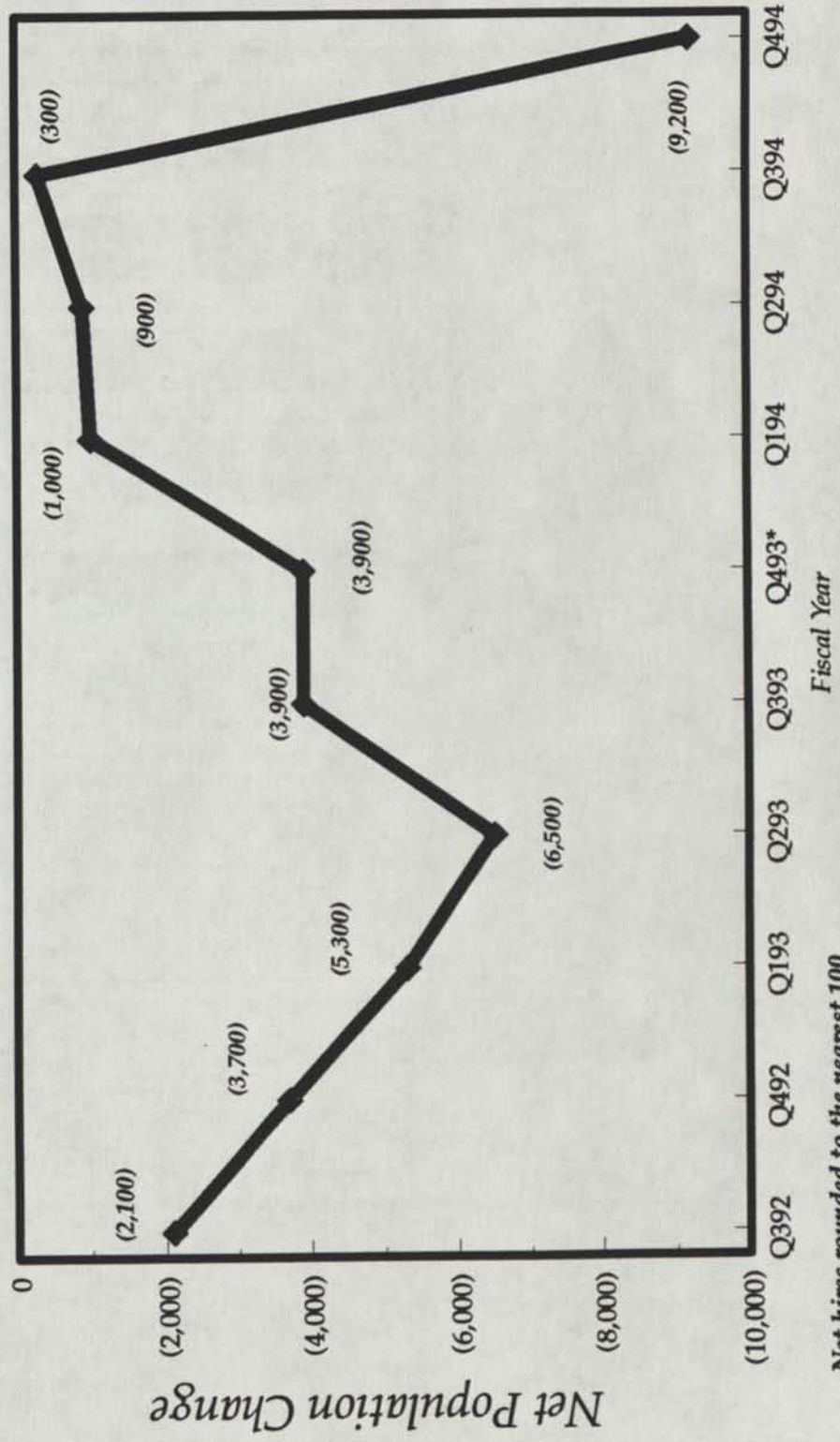
(128.0)%

(12.8)%

(169.4)%

* Excludes restructuring and one-time charges.

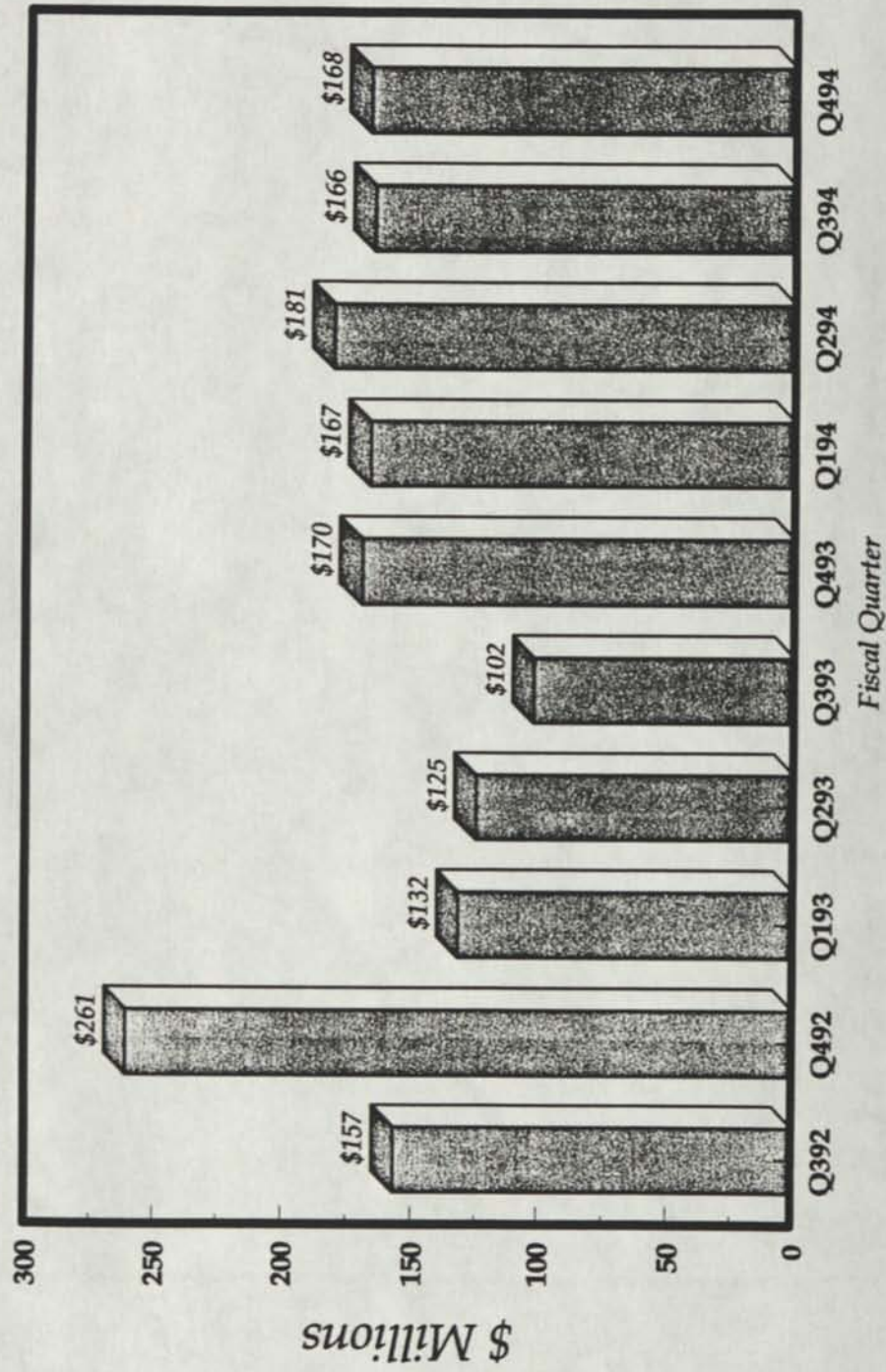
POPULATION TRENDS - NET HIRES



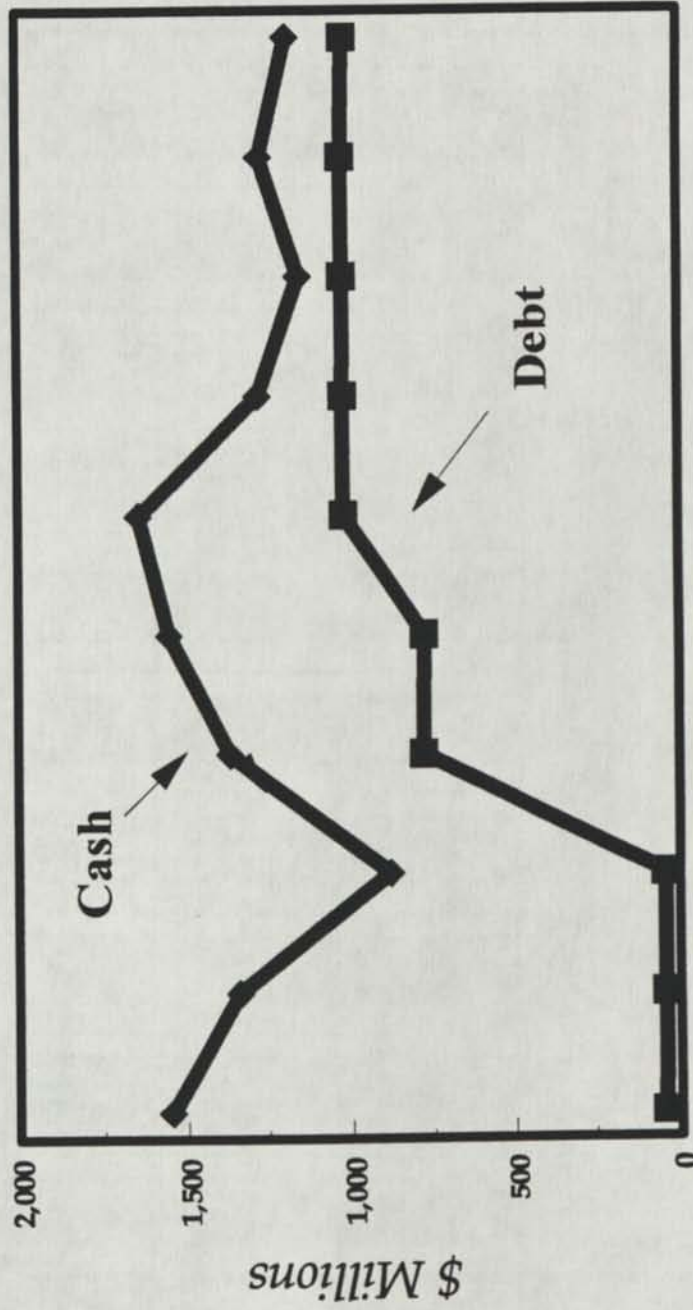
Net hires rounded to the nearest 100

*Includes EA, Rocky Mountain and Deil.

CAPITAL SPENDING

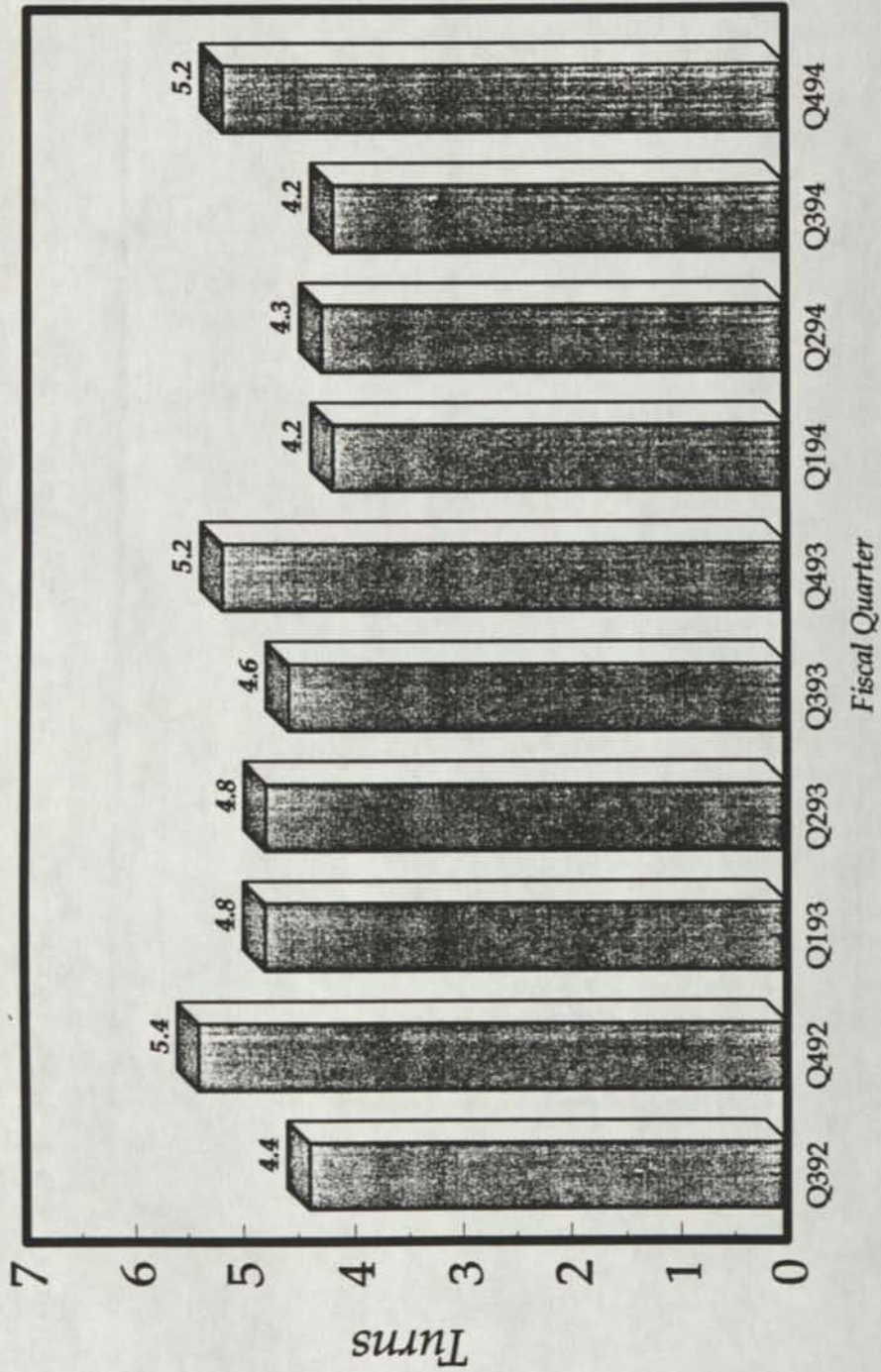


CASH AND LONG TERM DEBT

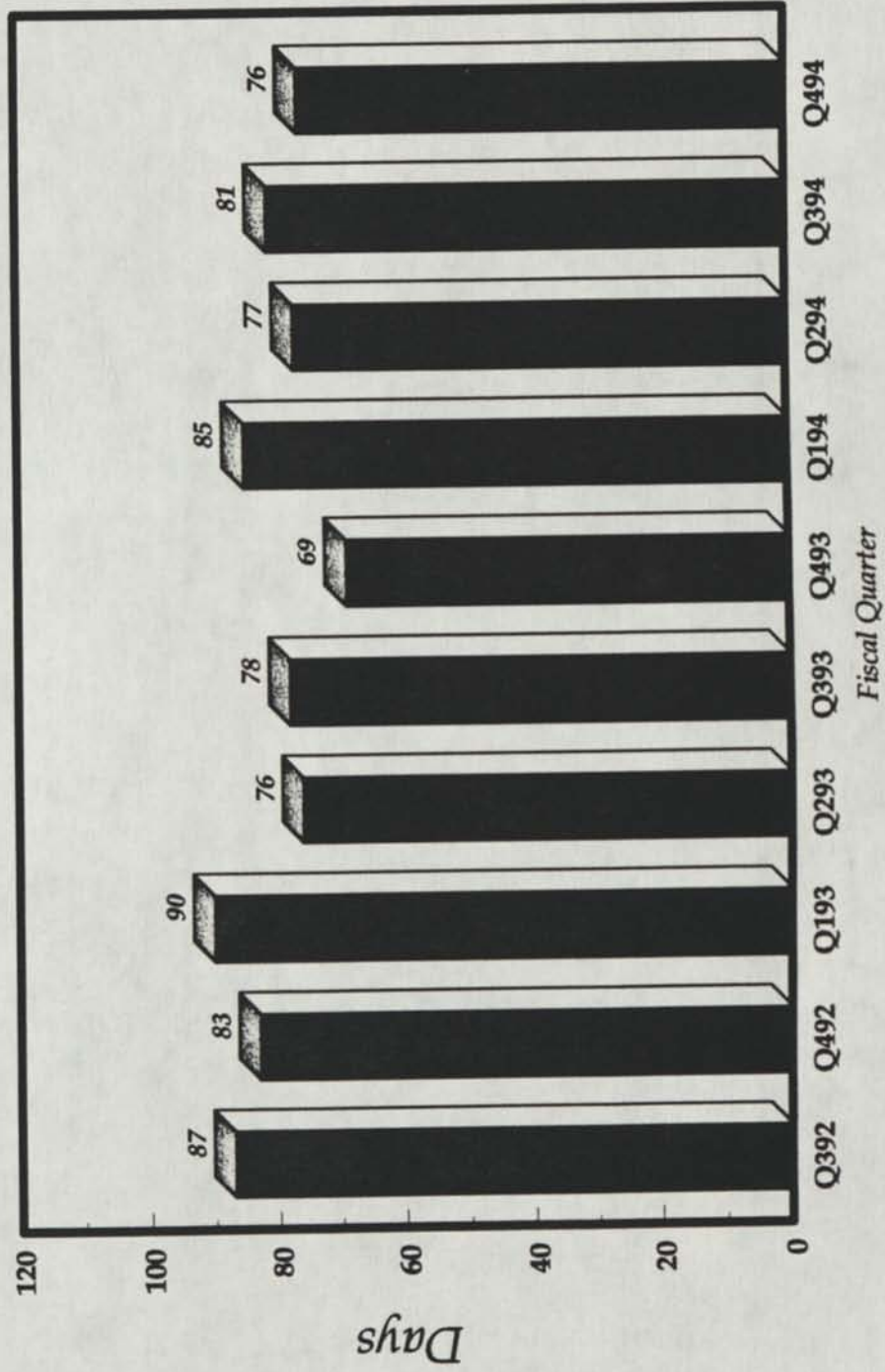


Fiscal Quarter	Q392	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394	Q494
CASH	\$1,547	\$1,337	\$881	\$1,365	\$1,552	\$1,643	\$1,274	\$1,147	\$1,264	\$1,181
L T DEBT	\$44	\$42	\$43	\$780	\$777	\$1,018	\$1,018	\$1,017	\$1,017	\$1,011

INVENTORY TURNS

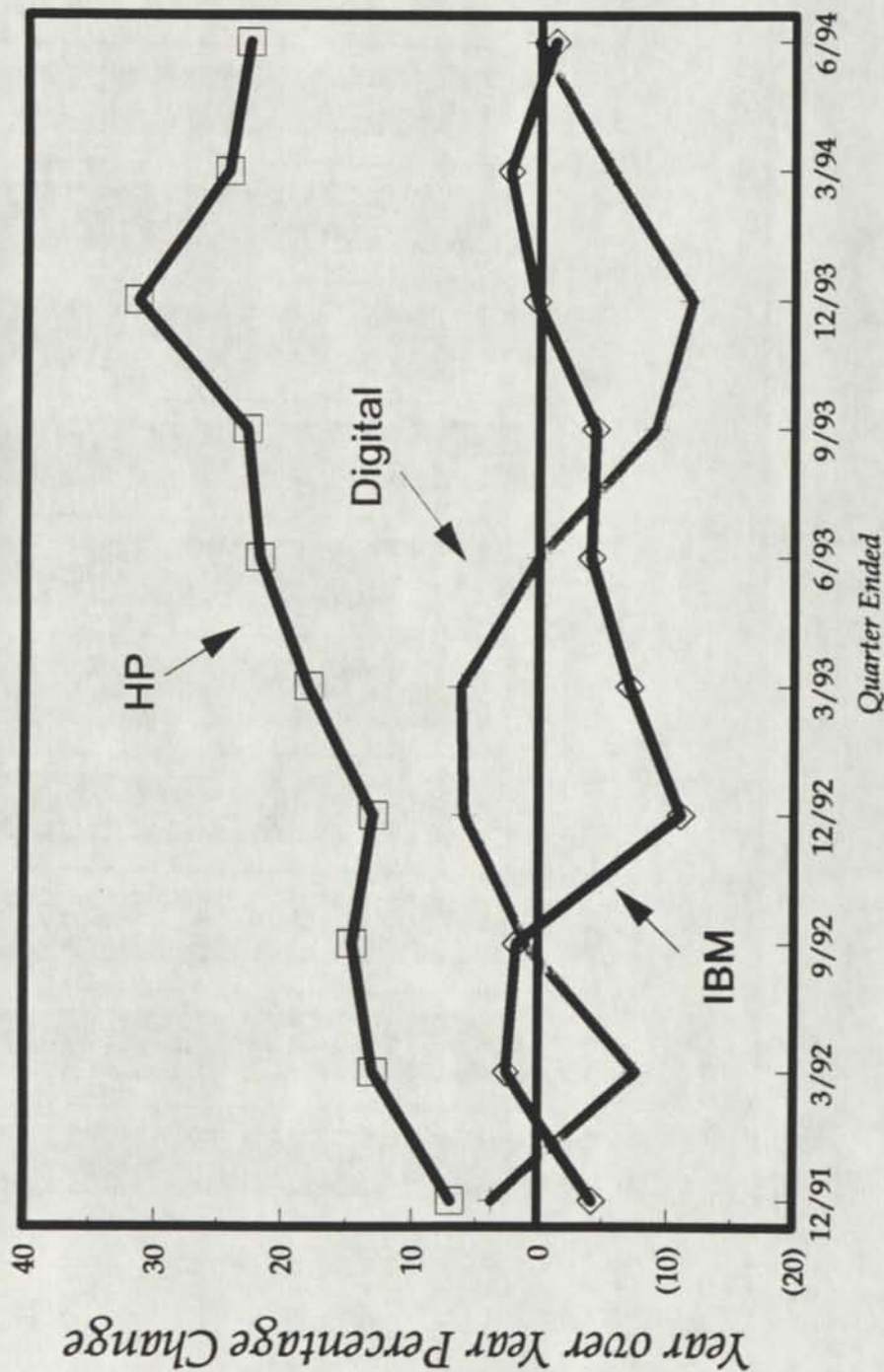


DAYS SALES OUTSTANDING



DIGITAL vs. IBM & HP

Revenue Growth Trends

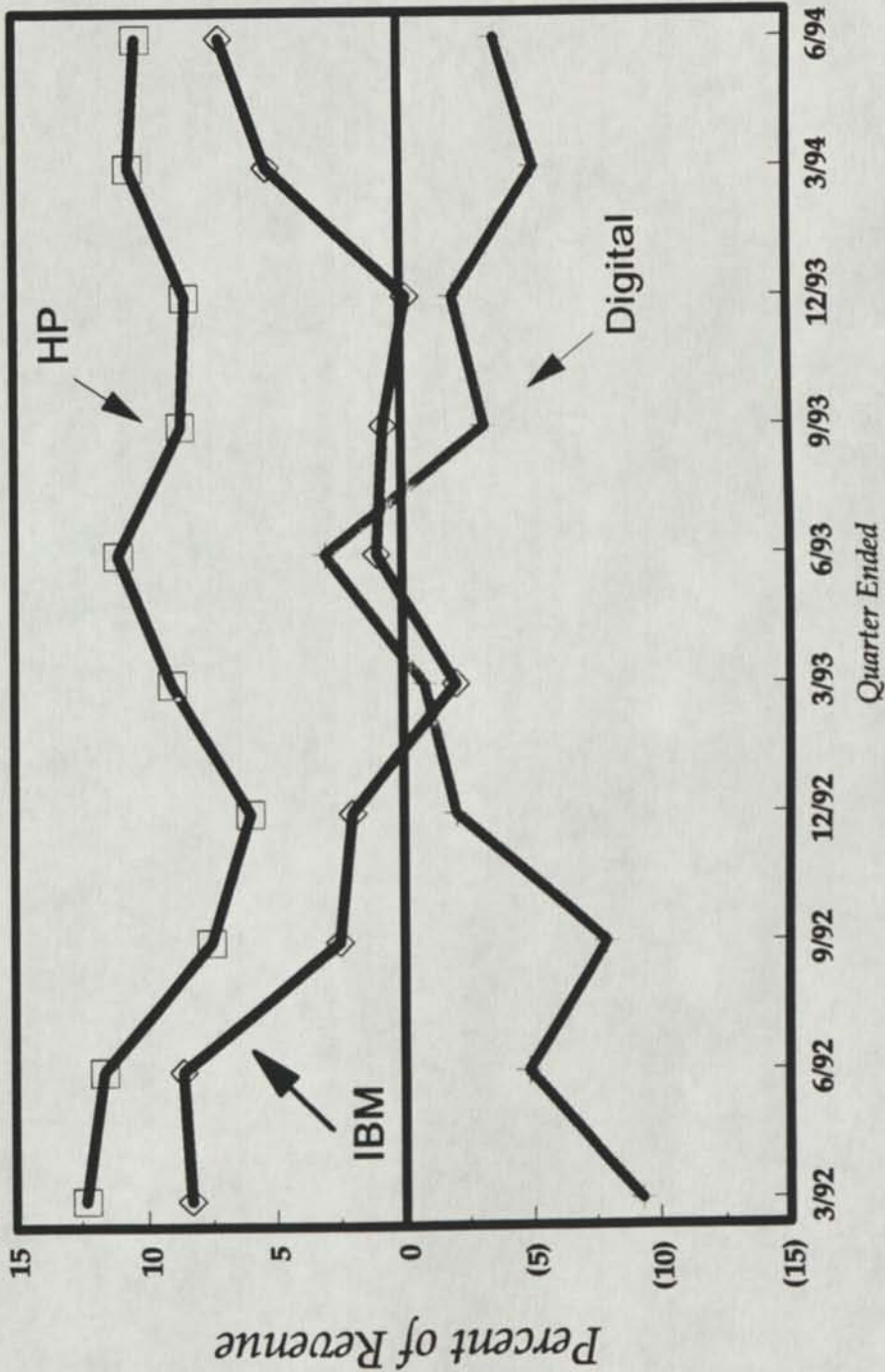


Corp. SSC:jwm
94Q4SLDB.PRE

Note: Data for HP reflects their quarter ended April.

DIGITAL vs. IBM & HP

Operating Profit As A Percent of Revenue



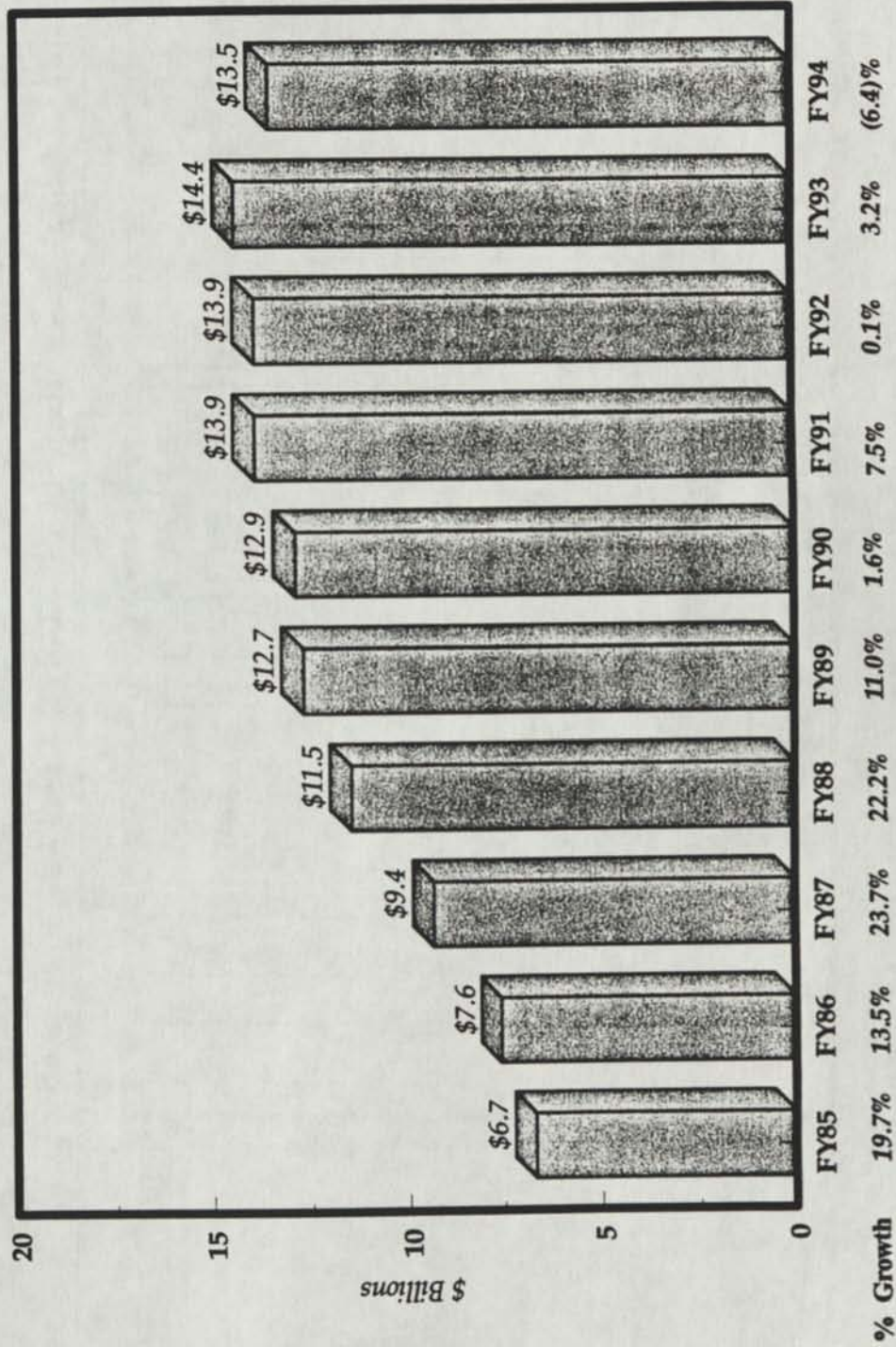
Note: Data for HP reflects their quarter ended April.

* Excludes one-time charges.

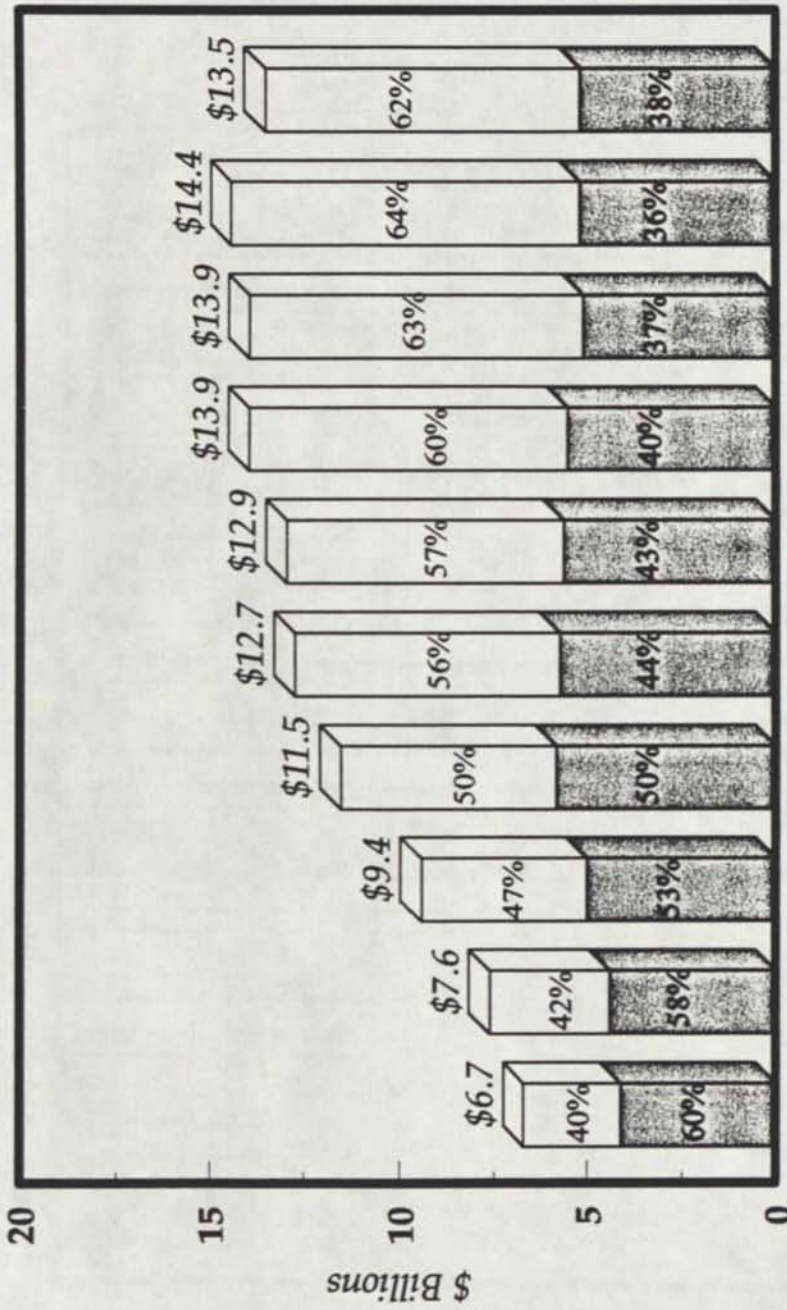
*Latest
Ten Year
Graphs*

Corporate
Shared Service Center

REVENUE

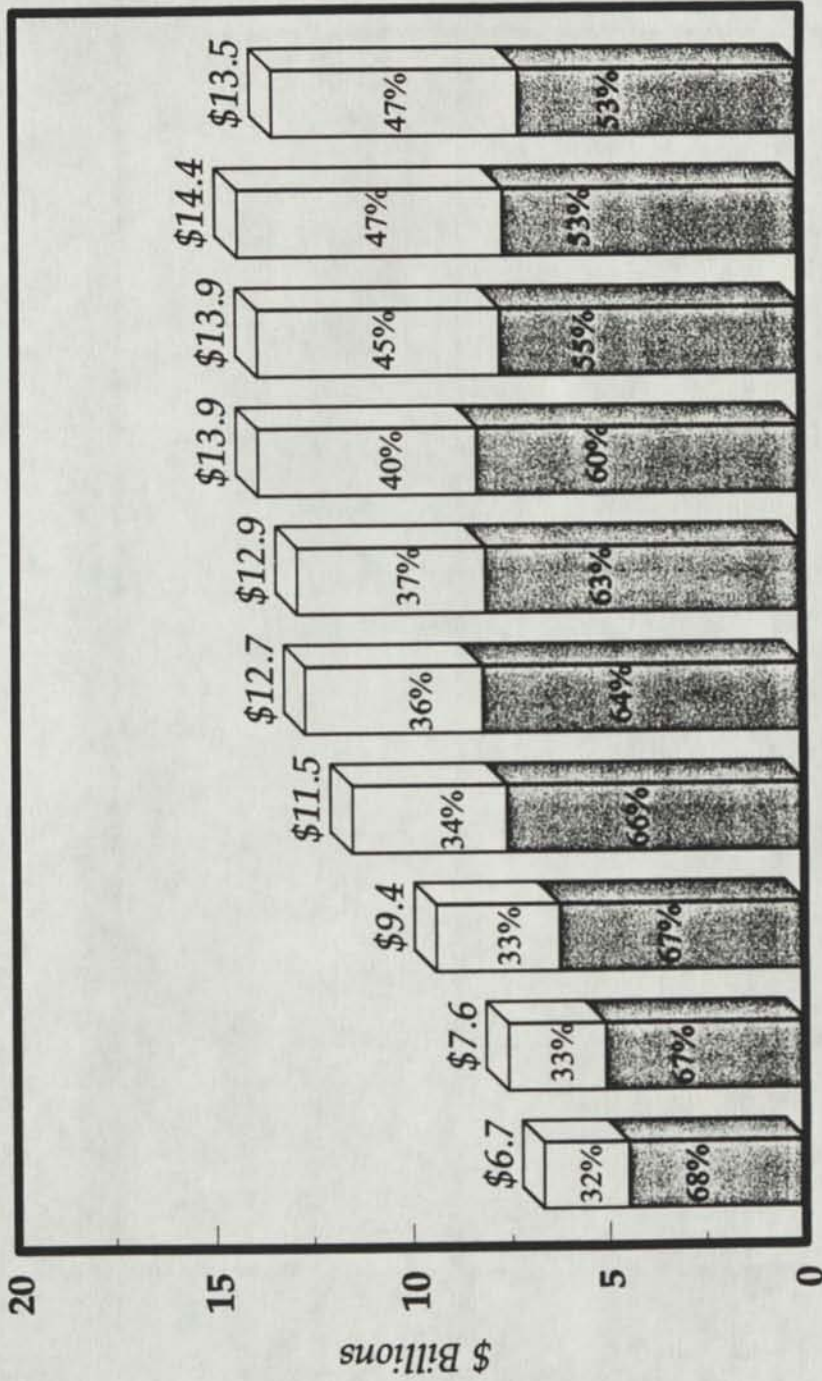


COMPOSITION OF REVENUE Domestic and International



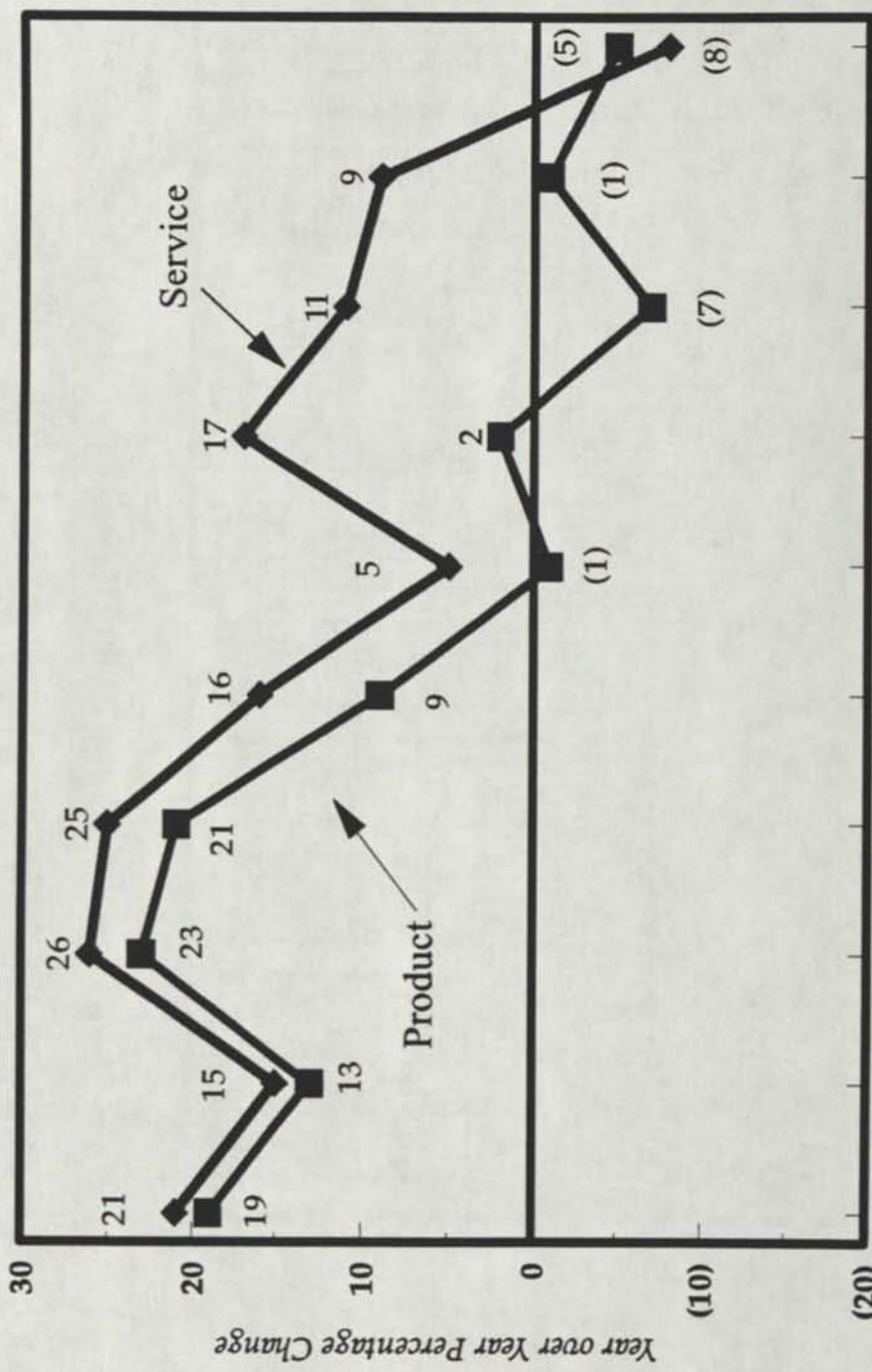
	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
Domestic	\$4.1	\$4.4	\$5.0	\$5.8	\$5.7	\$5.6	\$5.5	\$5.1	\$5.2	\$5.2
International	\$2.6	\$3.2	\$4.4	\$5.7	\$7.0	\$7.3	\$8.4	\$8.8	\$9.2	\$8.3

COMPOSITION OF REVENUE Products & Services



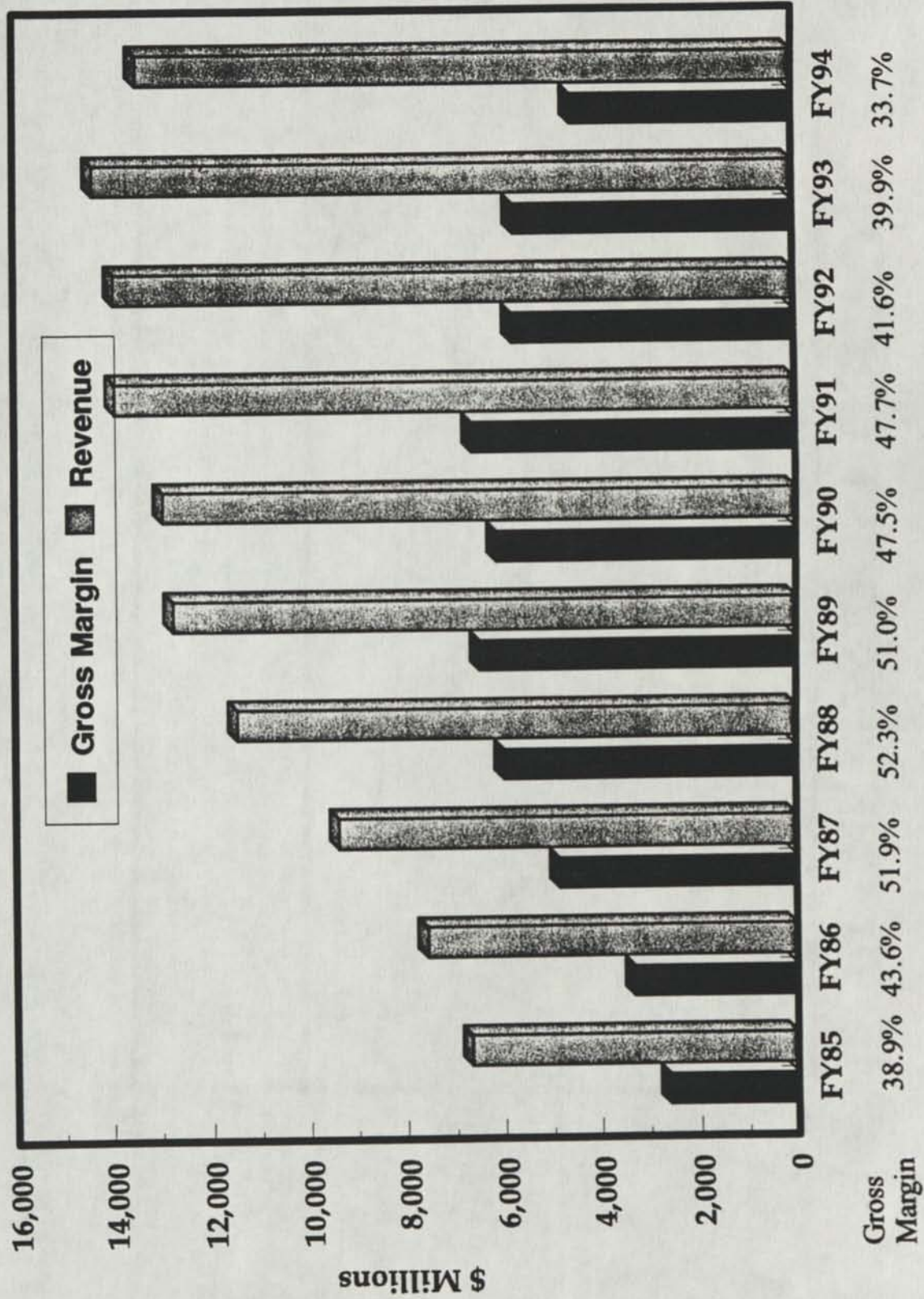
	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
Product	\$4.5	\$5.1	\$6.3	\$7.6	\$8.2	\$8.1	\$8.3	\$7.7	\$7.6	\$7.2
Services	\$2.2	\$2.5	\$3.1	\$3.9	\$4.5	\$4.8	\$5.6	\$6.2	\$6.8	\$6.3

REVENUE GROWTH BY SEGMENT

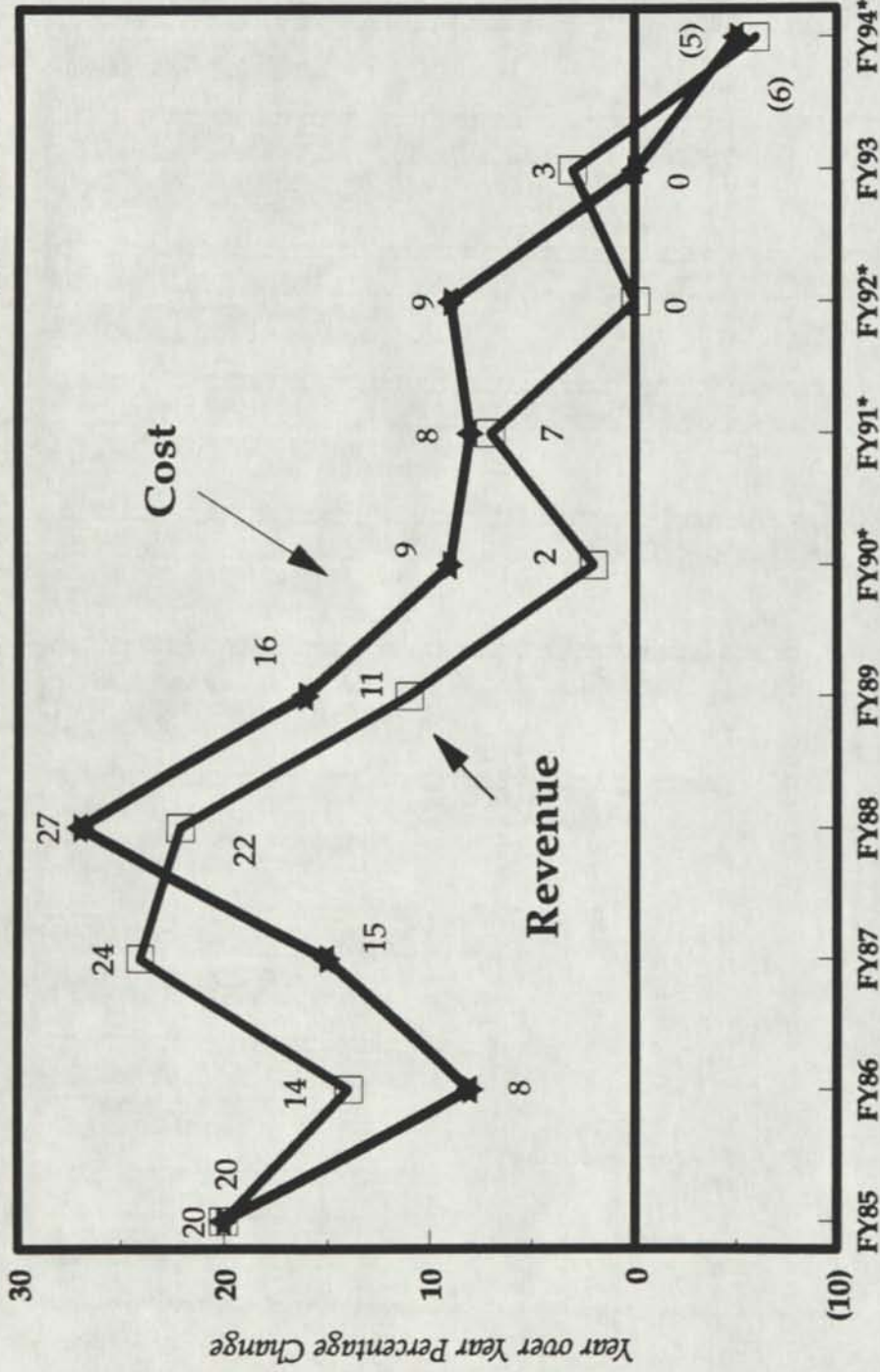


Total Revenue Growth	Fiscal Year
19.7%	FY85
13.5%	FY86
23.7%	FY87
22.2%	FY88
11.0%	FY89
1.6%	FY90
7.5%	FY91
0.1%	FY92
3.2%	FY93
(6.4)%	FY94

Revenue and Gross Margin



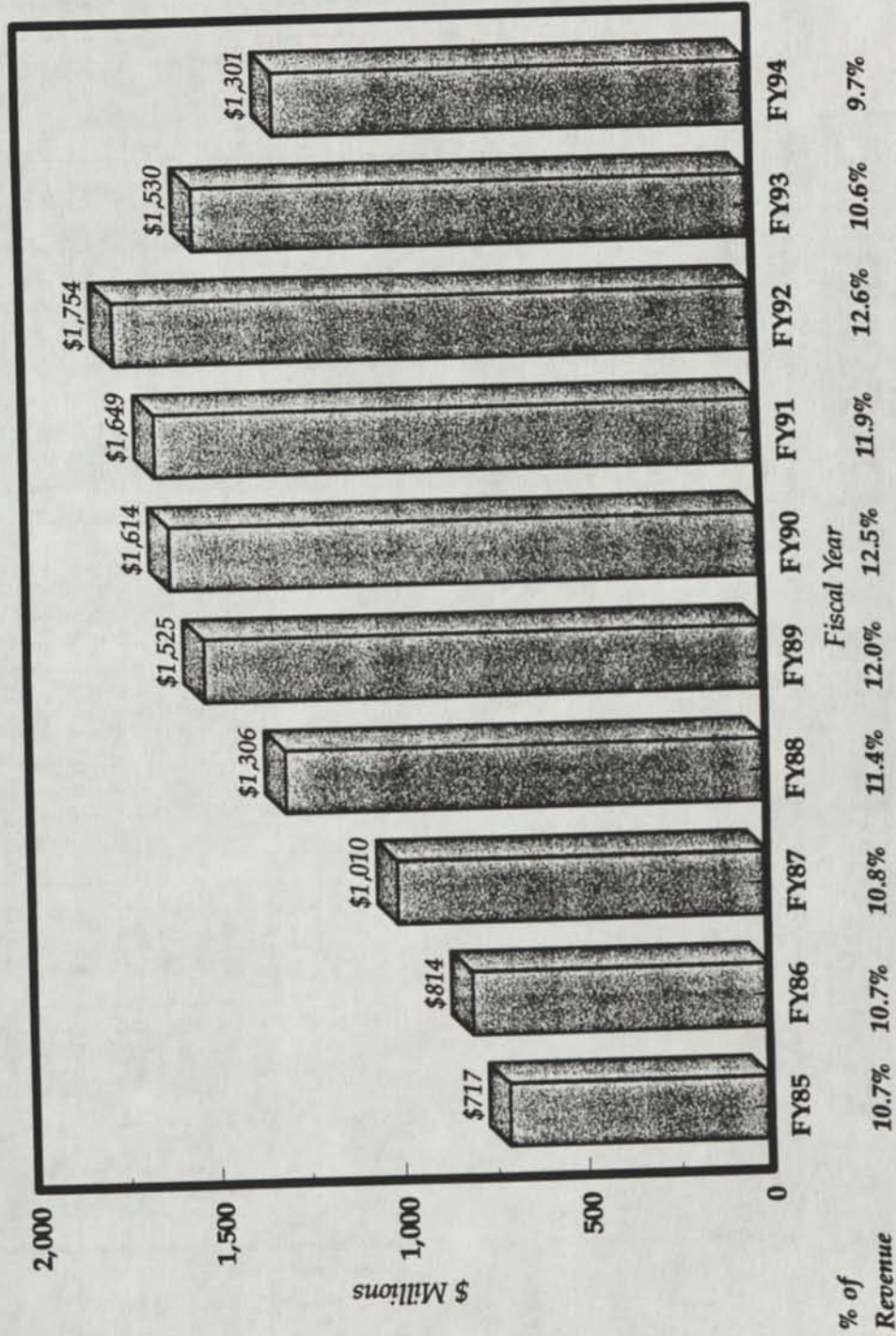
REVENUE & COST GROWTH



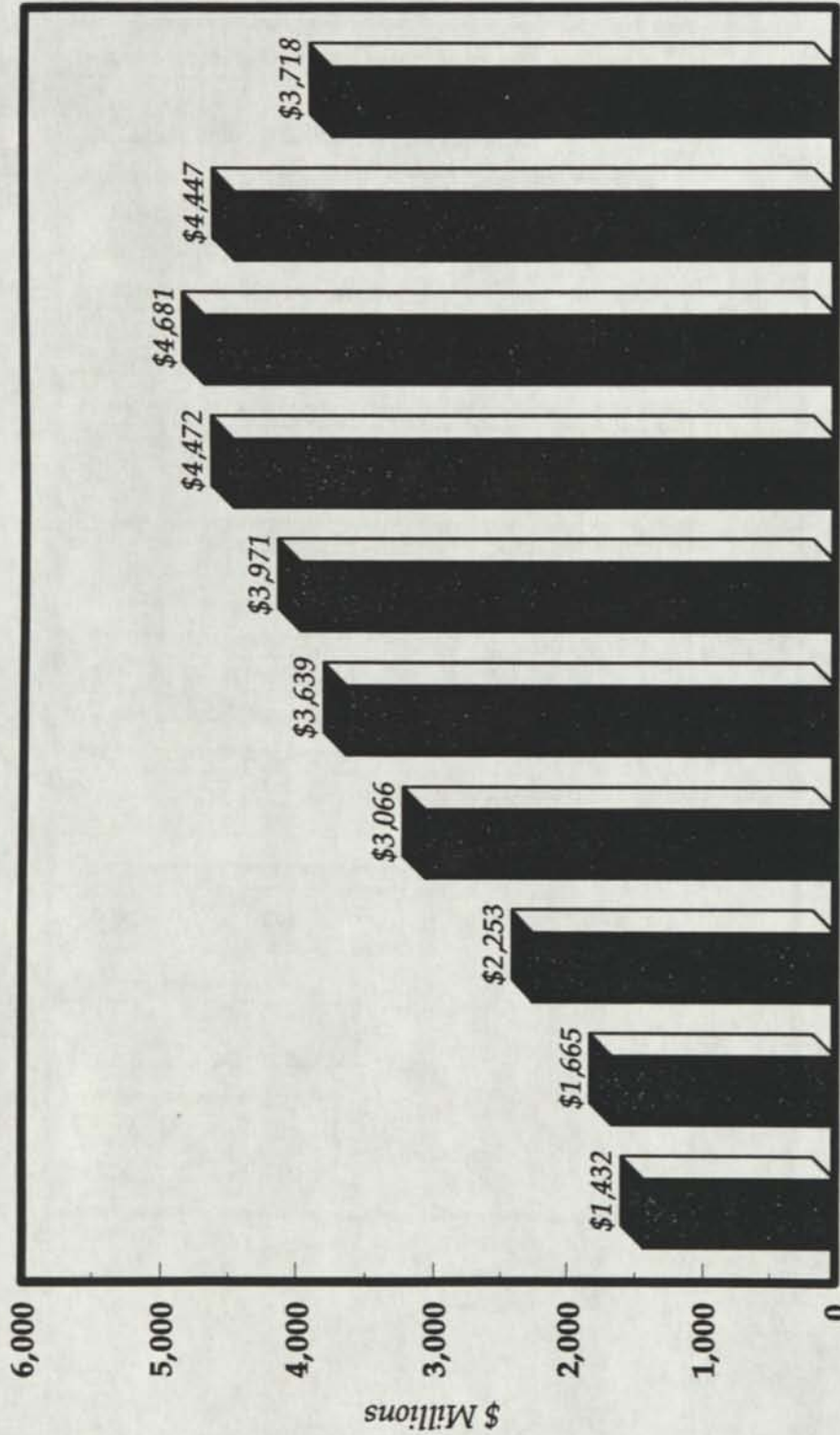
	FY85	FY86	FY87	FY88	FY89	FY90*	FY91*	FY92*	FY93	FY94*
Operating Profit Margin	6.7%	10.9%	17.2%	14.2%	10.5%	4.3%	3.7%	(4.6)%	(1.7)%	(3.6)%
As reported					0.1%		(4.2)%	(15.3)%		(14.8)%

* Excludes One-time charges.

RESEARCH & ENGINEERING EXPENSE



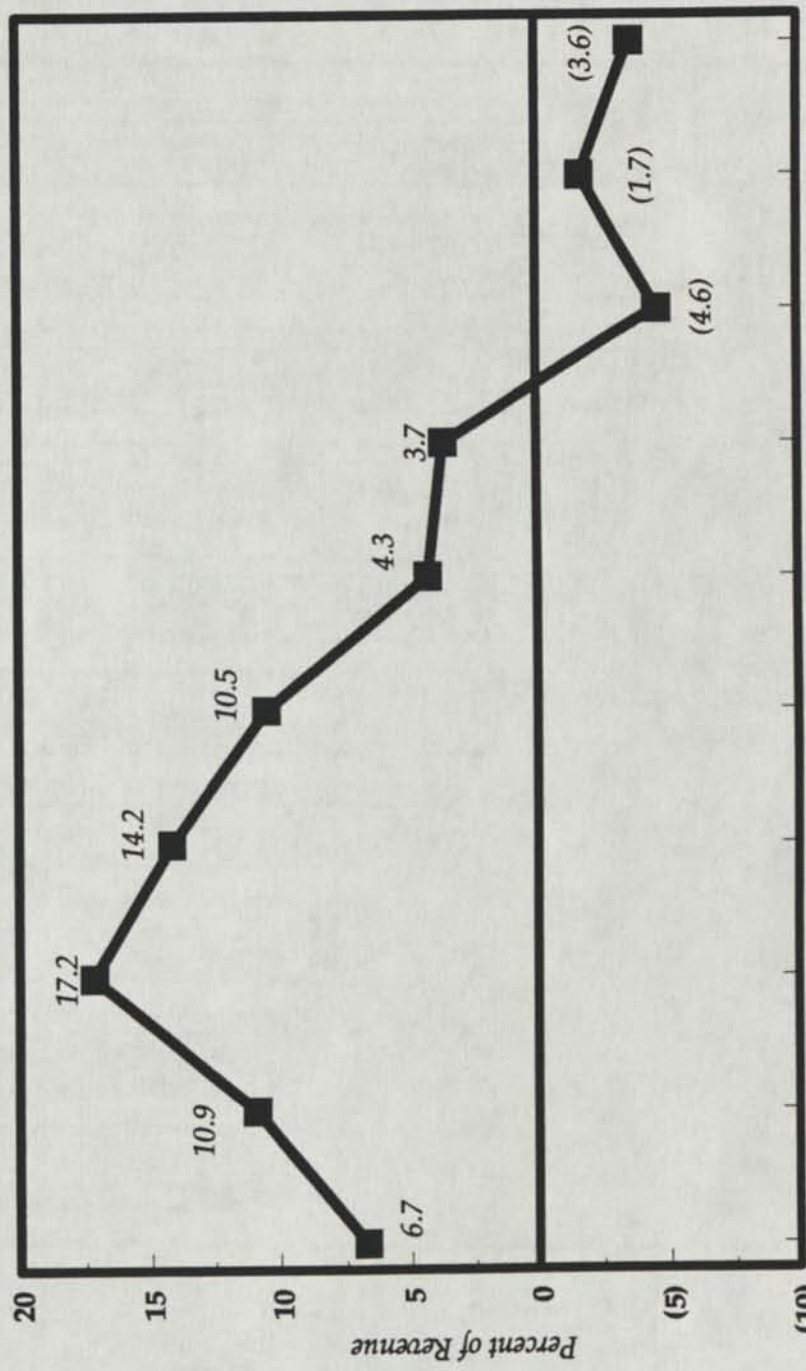
SALES, GENERAL & ADMINISTRATIVE



Fiscal Year	% of Revenue	As reported
FY85	21.4%	
FY86	21.9%	
FY87	24.0%	
FY88	26.7%	
FY89	28.6%	
FY90	30.7%	34.9%
FY91	32.1%	40.1%
FY92	33.6%	44.4%
FY93	30.9%	
FY94	27.6%	29.9%

* Excludes one-time charges.

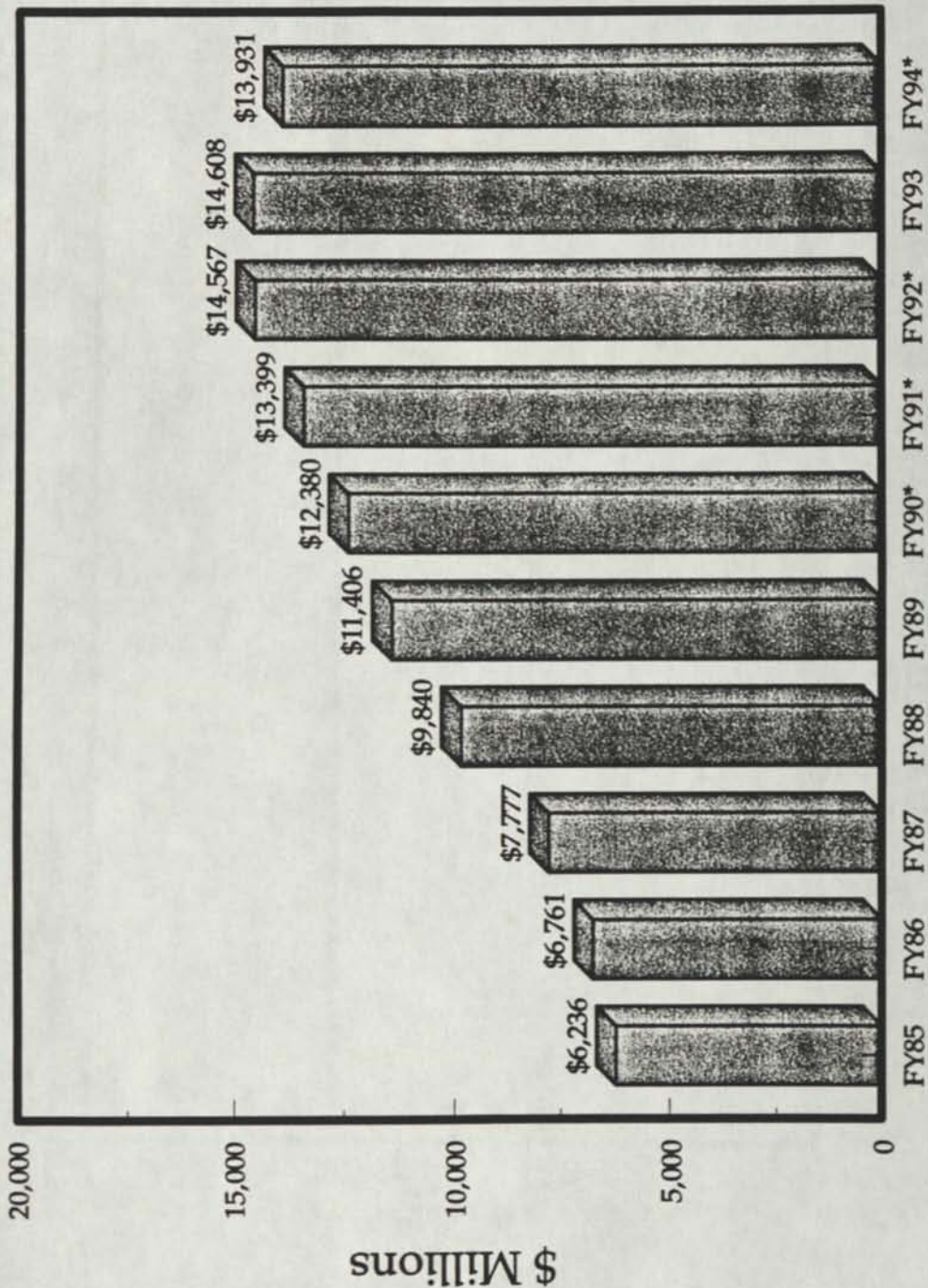
OPERATING PROFIT MARGIN



Fiscal Year	Operating Profit (\$ Millions)	As reported
FY85	\$ 450	
FY86	\$ 829	
FY87	\$ 1,612	
FY88	\$ 1,635	
FY89	\$ 1,336	
FY90*	\$ 563	\$ 13
FY91*	\$ 512	\$(588)
FY92*	\$(636)	\$(2,136)
FY93	\$(237)	
FY94*	\$(480)	\$(1,996)

* Excludes one-time charges

TOTAL COSTS

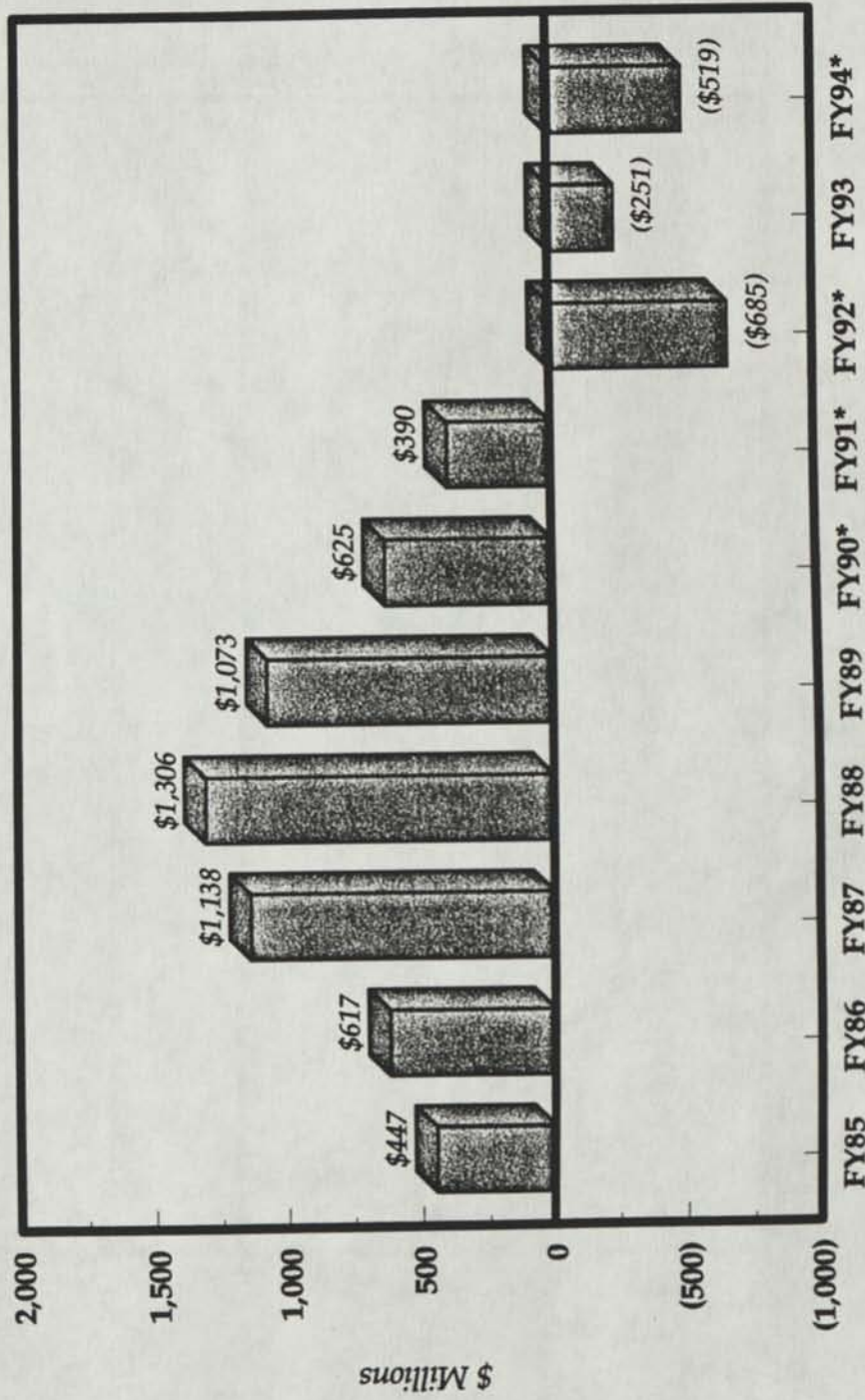


As reported

\$12,930 \$14,499 \$16,067 \$15,447

*Excludes one-time charges.

NET INCOME

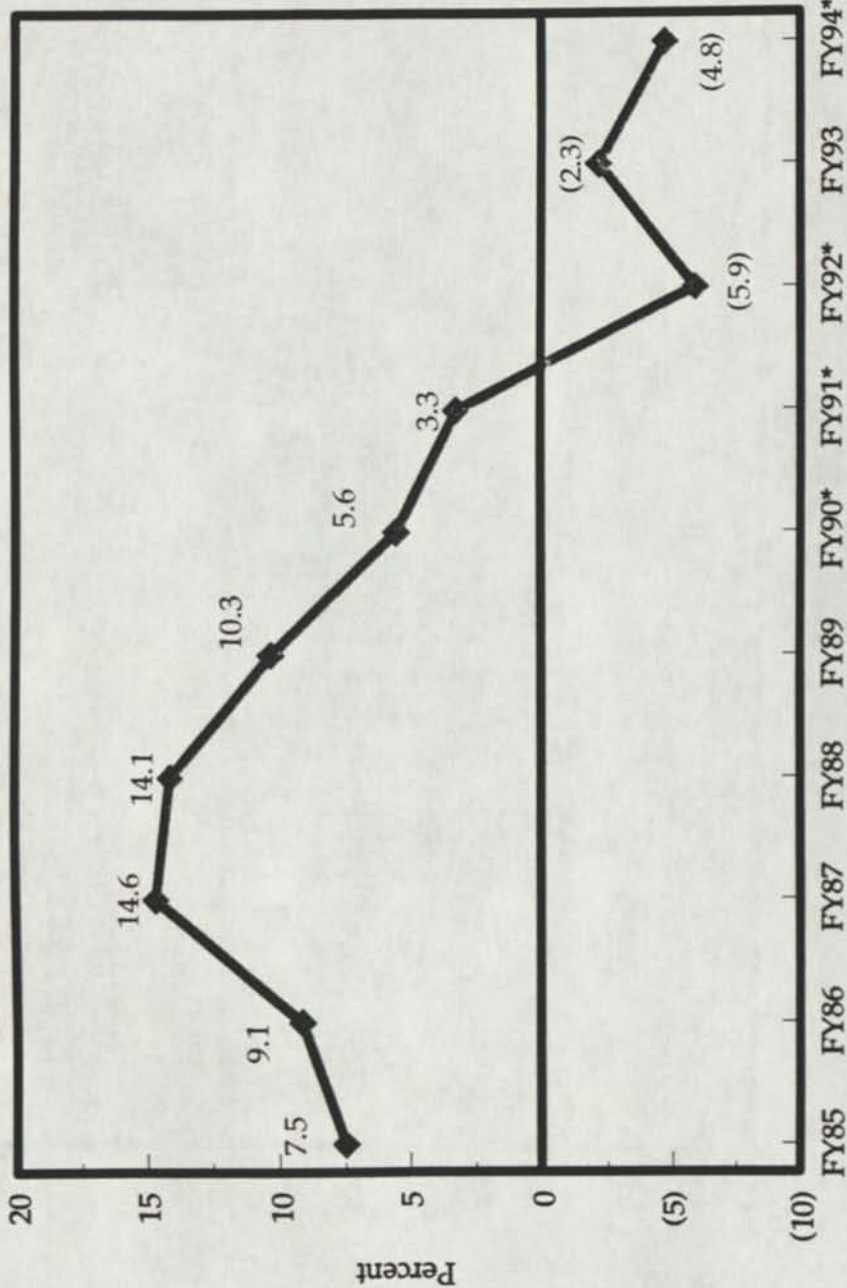


As reported

FY85	FY86	FY87	FY88	FY89	FY90*	FY91*	FY92*	FY93	FY94*
			\$75M	\$(617)M	\$(2,796)M	\$(2,156)M			

*Excludes one-time charges.

RETURN ON ASSETS

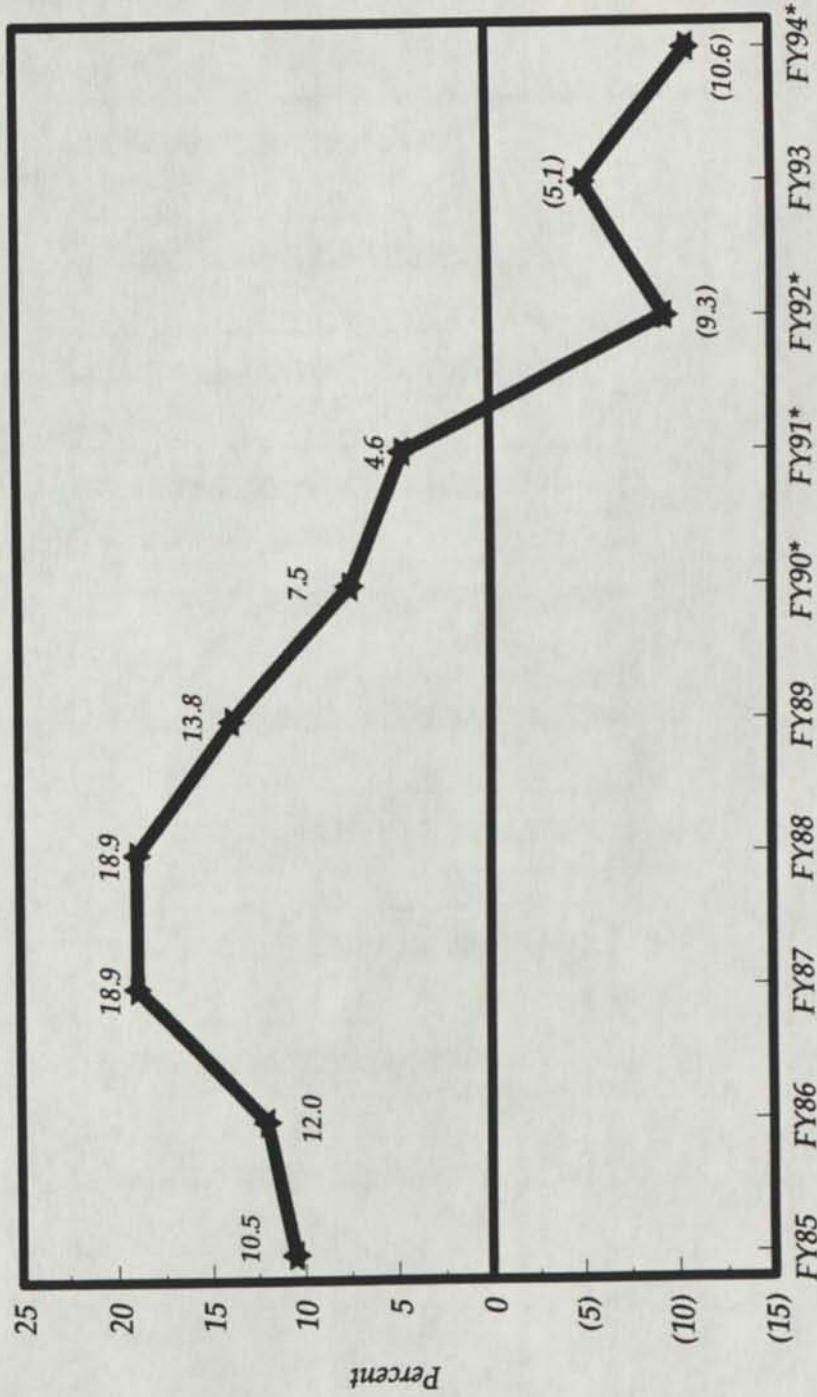


As reported

0.7% (5.2)% (24.1)% (20.0)%

*Excludes restructuring and one-time charges

RETURN ON EQUITY

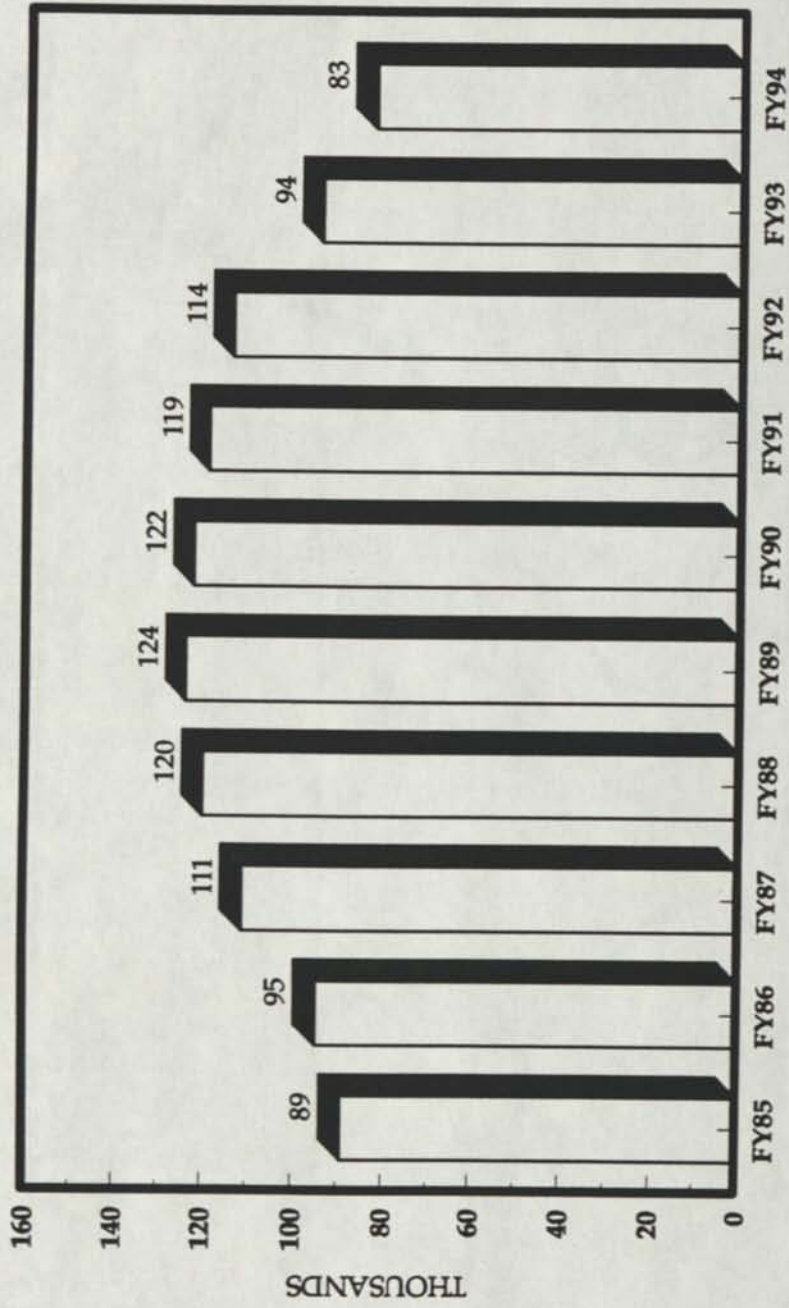


As reported

0.9% (7.8)% (44.5)% (52.8)%

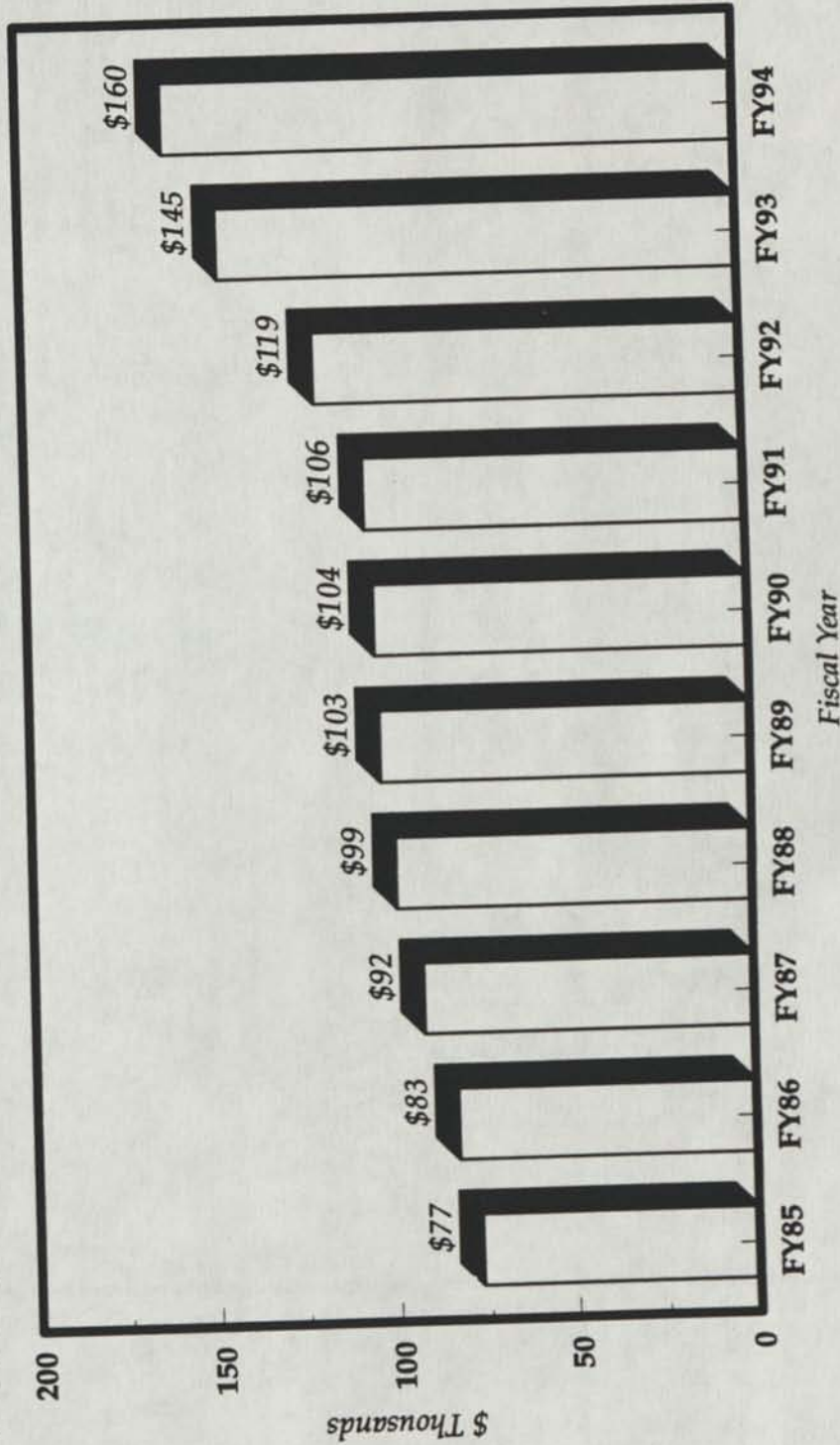
*Excludes restructuring and one-time charges

POPULATION



Note: Prior to FY88 headcount was gross, after it is equivalent headcount.

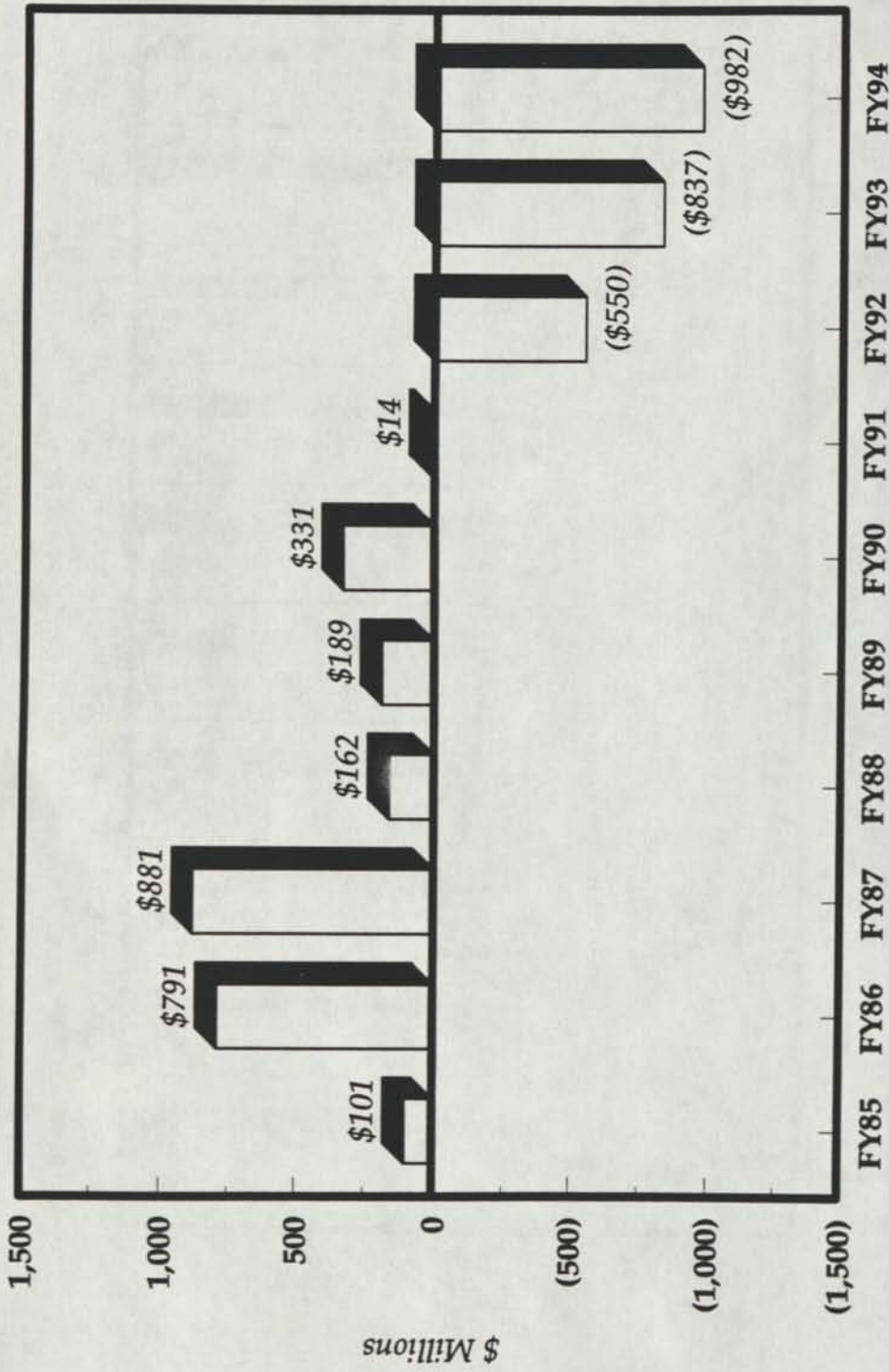
AVERAGE REVENUE PER EMPLOYEE



Note: Prior to FY88 headcount was gross, after it is equivalent headcount.

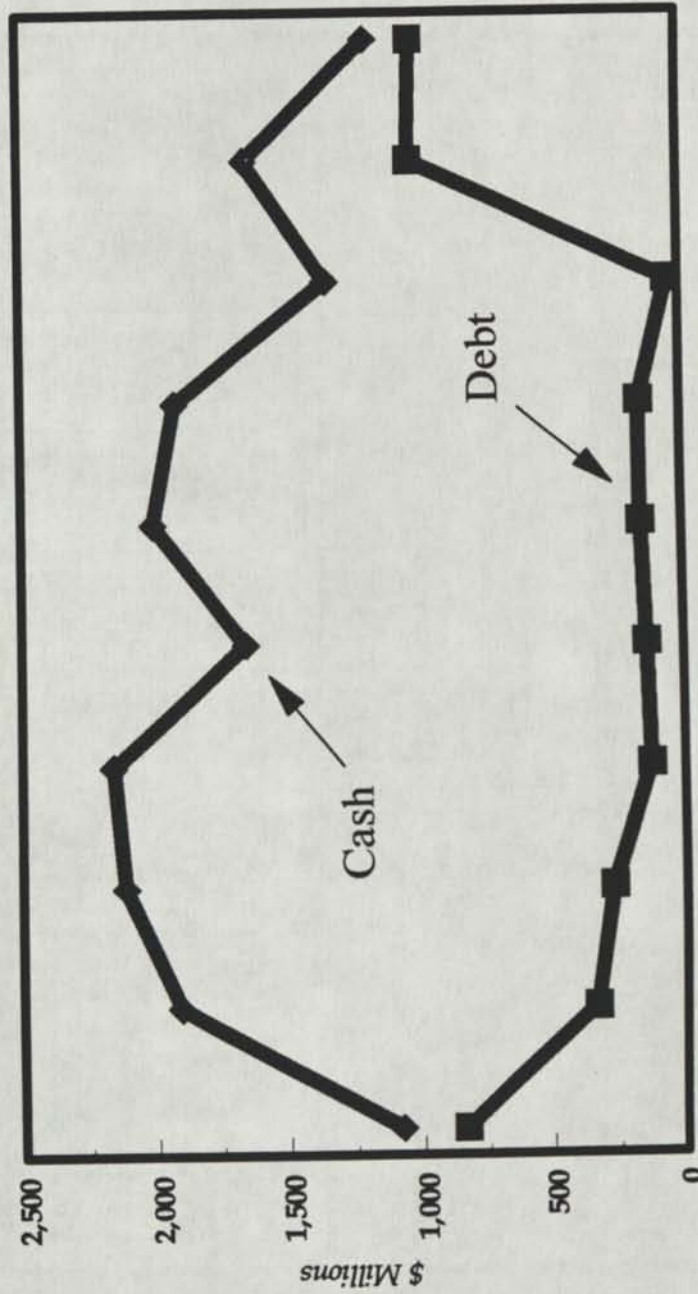
Prior to FY93 revenue per employee was based on total headcount, after it is based on regular headcount.

CASH FLOW FROM OPERATING & INVESTING ACTIVITIES



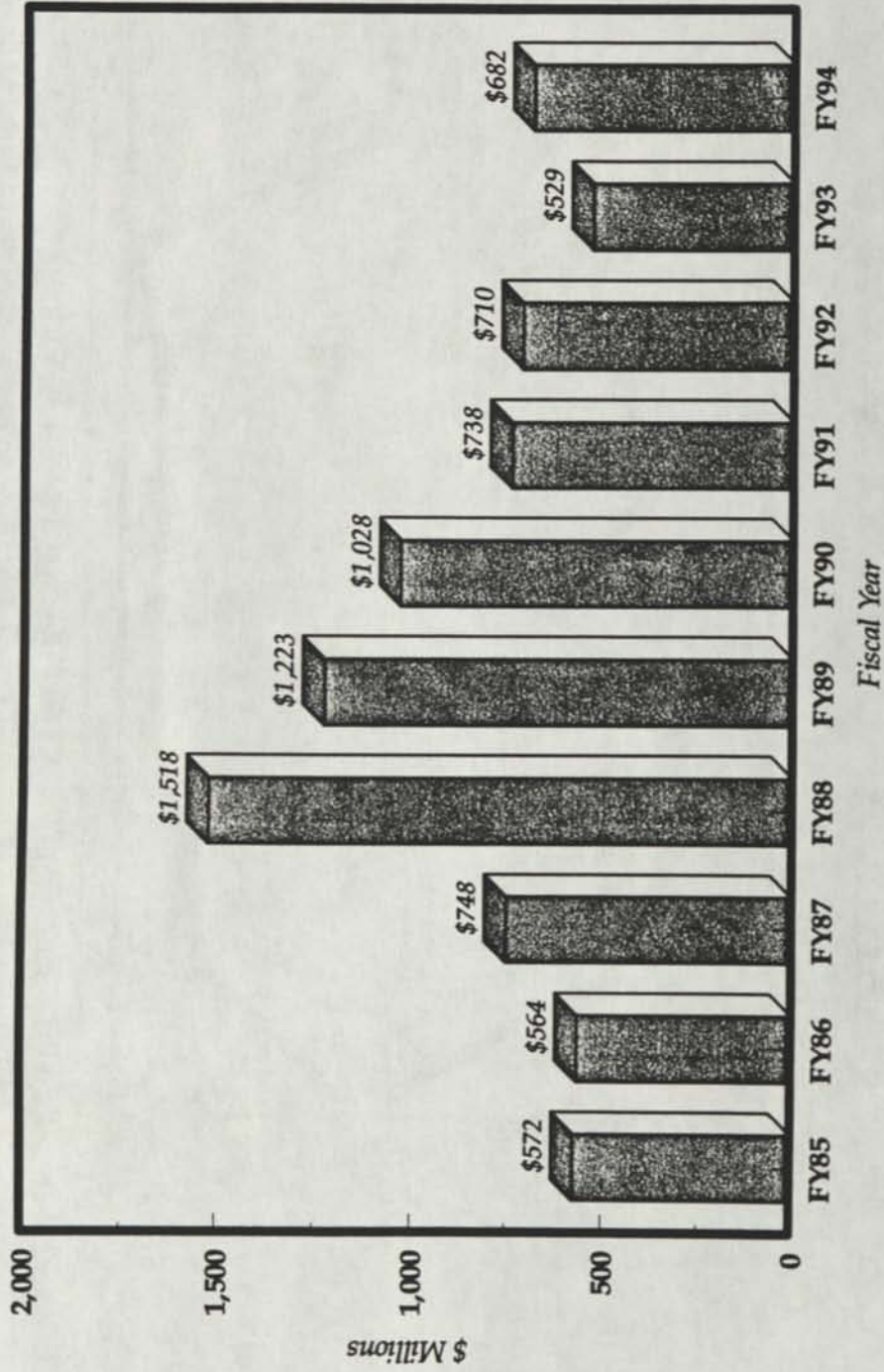
Corp. SSC:jwm
QTLFY94B.PRE

CASH AND LONG TERM DEBT

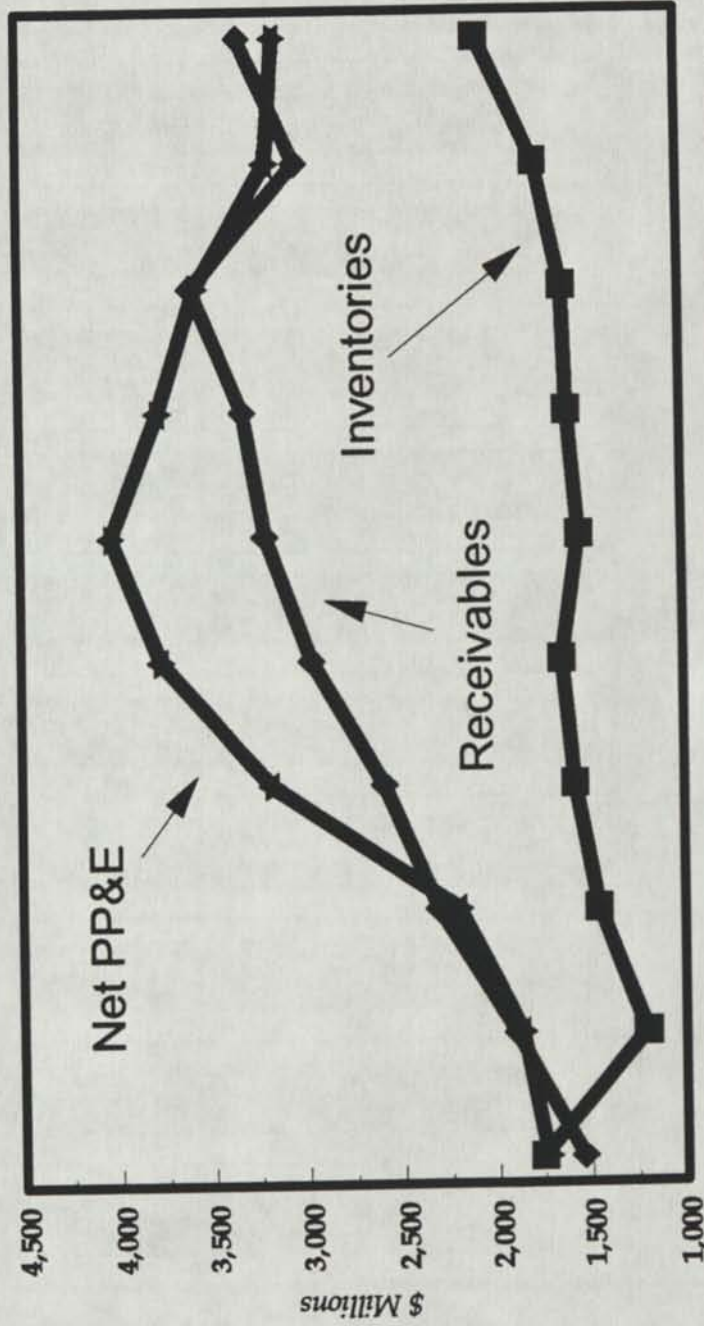


Fiscal Year	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
CASH	\$1,080	\$1,911	\$2,118	\$2,164	\$1,655	\$2,009	\$1,924	\$1,337	\$1,643	\$1,181
LT DEBT	\$837	\$333	\$269	\$124	\$136	\$150	\$150	\$42	\$1,018	\$1,018

CAPITAL SPENDING

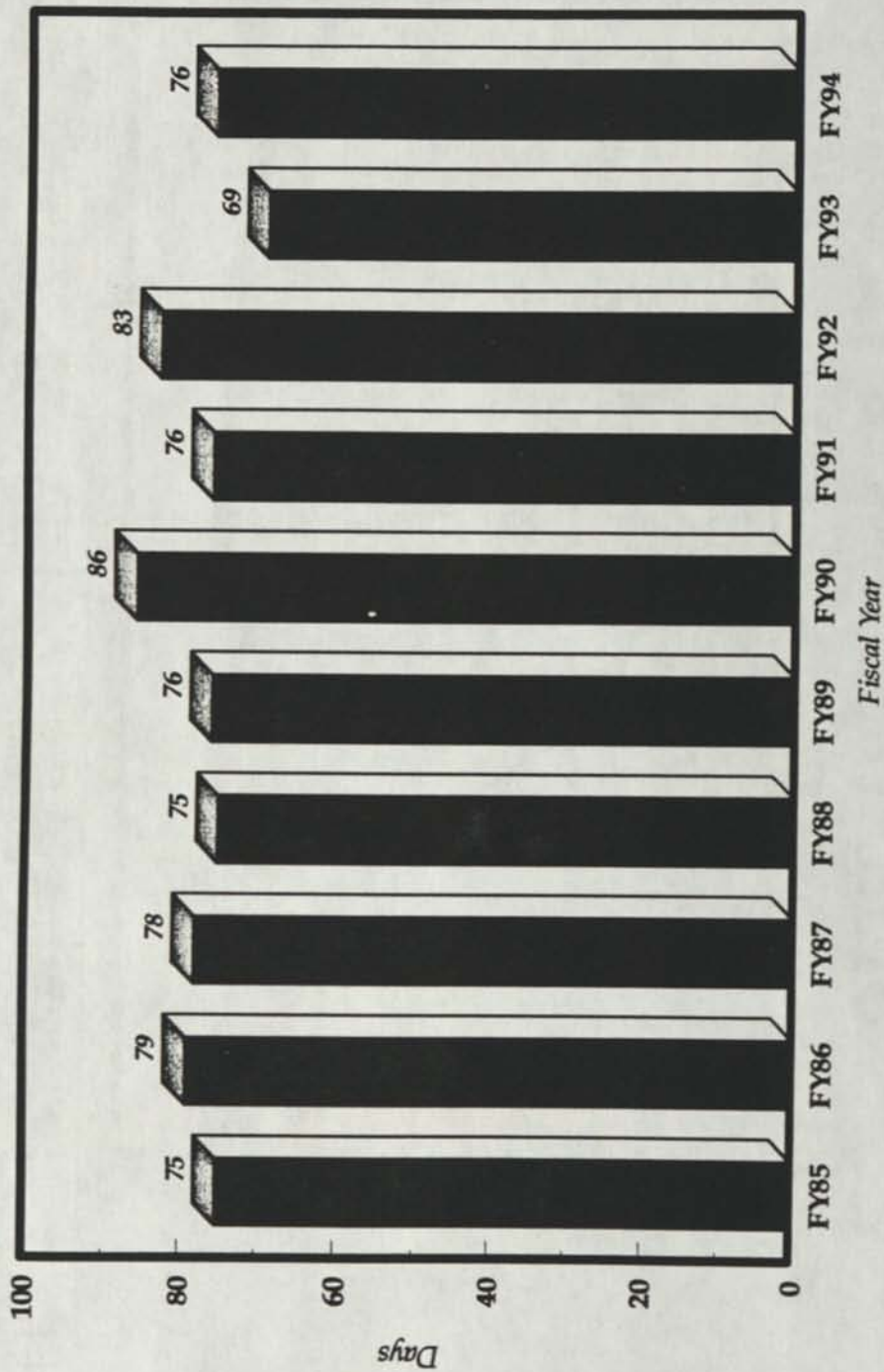


OPERATING ASSETS



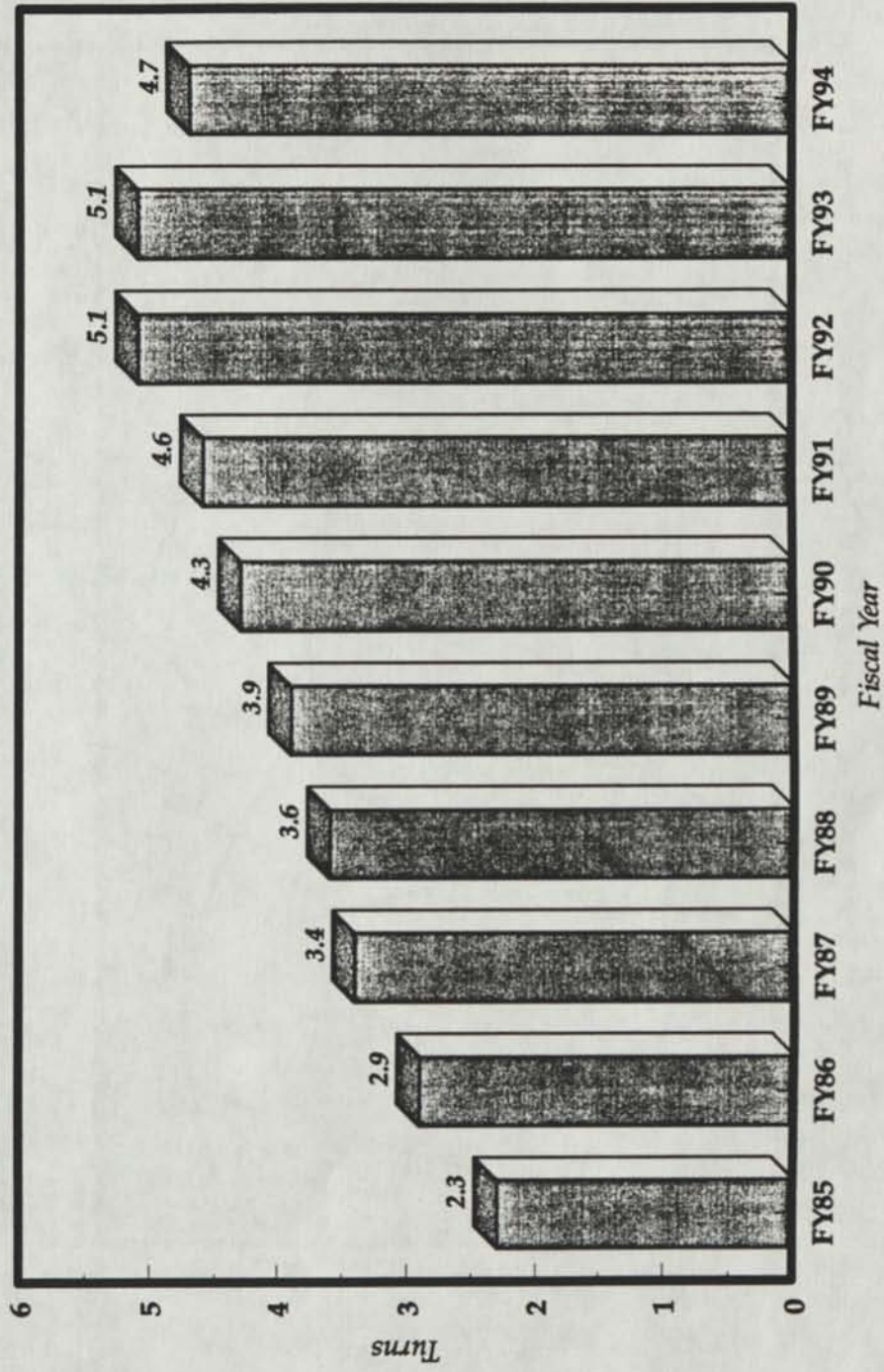
Fiscal Year	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
Net PP&E	\$1,731	\$1,867	\$2,206	\$3,182	\$3,773	\$4,033	\$3,778	\$3,570	\$3,178	\$3,129
A/R	\$1,539	\$1,903	\$2,312	\$2,592	\$2,965	\$3,207	\$3,317	\$3,594	\$3,020	\$3,319
Net Inv.	\$1,756	\$1,200	\$1,453	\$1,575	\$1,638	\$1,538	\$1,595	\$1,614	\$1,755	\$2,064

DAYS SALES OUTSTANDING



Corp. SSC:jwm
QTLFY94B.PRE

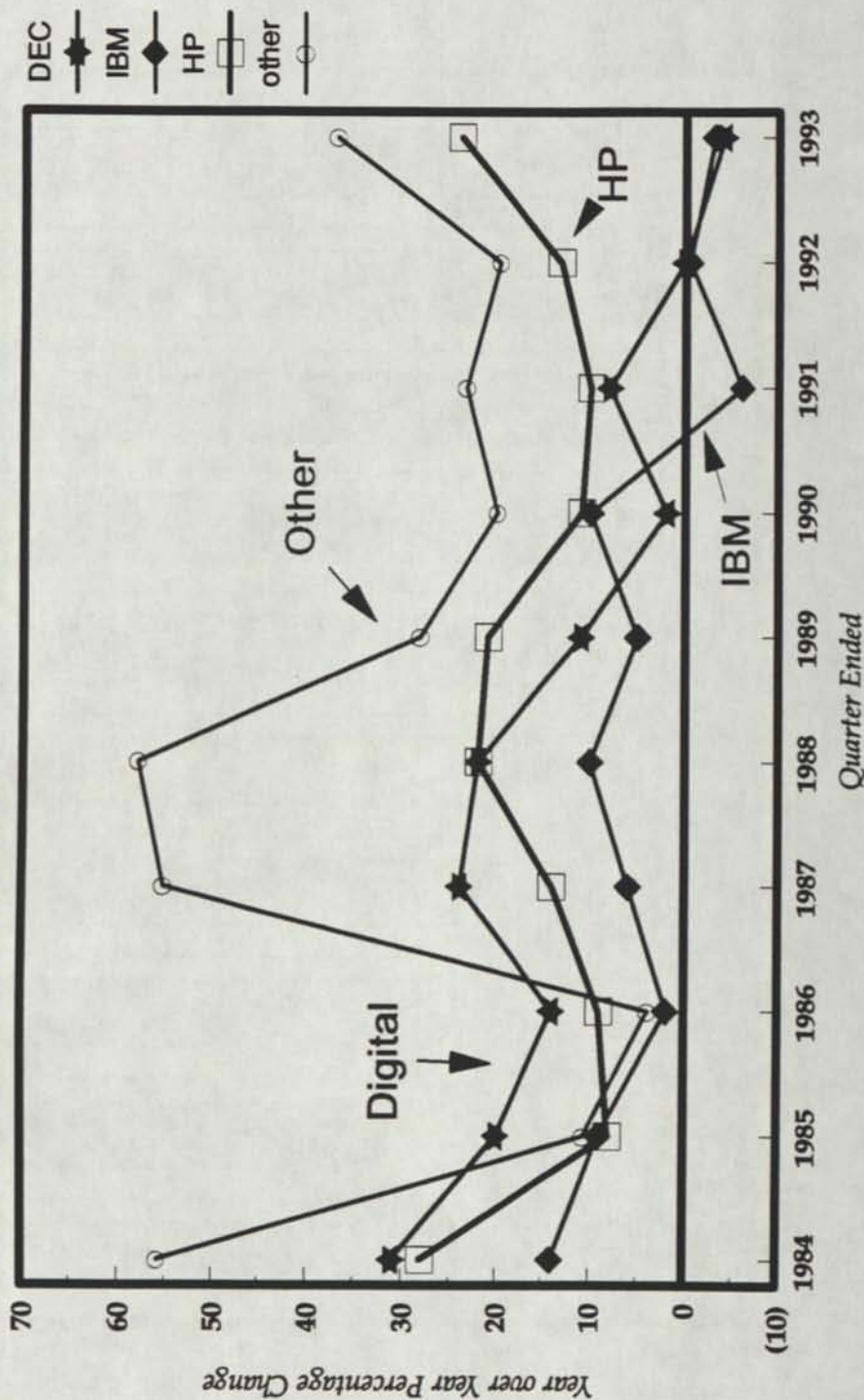
INVENTORY TURNS



Corp. SSC:jvm
QTLFY94B.PRE

COMPETITIVE HISTORY

Revenue Growth Trends

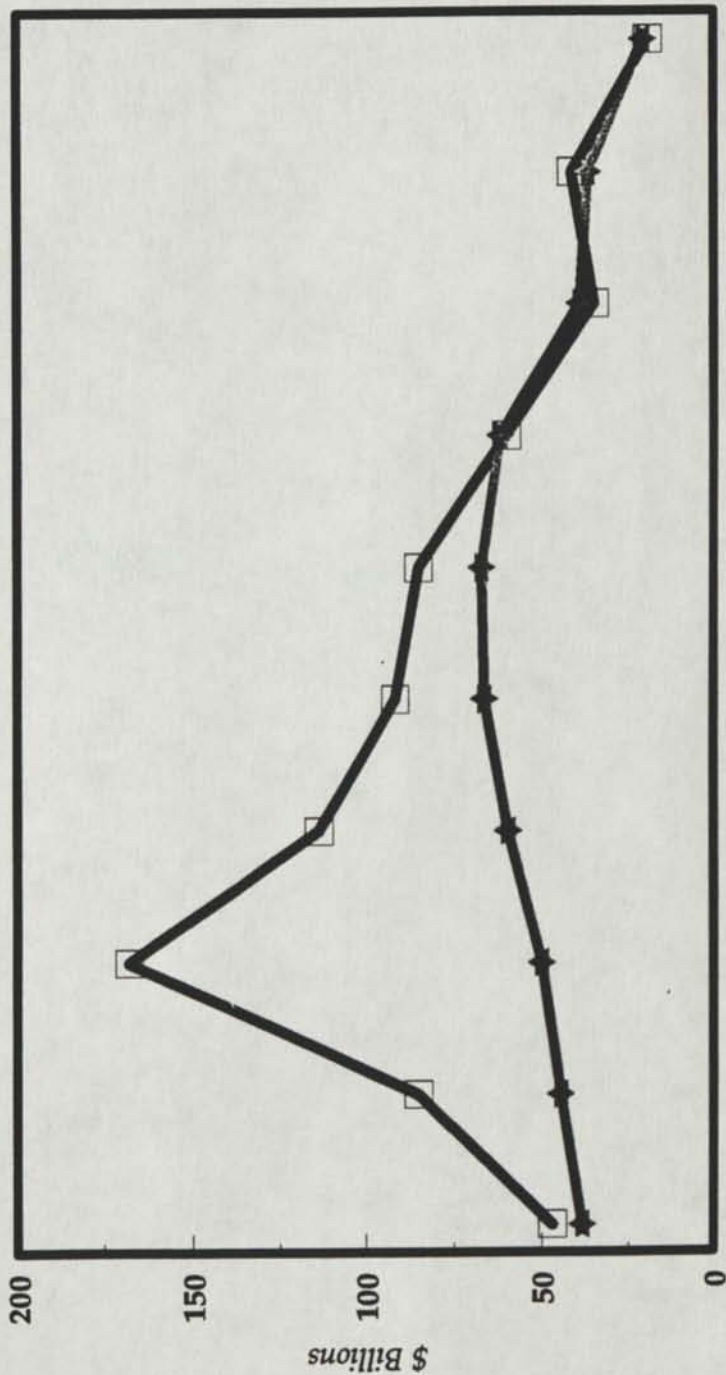


Corp. SSC:jvm
QTLFY94B.PRE

Other includes Microsoft, Novell, Inel, Dell, Stratus, Sun, Apple, and Compaq.
Dell, HP and Novell through October 1993.

Based on calendar year.

STOCK PRICE AND BOOK VALUE TREND



	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
Stock	46.9	85.1	167.8	114.1	91.8	85.0	59.5	34.5	40.9	19.0
Book	38.4	44.5	49.9	59.5	66.1	66.8	61.2	38.6	36.2	20.3

SAM FULLER
LJO2-D12

RECEIVED

NOV 10 1994

SAM FULLER

Digital Equipment Corporation

Q1, FY95

Financial Results

By: Corporate Shared Service Center

INTEROFFICE MEMORANDUM

TO: Distribution

Date: 20 October 1994
From: Mitzi Nicholas
Dept: Corporate Shared Service Center
DTN: 223-1924
Loc.: MLO3-5/A16

SUBJECT: Digital Equipment Corporation Q1, FY95 Financial Results

Enclosed is a hard copy package of Digital's Q1, FY95 financial results. This package is distributed to senior managers for use by their staffs with customers or Digital business partners.

The composition of the package includes a series of summary messages which highlight the quarter's performance as regards to operations, revenue, expenses, etc. This is followed by a number of tables which contain a profit and loss statement, a cash flow report and a balance sheet analysis as compared to last year's results for the quarter. Next are a number of graphs which chart the trend of major P&L lines and balance sheet activity for the last ten quarters. Also included are schedules which compare the revenue and profit performance of a selected group of our competitors during the last quarter.

Finance managers who support the Senior Leadership Team please note: team members have received the SLT Results Communications Package which is limited to an internal Digital audience due to "Company Confidential" material such as comparisons to Plan, the impact of currency and pricing/mix BFA analysis. Conversely, the contents of this package can be shared with an external audience.

Please note: to accommodate SEC regulations, some graphs which contain adjusted ("excluding one-time charges") values now also include the numbers as reported. These graphs will reflect the adjusted numbers as data values, however the reported values will be shown at the bottom of the page.

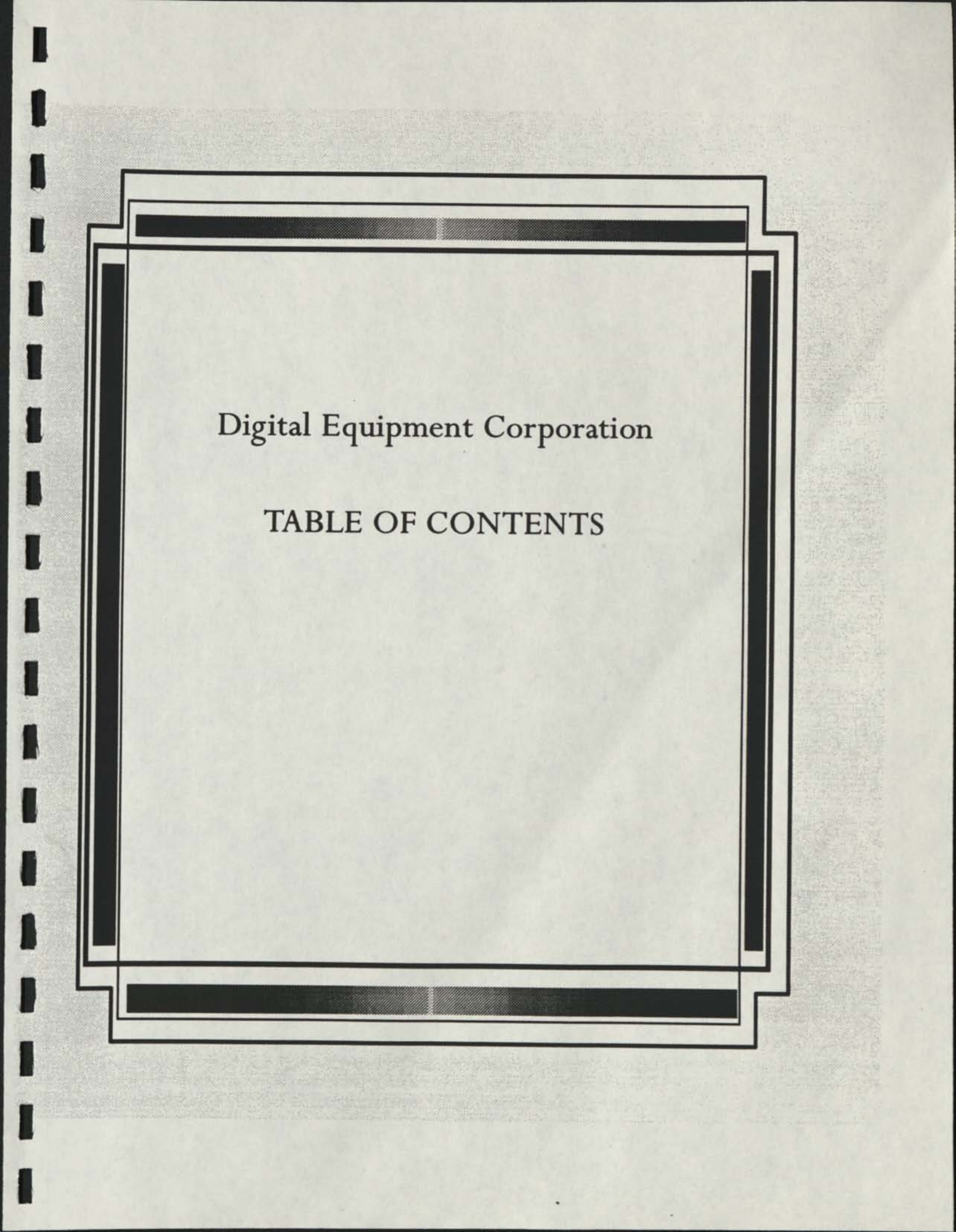
Overhead Transparencies:

There are color overhead transparencies of the graphs in this package which may be borrowed from our library at any time. If you wish to borrow them, please contact me at DTN 223-1924 or E-mail at ASABET::MNICHOLAS. In order to insure timely delivery and availability of the information, we ask that you contact our office *at least forty-eight hours in advance.*

Corporate Shared Service Center
Quarterly Presentation Materials

Distribution

PAT	ADAMS	MRO3-3/J19	KARRT	LANGMORE	HLO2-2/M11
DICK	ASHENFELTER	GEO	TAPIO	LAPPI	GEO
ANDREW	BARNETT	GEO	JOE	LAROSE	MSO1-1/K13
FRAN	BARTON	MLO3-2/T98	DINESH	MAHESHWARY	SHR3-1/S14
STEVE	BEHRENS	RTO-2/C18	PAUL	MAHONEY	MLO12-3/14A
PETER	BLANCHARD	GEO	GEORGE	MATHERS	UTO
JAN	BLANCKAERT	BRO	JAN	MCCARTHY	MPO1
ZEER	BOTVINIK	ISO	TOM	MCEACHIN	MSO2-2/C22
DOINA	BUNACTU	GEO	HARRY	MCKNIGHT	GEO
CHUCK	BUSHEY	BXB1-2/D10	PAUL	MILBURY	MSO2-2/F21
RICH	BUTLER	OGO1-2/L17	DENIS	MINCET	KAO4-1/2B
DICK	CARLI	MSO2-2/F21	BRENDA	MORRIS	BXC1-3/H2
MICHEL	CAVADINI	GEO	DAVE	MURRAY	MSO2-2/B23
JEAN-CLAUDE	CHAMPLONG	GEO	AMIT	NANAVATI	MSO1-1/L9
CATHERINE	CHARRAS	GEO	JOHN	NIGGLE	OGO1-2/L17
BERNARD	CHATTON	GEO	HENNING	NYGAARD	DMO
BOB	COHEN	GEO	MARIAN	O'LEARY	BXC1-1/H14
ERIC	COHEN	MSO1-1/L9	JEAN-PIERRE	PARRY	EVO
CARMINE	COLETTA	MRO2-4/D6	LEO	QUINN	OGOG1-1/M18
JAY	CONNOR	BXC1-1/B4	SHOAIB	QURAESHI	REO
AGNES	CONNORS	SHR3-2/S29	RICHARD	RACKLEY	ALF1-2/M25
STEPHEN	CRINNION	WRO2-2/T11	FRANK	RAMEAKA	BXC1-2/H14
MILLER	DONALDSON	GEO	RON	RANA	GEO
HEIDI	ELWORTHY	OGO1-1/M11	JOHN	REEVE	REO
WALTER	ESCHLER	GEO	CAROL	REID	MLO12-B/U49
BOB	FAULCONER	MRO3-3/J19	JOE	REILLY	MSO1-1/K13
DICK	FISHBURN	MLO12-2/U49	TRACY	ROTH	SHR1-4/SHR
DAVID	FITZGERALD	REO	STEPHENS	RUSSELL	GEO
PAT	FITZGERALD	REO	RICK	RYAN	SHR3-2/W4
JIM	FLANAGAN	MLO12-3/B27	GEOFF	SACKMAN	MLO3-5/T58
BUD	FLYNN	OGO1-2/L17	DICK	SCARBOROUGH	OGO1-1/M11
SUSAN M	FOLEY	MLO10-1/T77	RAY	SCHMALZ	MSO2-2/F19
ALEXIS	FORD	MLO3-2/T98	WERNER	SCHWARZ	RTO
SAM	FULLER	LJO2-D12	KEN	SMITH	OFO1
DOUG	FULRATH	MRO3-3/J19	STEVE	SMITH	MSO1-1/N9
DEBARAH	GAMBA	MRO1-1/P12	DAVE	SPRATT	MLO22-2
TORBJORN	GEIJER	GEO	PAT	SPRATT	MLO3-4/A11
BILL	GERVAIS	MRO1-1/P12	LYNN	ST AMOUR	GEO
IAN	GILLINGHAM	AYO	BRUCE	STEELE	MSO1-1/K13
YVES	GULLAUMOT	EVO	OLIVIER	TABURET	EVO
DEB	HERCHEK	MLO3-2/T98	STEVEN	TAYLOR	MLN
IAN	HICKSON	OGO1-1/M11	GERRY	UVA	MRO2-4/D6
RICK	HILLS	MSO1-1/F2	BILL	VANATTEN	MLO12-3/B27
FRED	HOLLAND	MKO1-2/J13	PIERRE	VANDENPLAS	BRO
TEDDY	HOPSON	WRO2-1/R2	MICHEL	VANDIER	EVB
BOB	HULT	MLO3-2/T98	MIKE	VOCKE	GEO
ILENE	JACOBS	MSO2-2/F17	TONY	WAIN	MSO1-1/F14
DICK	JAILLET	OGO1-2/L17	RAY	WALKER	SBP-S10/2
DAVID	JAMES	MRO3-1/G18	TONY	WALLACE	MLO10-1/T77
KO	JOOSSEE	APD	PIET	WEIJERS	UTO
REINHARD	KRAMER	RTO	JAY	ZAGER	LJO2/C5
PHIL	KUEHNE	BXC1-1/C3			
KAREN	KUPFERBERT	MSO2-2/C22			
PHIL	LADDS	REO			
JOHN	LAMB	SNO-2/C5			
KEVIN	LANE	MRO3-3/J19			



Digital Equipment Corporation

TABLE OF CONTENTS

DIGITAL EQUIPMENT CORPORATION

Q1, FY95 Financial Results

TABLE OF CONTENTS

I. Q1, FY95 SUMMARY AND KEY MESSAGES

II. Q1, FY95 RESULTS

- Profit & Loss Statement
 - As Reported
 - Excluding One-time Charges
- Asset Summary
- Cash Flow Statement
- Balance Sheet
 - Assets
 - Liabilities & Equity
- Digital Business Model vs. Prior Quarter
- Competitive Analysis

III. LATEST TEN QUARTER GRAPHS

- Revenue Growth by Segment
- Revenue & Cost Growth
- Research & Engineering Expense
- Sales, General & Administrative Expense
- Operating Profit Margin
- Net Income
- Return on Assets
- Return on Equity
- Population Trends
- Capital Spending
- Cash & Long Term Debt
- Inventory Turns
- Days Sales Outstanding
- Operating Assets
- Competitor Comparisons
 - Revenue Growth
 - Operating Profit Margin

Digital Equipment Corporation

Q1, FY95

Summary
and
Key Messages

DIGITAL EQUIPMENT CORPORATION

Q1, FY95 Summary Results

REVENUE

- Total revenue grew year-over-year 4% (6% in products, 1% in services).
- Alpha AXP revenues, \$321M, grew by 138% from Q1, FY94.
- Product revenue sales through indirect channels were 57% in Q1, FY95 versus 41% in Q1, FY94.

Digital Equipment Corporation
Q1, FY95 Summary Results - continued

GROSS MARGIN

- Gross Margin is stabilizing.
- Product gross margin improved quarter-over-quarter for the first time since Q2, FY93.
- Services gross margin increased slightly year-over-year.

Digital Equipment Corporation
Q1, FY95 Summary Results - continued

EXPENSES

- R&D, SG&A spending declined year-over-year in absolute dollars and as a percent of revenue.
- R&D spending declined \$(27)M, or (9)%, year-over-year and (\$51M), or (15)%, quarter-over-quarter.
- SG&A spending declined \$(36)M , or (4)%, year-over-year and \$(146)M, or (15)% quarter-over-quarter.

Digital Equipment Corporation
Q1, FY95 Summary Results - continued

BALANCE SHEET

- Healthy cash position due to continued strong cash collection and strict adherence to our corporate disbursements policies.
- Improved DSO of 2 days year-over-year.
- Total Capital spending was \$49M lower than Q1, FY94.

Digital Equipment Corporation
Q1, FY95 Summary Results - continued

PROFIT

- Q1, FY95 was unprofitable. However, net income was an improvement of 15% year-over-year.

Digital Equipment Corporation
Q1, FY95 Summary Results - continued

RESTRUCTURING/POPULATION

- Total Regular population is about 74,000 a decline of about 4,000 during the quarter and 15,000, or 17%, from Q1, FY94.
- Q1, FY95 workforce reduction from restructuring of about 2500 resulted in annual savings of approximately \$137M.
- Since the inception of the restructuring program, about 50,000 reductions resulted in annual savings of approximately \$2,607M.

Digital Equipment Corporation

Q1, FY95

Results

Q1, FY95 RESULTS
Compared with Q1, FY94
(\$Mils)
- As Reported -

	Q1, FY95	Percent Growth
	<u>Actual</u>	<u>Over Q1, FY94</u>
Product Revenue	\$ 1,653	6.1 %
Service Revenue	<u>1,470</u>	0.8 %
Total Revenue	\$ 3,122	3.6 %
Gross Margin	\$ 943	(13.4) %
% of Revenue	30.2 %	(5.9) pts
Research & Engineering	\$ 288	(8.6) %
% of Revenue	9.2 %	(1.2) pts
Selling, General & Administrative	\$ 836	(4.1) %
% of Revenue	26.8 %	(2.1) pts
Operating Income	\$ (181)	NM
% of Revenue	(5.8) %	(2.6) pts
Net Interest (Income)/Expense	\$ 10	NM
Profit Before Taxes	(191)	NM
Income Taxes	<u>4</u>	23.1 %
Net Income	\$ (131)	NM
EPS	\$ (0.98)	NM

Q1, FY95 RESULTS
Compared with Q1, FY94
(\$Mils)

- Excluding One-time Charges -

	<u>Q1, FY95</u> <u>Actual</u>	<u>Percent Growth</u> <u>Over Q1, FY94</u>
Product Revenue	\$ 1,653	6.1 %
Service Revenue	1,470	0.8 %
Total Revenue	\$ 3,122	3.6 %
Gross Margin	\$ 943	(13.4) %
% of Revenue	30.2 %	(5.9) pts
Research & Engineering	\$ 288	(8.6) %
% of Revenue	9.2 %	(1.2) pts
Selling, General & Administrative	\$ 836	(4.1) %
% of Revenue	26.8 %	(2.1) pts
Operating Income	\$ (181)	NM
% of Revenue	(5.8) %	(2.6) pts
Net Interest (Income)/Expense	\$ 10	NM
Profit Before Taxes	(191)	(91.3) %
Income Taxes	4	23.1 %
Net Income*	\$ (195)	NM
EPS*	\$ (1.44)	NM

* Excludes one-time gain in Q1, FY95 of \$65M for Olivetti;

Excludes one-time gain in Q1, FY94 of \$20M for FAS109 and one-time charge of \$71M for FAS112.

**Q1, FY95 RESULTS
ASSET SUMMARY
(\$Mils)**

	<u>Q1, FY95</u>	<u>Q1, FY94</u>
Cash Balance	\$ 881	\$ 1,274
Accounts Receivable	\$ 2,883	\$ 2,859
DSO	83 Days	85 Days
Net Inventory	\$ 2,298	\$ 1,921
Inventory Returns	4.0 x	4.2 x
Capital Spending	\$ 118	\$ 167
PP&E Turns	4.0 x	3.8 x

Q1, FY95 RESULTS
CASH FLOW

(\$Mils)

	<u>Q1, FY95</u>	<u>Q4, FY94</u>	<u>Q1, FY94</u>
Beginning Cash	\$ 1,181	\$ 1,264	\$ 1,643
Net Income	\$ (131)	\$ (1,746)	\$ (154)
Depreciation & Amortization	150	158	175
Other Adj. to Net Income	(1)	289	29
Receivables	436	(394)	161
Inventories	(234)	101	(166)
Restructuring - Cash Expense	(235)	(226)	(175)
Other Working Capital	<u>(291)</u>	<u>1,809</u>	<u>(117)</u>
TOTAL FROM OPERATING	\$ (305)	\$ (9)	\$ (247)
Capital Spending	\$ (118)	\$ (168)	\$ (167)
Proceeds from Disp. of PP&E	11	21	48
Investment in Other Assets	(8)	(3)	(14)
Proceeds from Disp. Other Assets	<u>153</u>	<u>0</u>	<u>0</u>
TOTAL FROM INVESTING	\$ 38	\$ (150)	\$ (133)
Employee Stock Plans	\$ 0	\$ 63	\$ 12
Dividend	(9)	(2)	0
Debt	<u>(24)</u>	<u>15</u>	<u>(1)</u>
TOTAL FROM FINANCING	\$ (32)	\$ 76	\$ 11
TOTAL CHANGE	\$ (300)	\$ (83)	\$ (369)
Ending Cash	\$ 881	\$ 1,181	\$ 1,274

Q1, FY95 RESULTS
TOTAL ASSETS
(\$Mils)

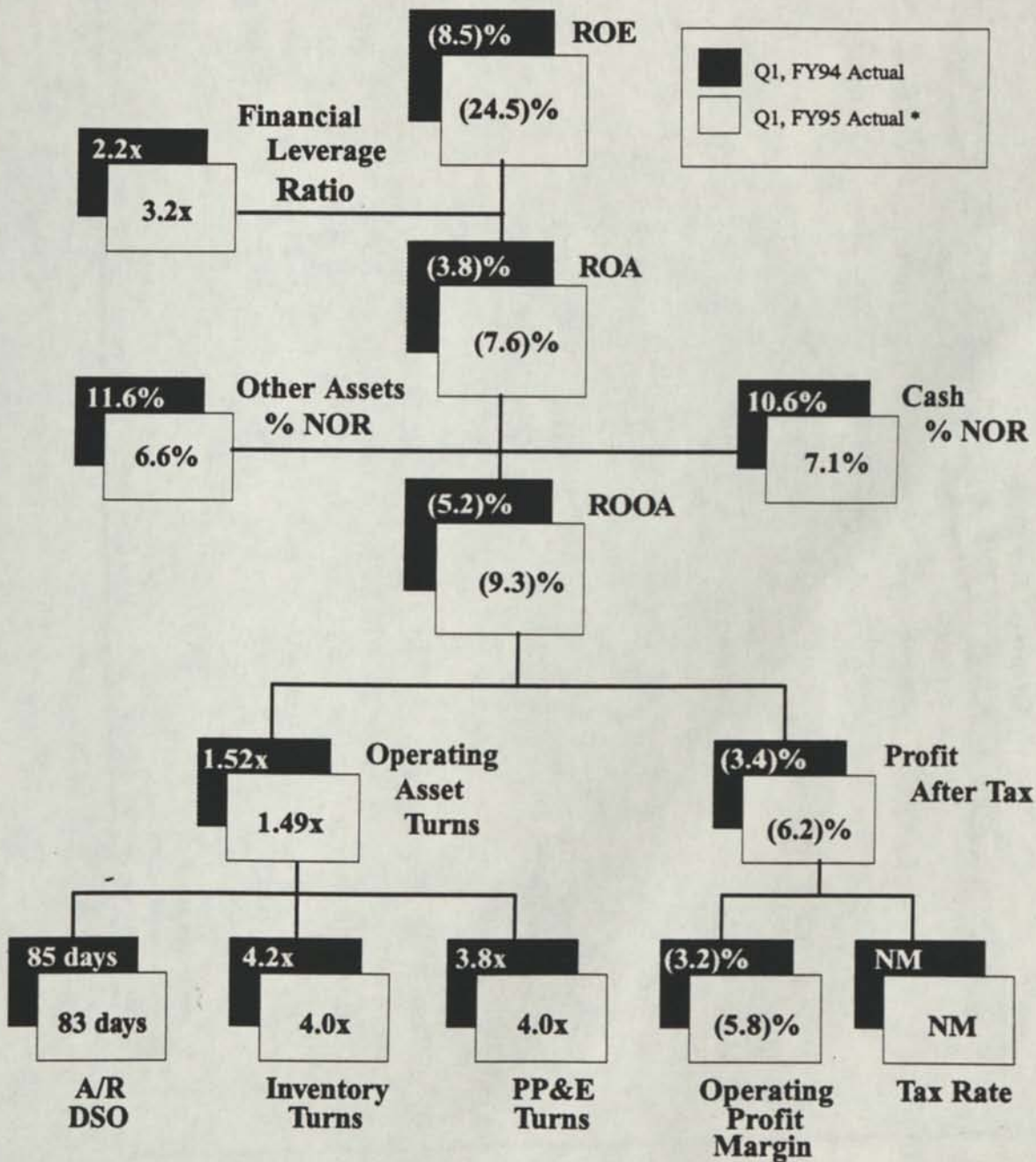
	Balance as of	
	<u>Q1, FY95</u>	<u>Q1, FY94</u>
Cash	\$ 881	\$ 1,274
Accounts Receivable	2,883	2,859
Net Inventory	2,298	1,921
Prepaid Expenses	331	357
Current Deferred Taxes	<u>22</u>	<u>109</u>
TOTAL CURRENT ASSETS	\$ 6,416	\$ 6,519
Property, Plant & Equipment	\$ 6,964	\$ 7,219
Accumulated Depreciation	<u>3,885</u>	<u>4,045</u>
<i>Net Property, Plant & Equipment</i>	\$ 3,079	\$ 3,174
Non-Current Deferred Taxes	\$ 115	\$ 120
Other Assets	<u>356</u>	<u>812</u>
TOTAL ASSETS	\$ 9,966	\$ 10,626

Q1, FY95 RESULTS
LIABILITIES & EQUITY
(\$Mils)

	Balance as of	
	<u>Q1, FY95</u>	<u>Q1, FY94</u>
Loans & Current Debt	\$ 9	\$ 20
Accounts Payable	977	732
Taxes	15	41
Salaries & Wages	629	608
Deferred Revenue	1,141	1,052
Restructuring Reserve	1,126	604
Other Current Liabilities	<u>661</u>	<u>550</u>
TOTAL CURRENT LIABILITIES	\$ 4,558	\$ 3,607
Non-Current Deferred Tax	\$ 5	\$ 26
Long Term Debt	1,011	1,018
Post Retirement Benefits	<u>1,247</u>	<u>1,225</u>
TOTAL LIABILITIES	\$ 6,820	\$ 5,877
Stockholders' Equity	<u>\$ 3,146</u>	<u>\$ 4,749</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 9,966	\$ 10,626

Digital Business Model

Q1, FY95 Actual *



*Excludes one-time charges.

COMPETITOR RESULTS

For Quarter Ended September, 1994
(Adjusted for One-time charges)

	Year/Year Revenue (% Change)	Gross Margin (% Revenue)	Operating Profit (% Revenue)	Net Income (% Revenue)
Digital (a)	4 %	30 %	(6) %	(4) %
IBM*	(1)	40	7	5
Hewlett-Packard**	22	38	9	6
Apple	17	27	8	5
Stratus*	16	55	18	12
Compaq*	53	27	12	8
Sun Microsystems	33	40	4	3
Dell Computer**	14	22	8	3
Intel	28	56	34	23
Novell**	45	74	37	26
3Com***	44	52	17	11
Microsoft*	24	84	38	28
Conner Peripherals	33	22	9	5
Seagate	30	22	11	8
EDS*	11 %	24 %	12 %	9 %

* Quarter ended June 1994

** Quarter ended July 1994

*** Quarter ended August 1994

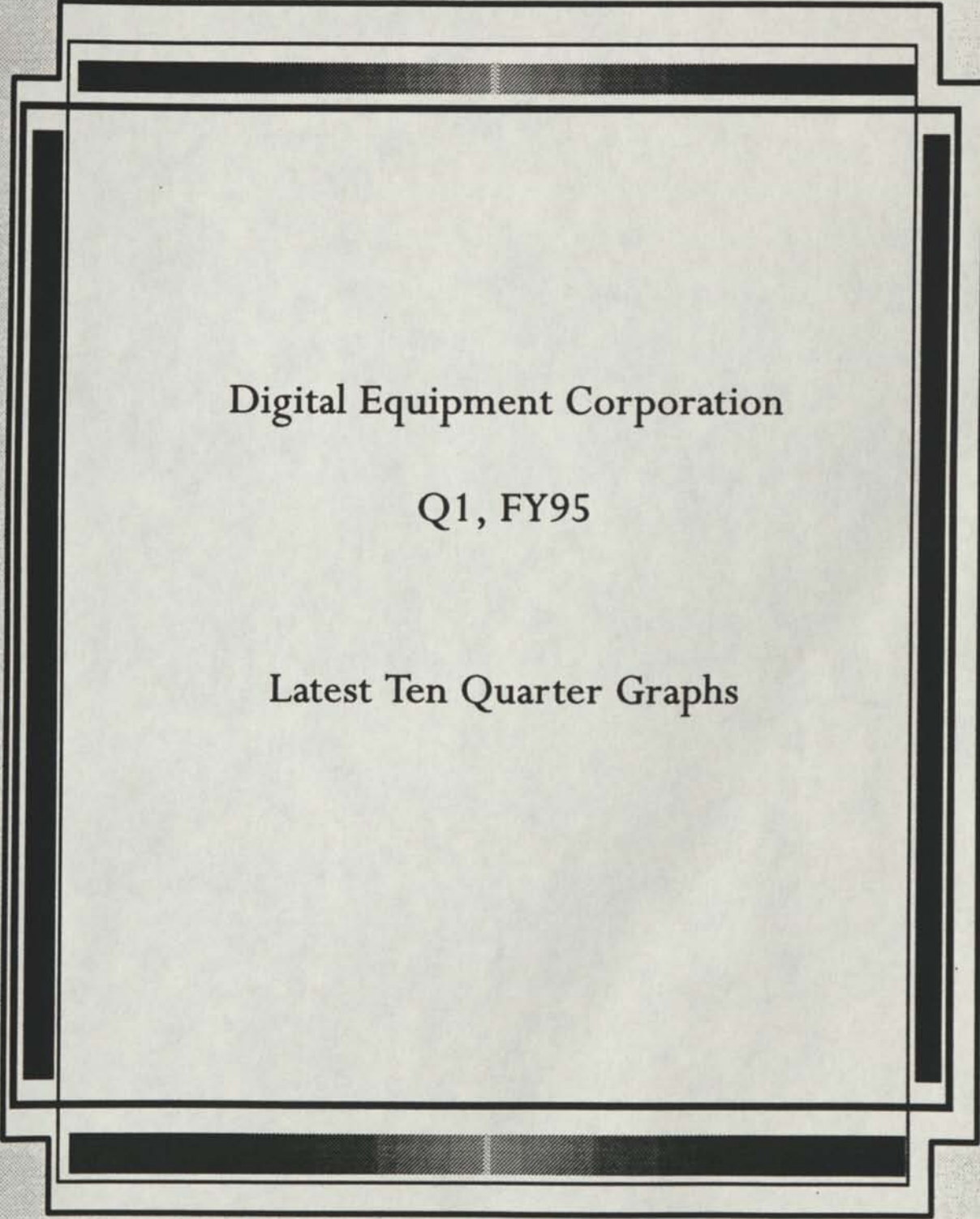
Corp SSC:mn\resq195pl.xlw

a. Operating Profit adjusted for one-time charges;

Because of tax implications Net Income includes one-time charges.

12-Oct-94

Digital Equipment Corporation

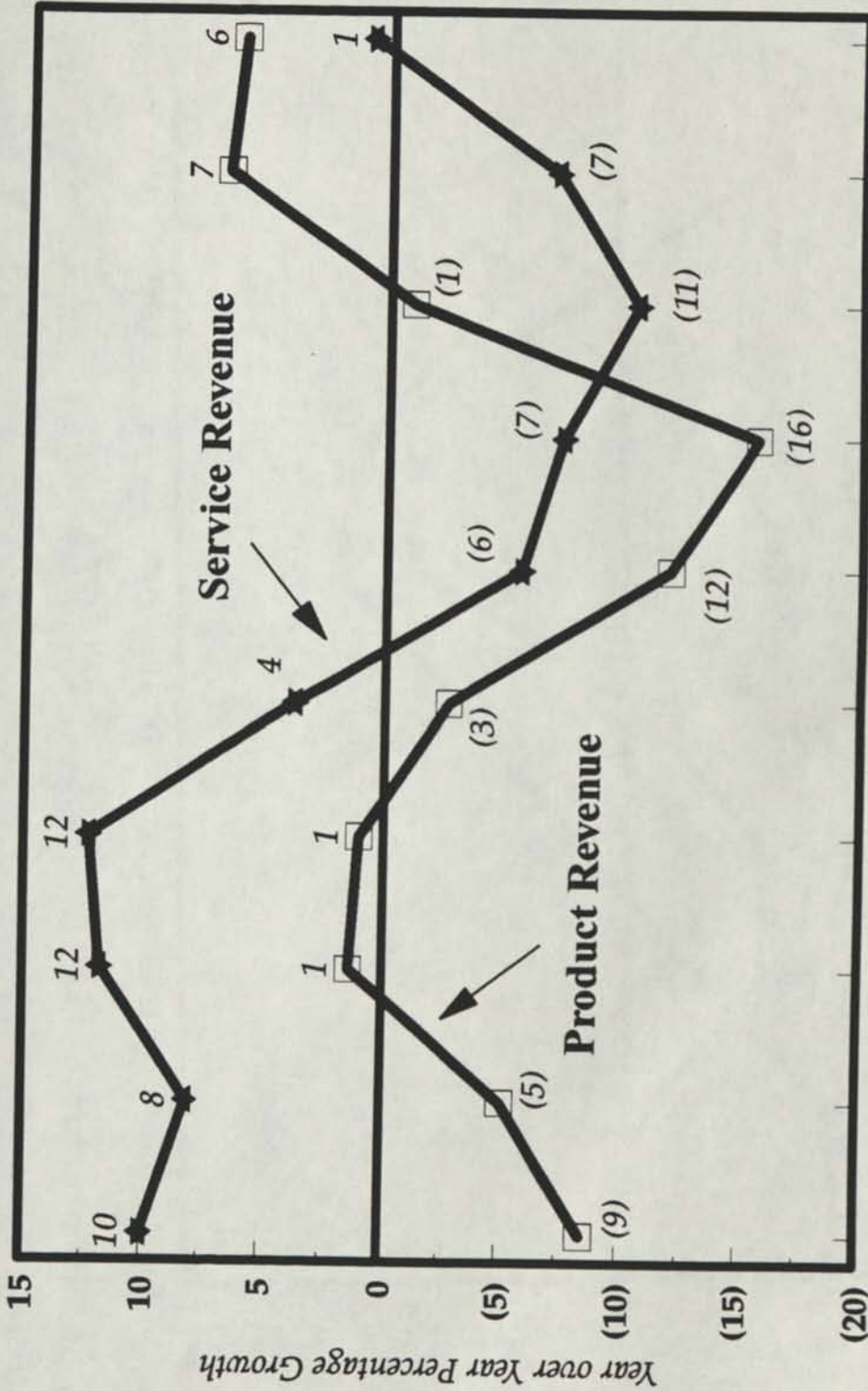


Digital Equipment Corporation

Q1, FY95

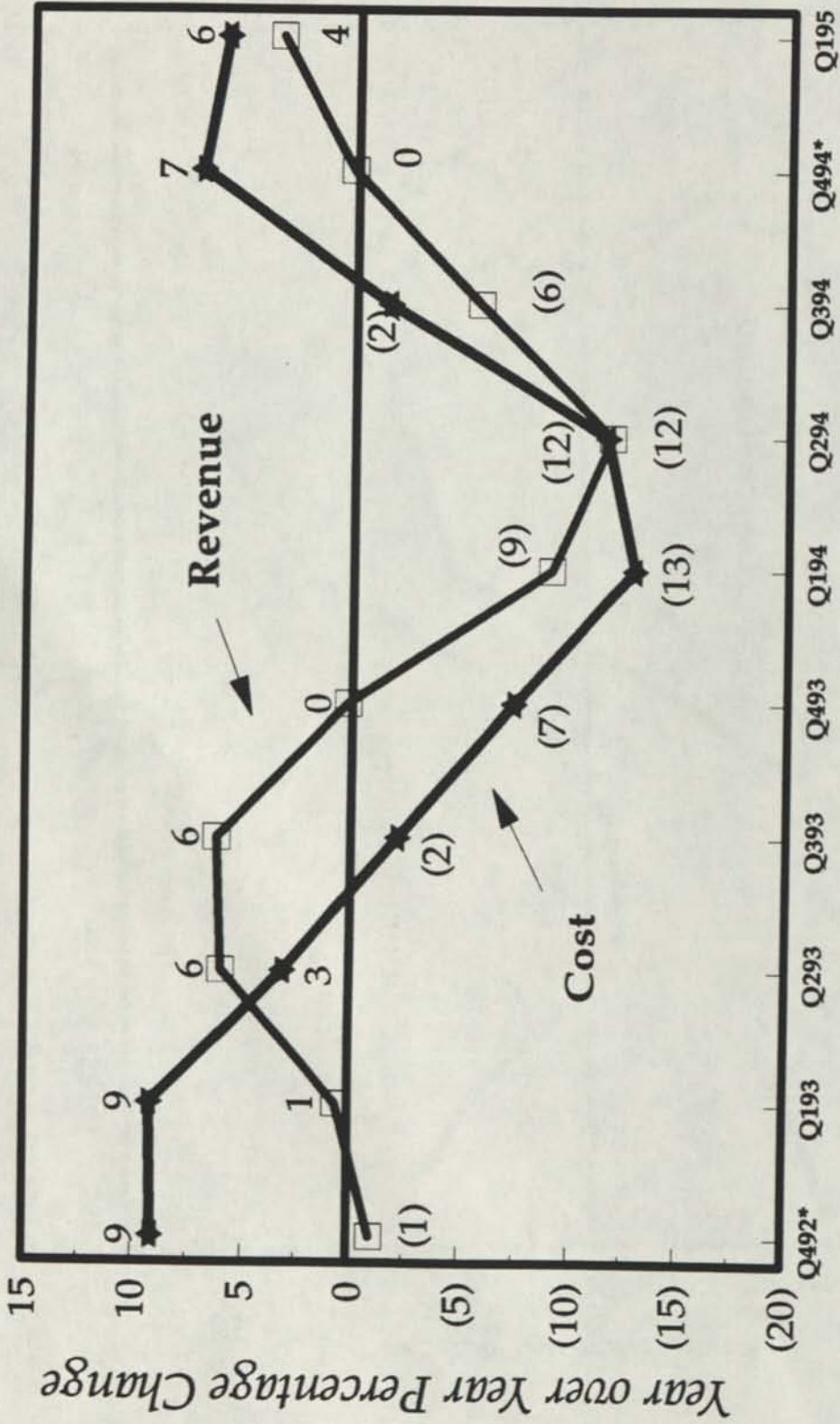
Latest Ten Quarter Graphs

REVENUE GROWTH BY SEGMENT



Year	Total Revenue Growth
Q492	(1.0)%
Q193	0.6%
Q293	6.0%
Q393	6.2%
Q493	0.2%
Q194	(9.0)%
Q294	(12.0)%
Q394	(5.6)%
Q494	0.2%
Q195	3.6%

REVENUE & COST GROWTH

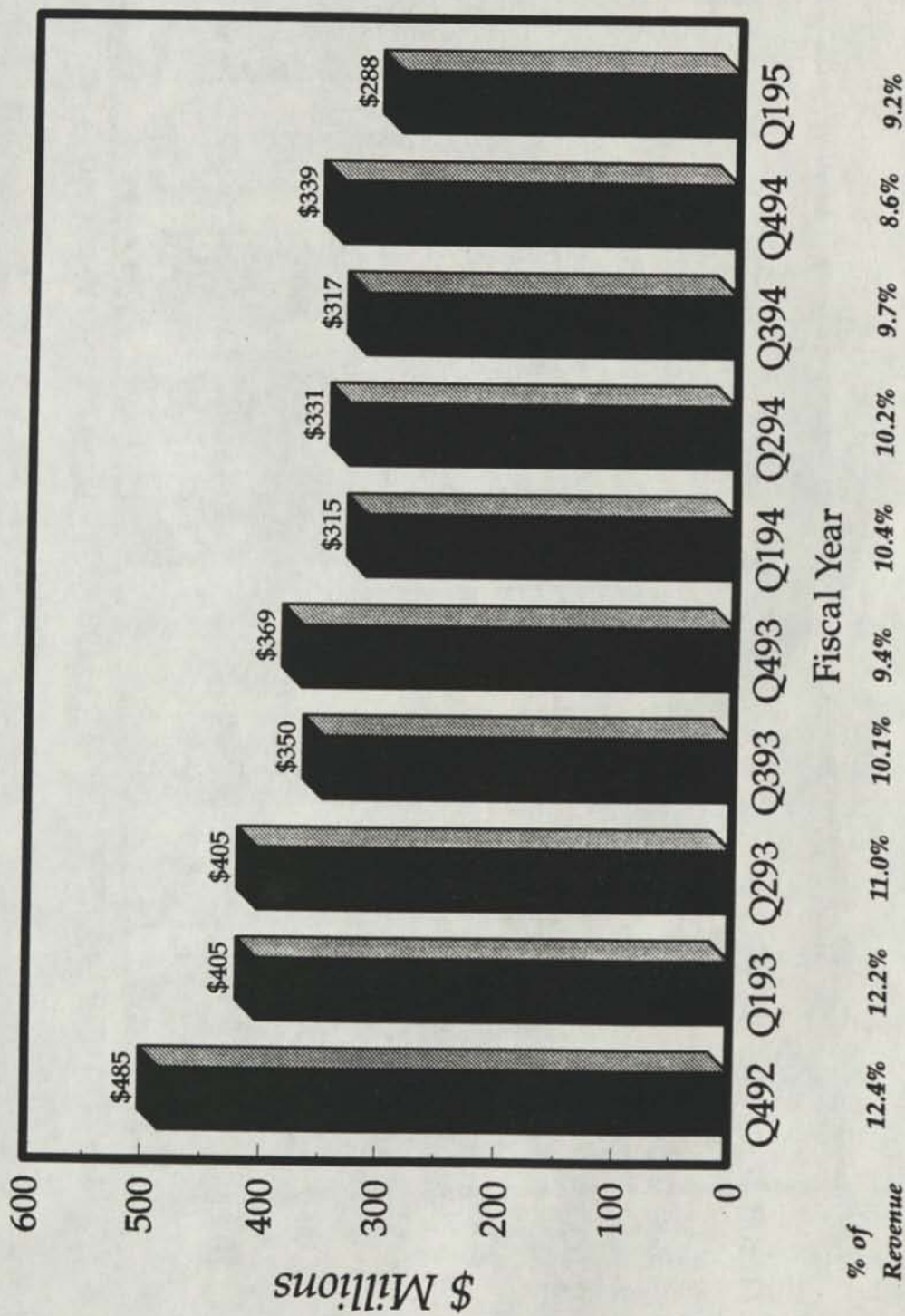


Operating Profit Margin	Fiscal Year
(4.8)%	3.0%
(7.8)%	(3.2)%
(1.8)%	(2.0)%
(0.8)%	(5.2)%
(7.8)%	(3.7)%
(43.2)%	(42.4)%
	(5.8)%

* Excludes restructuring and one-time charges.

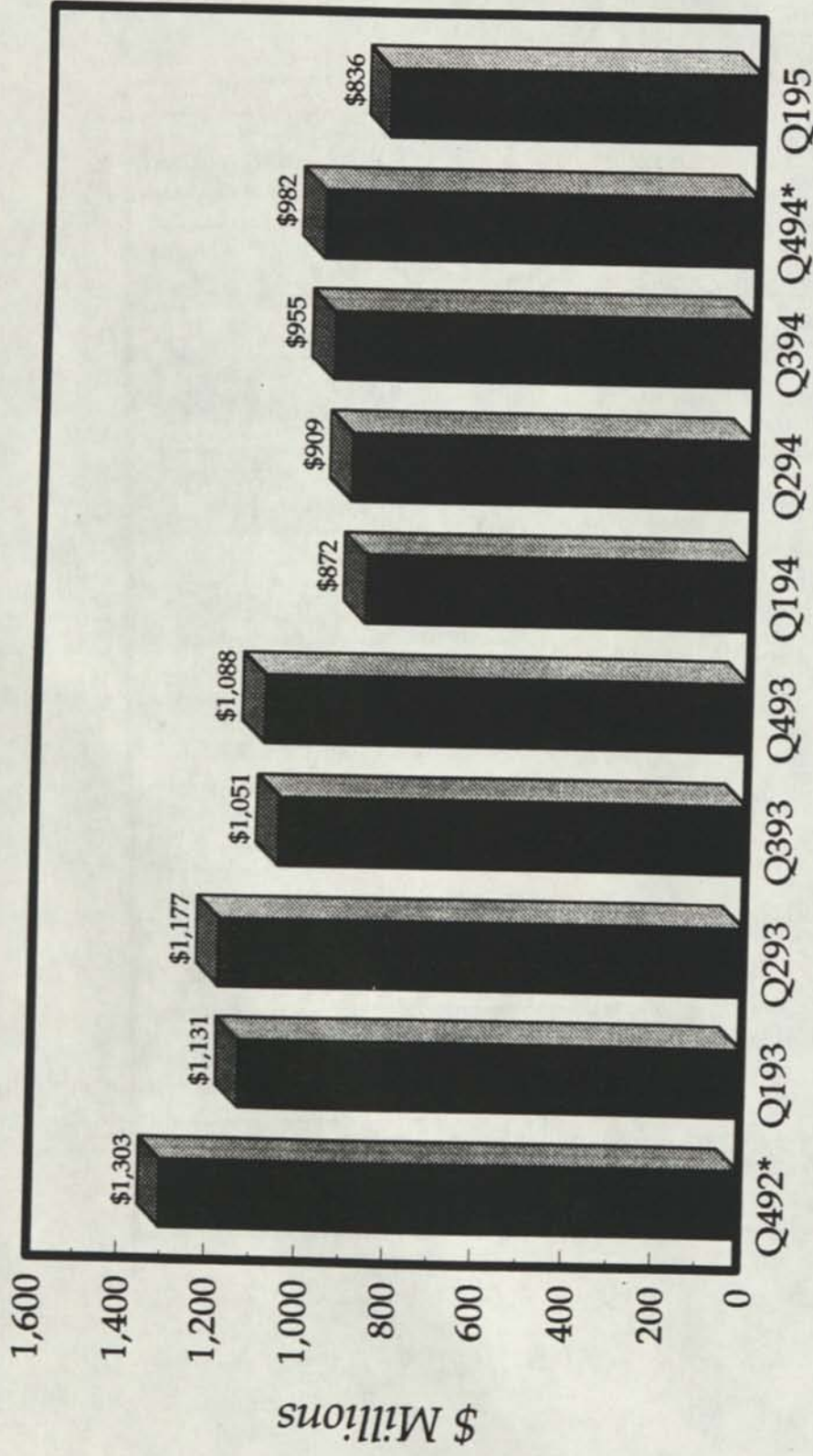
Corp. SSC:mn
rq1_grfa.PRE

RESEARCH & ENGINEERING EXPENSE



Corp. SSC:mn
rq1_gfja.PRE

SALES, GENERAL & ADMINISTRATIVE EXPENSE



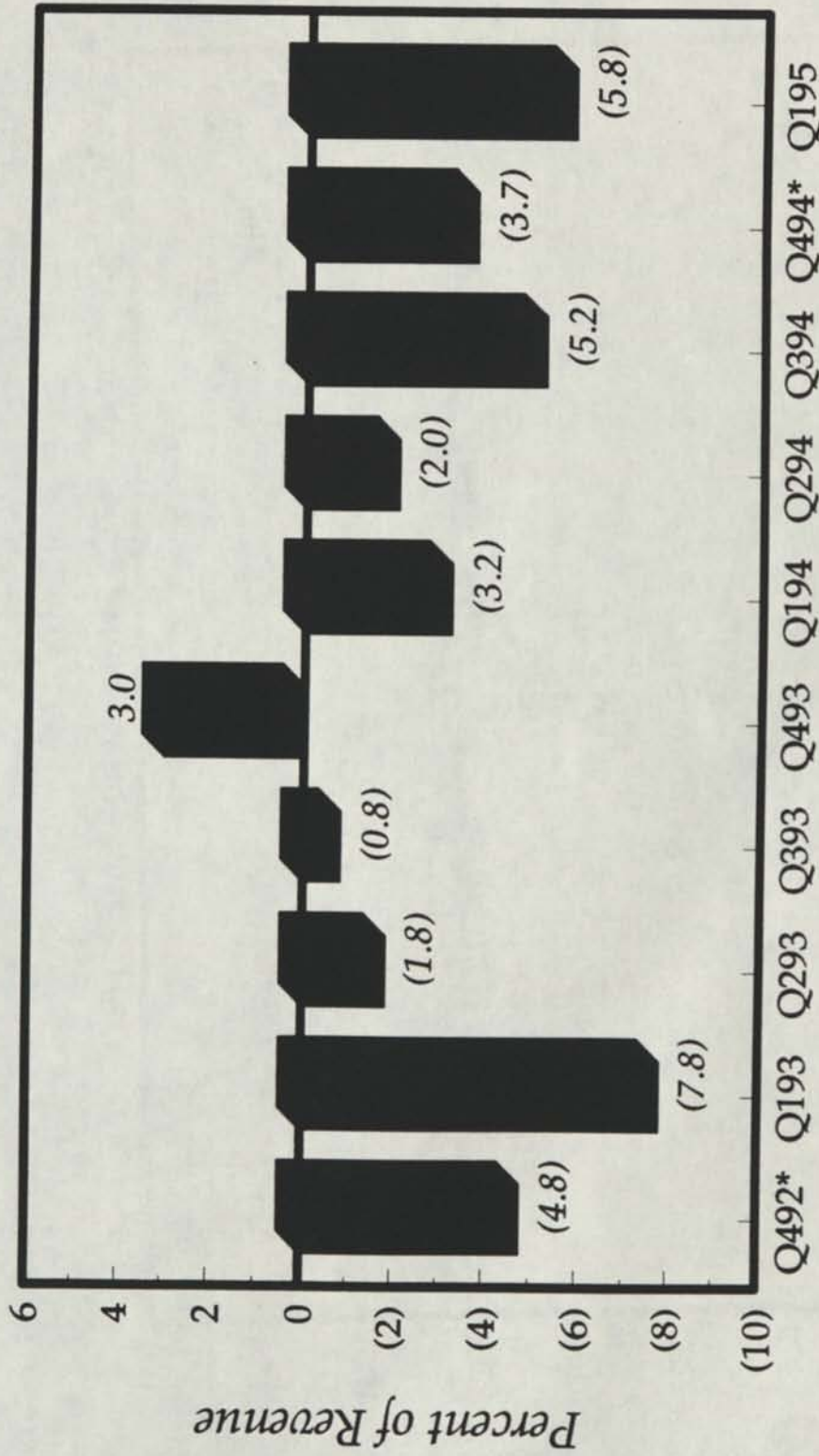
Fiscal Year

% of Revenue As reported

* Excludes restructuring and one-time charges.

Corp. SSC:mn
rq | _grfa.PRE

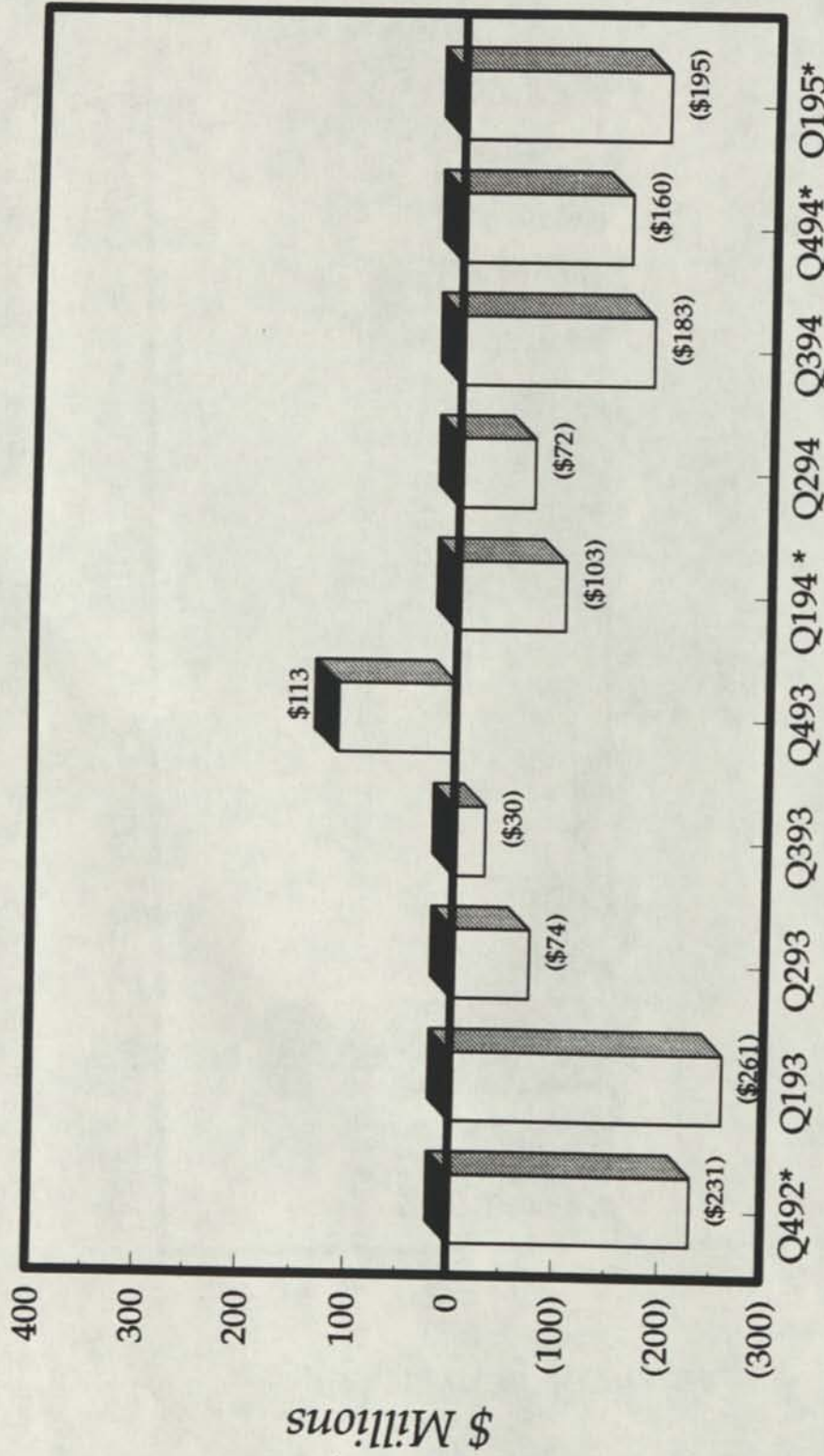
OPERATING PROFIT MARGIN



(\$Mils)	Fiscal Year
Operating Profit \$ (188)	\$118
As reported \$ (1,688)	\$ (97)
	\$ (66)
	\$ (170)
	\$ (146)
	\$ (181.0)
	\$ (1,662)

* Excludes restructuring and one-time charges.

NET INCOME



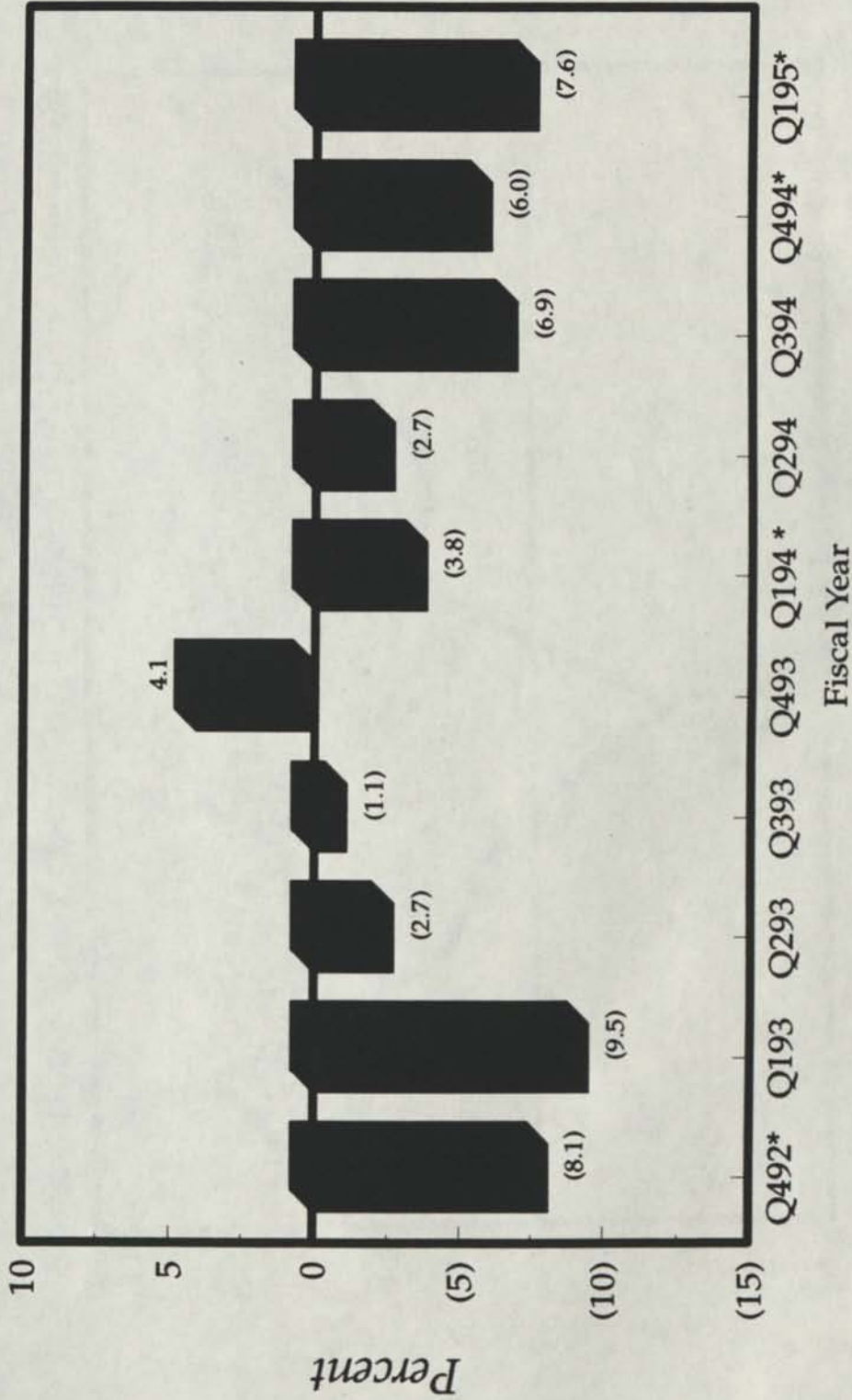
Fiscal Year
(154)

As reported (\$1,855)

(1,746) (\$131)

* Excludes restructuring and one-time charges.

RETURN ON ASSETS



As reported (65.0)%

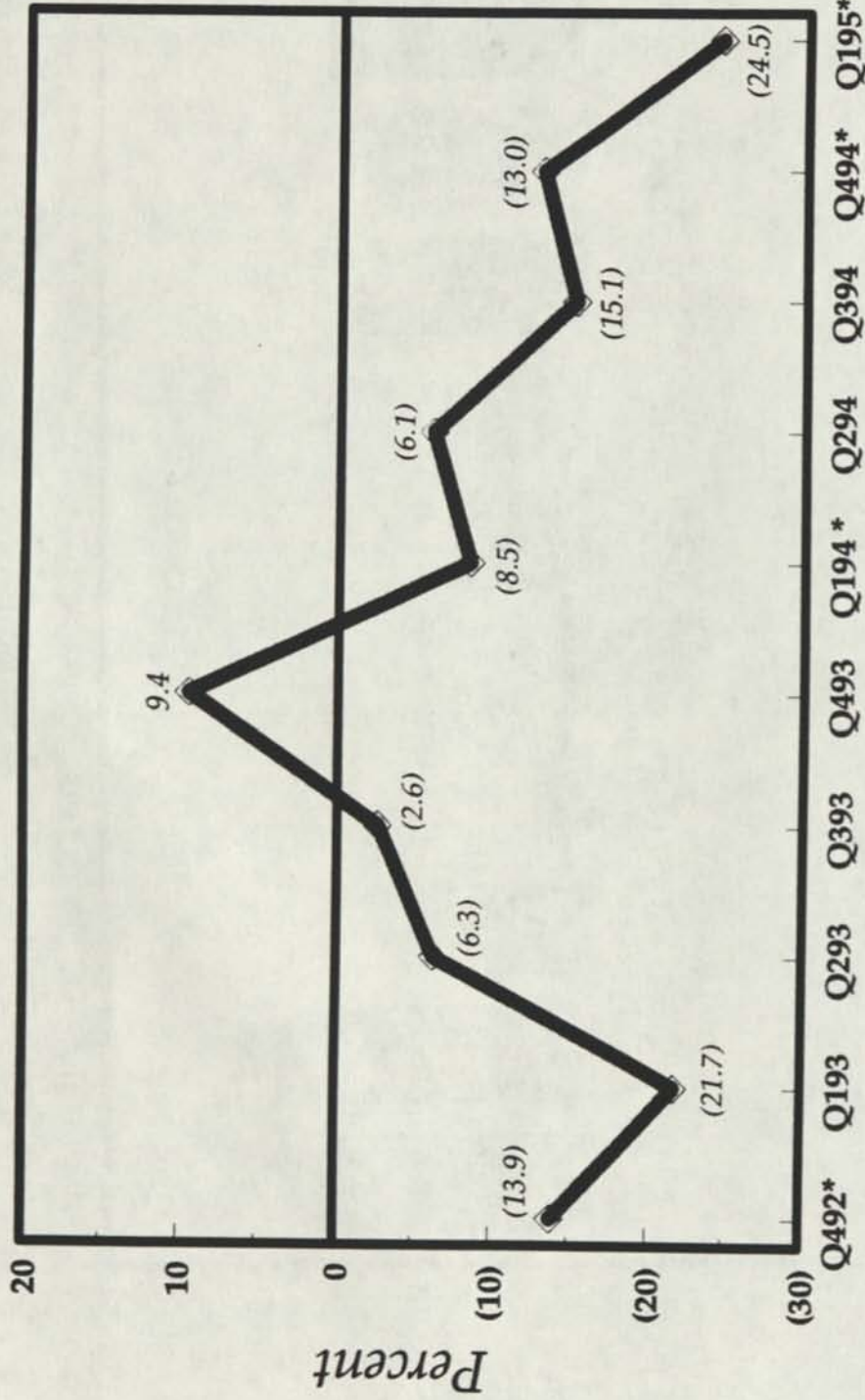
(5.7)%

(65.4)%

* Excludes restructuring and one-time charges.

Corp. SSC:mn
rq1_grfa.PRE

RETURN ON EQUITY

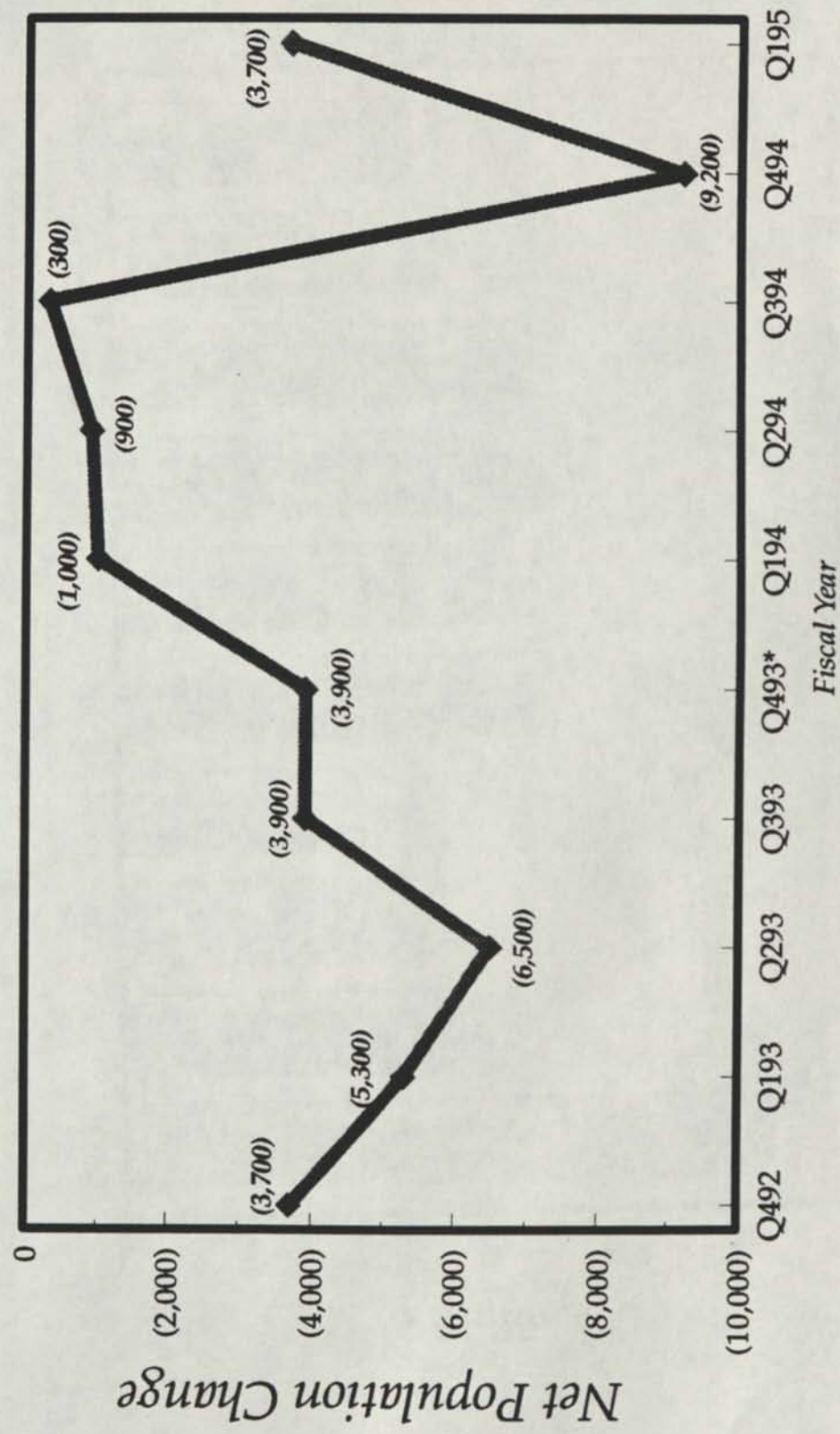


As reported (128.0)%
 Fiscal Year (12.8)%
 (169.4)%
 (16.3)%

* Excludes restructuring and one-time charges.

Corp. SSC:mn
 ryl_grfa.PRE

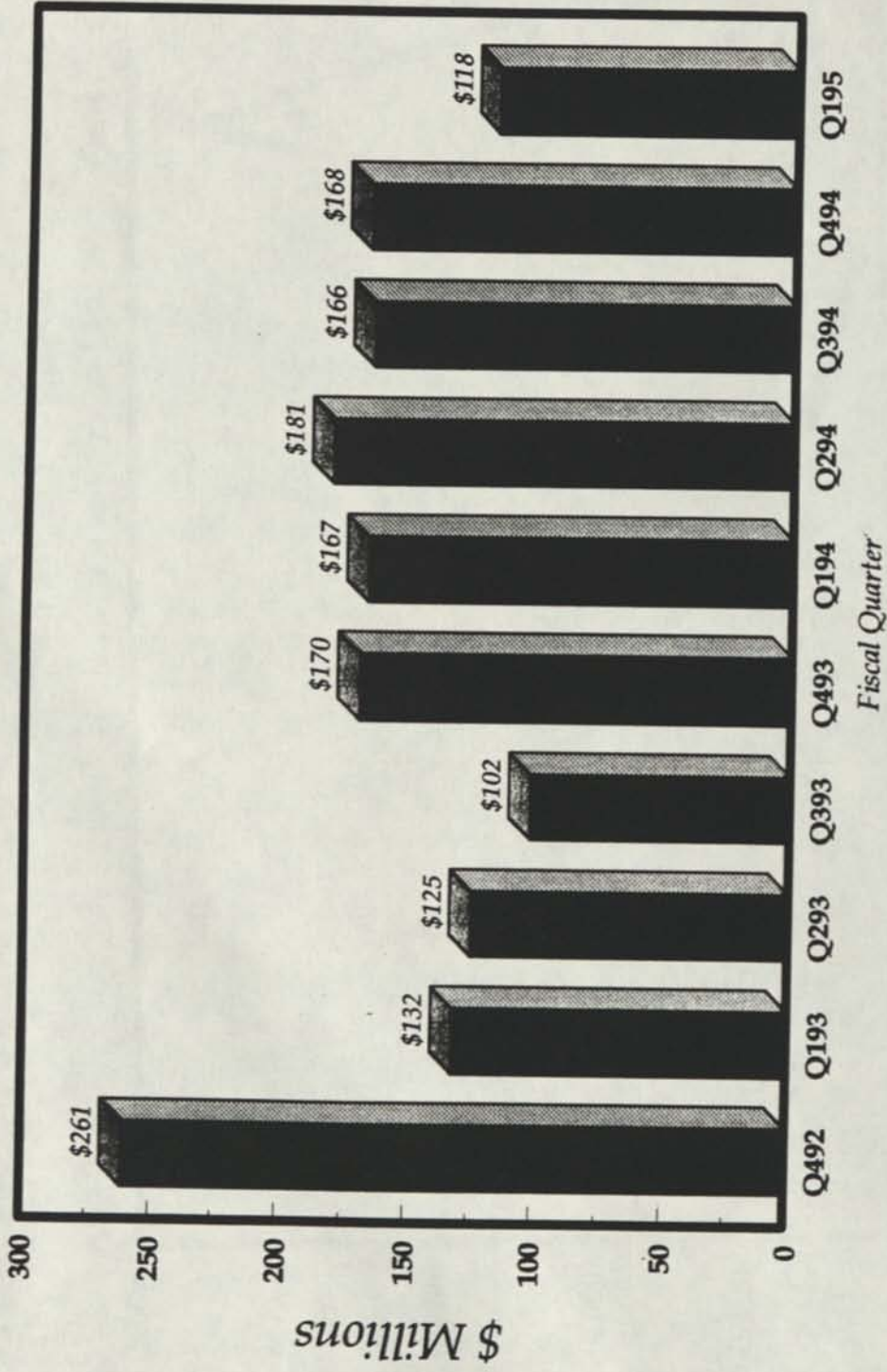
POPULATION TRENDS - NET HIRES



Net hires rounded to the nearest 100

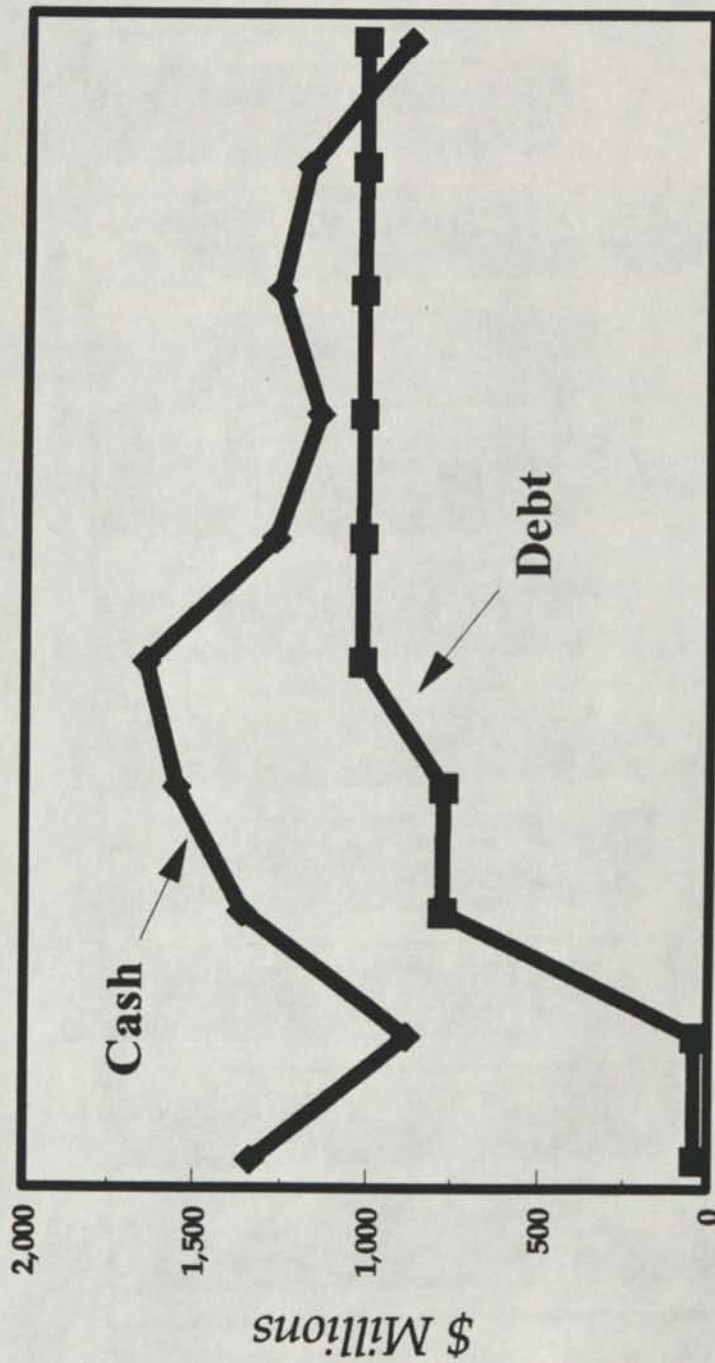
* Includes EA, Rocky Mountain and Deil.

CAPITAL SPENDING



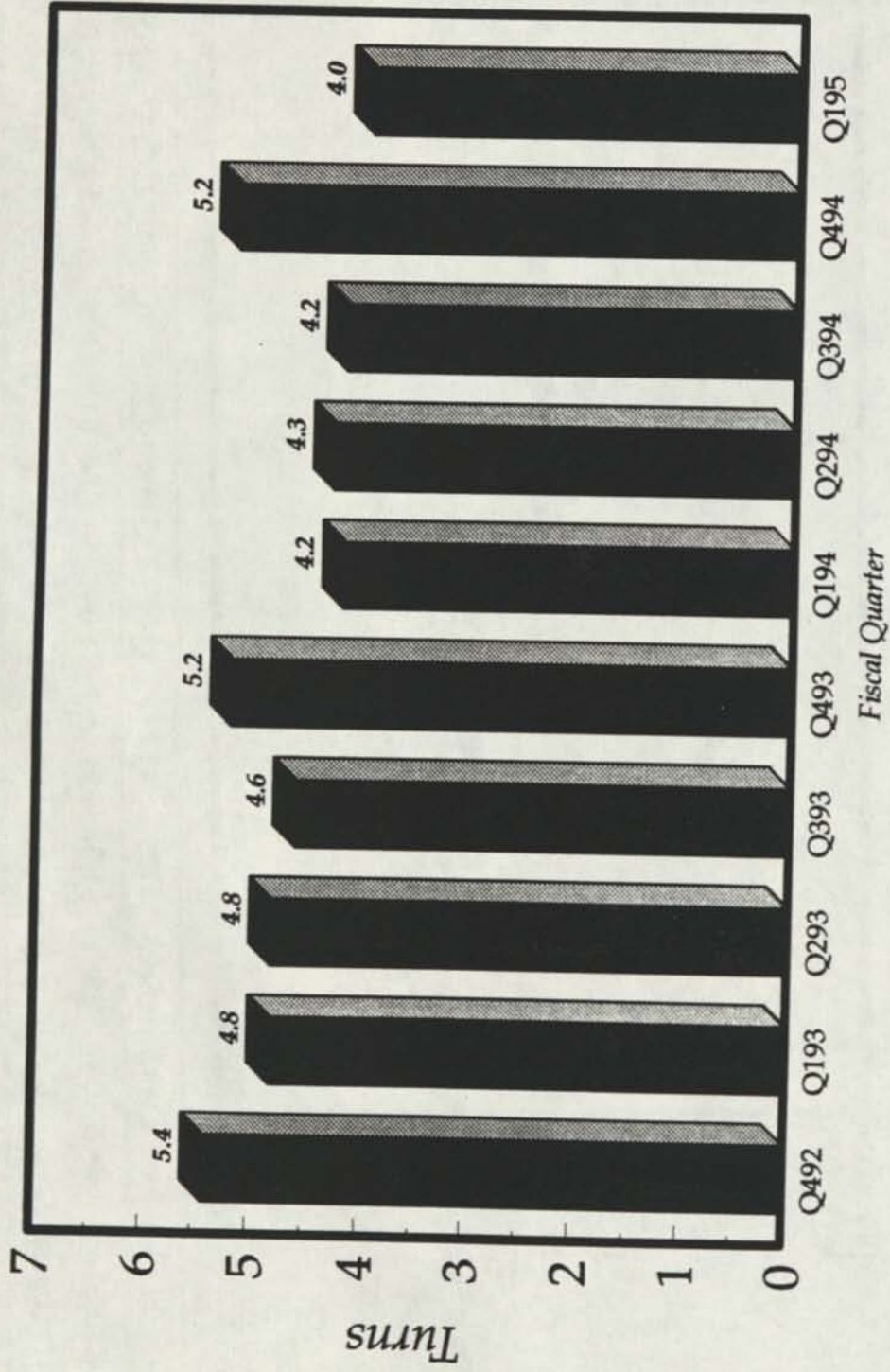
Corp. SSC:mn
rq1_g7fb.PRE

CASH AND LONG TERM DEBT



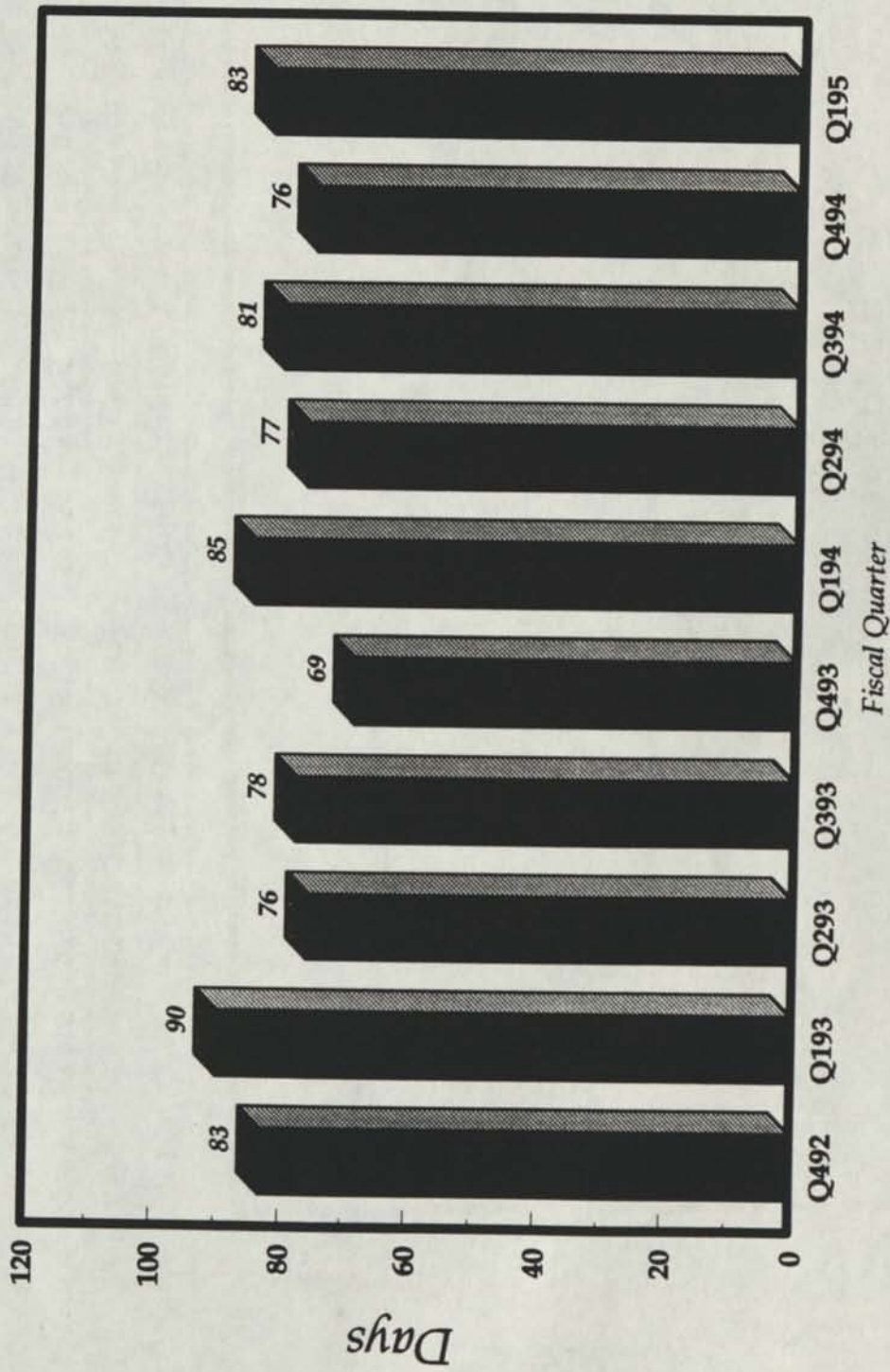
Fiscal Quarter	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394	Q494	Q195
CASH	\$1,337	\$881	\$1,365	\$1,552	\$1,643	\$1,274	\$1,147	\$1,264	\$1,181	\$881
L T DEBT	\$42	\$43	\$780	\$777	\$1,018	\$1,018	\$1,017	\$1,017	\$1,011	\$1,011

INVENTORY TURNS

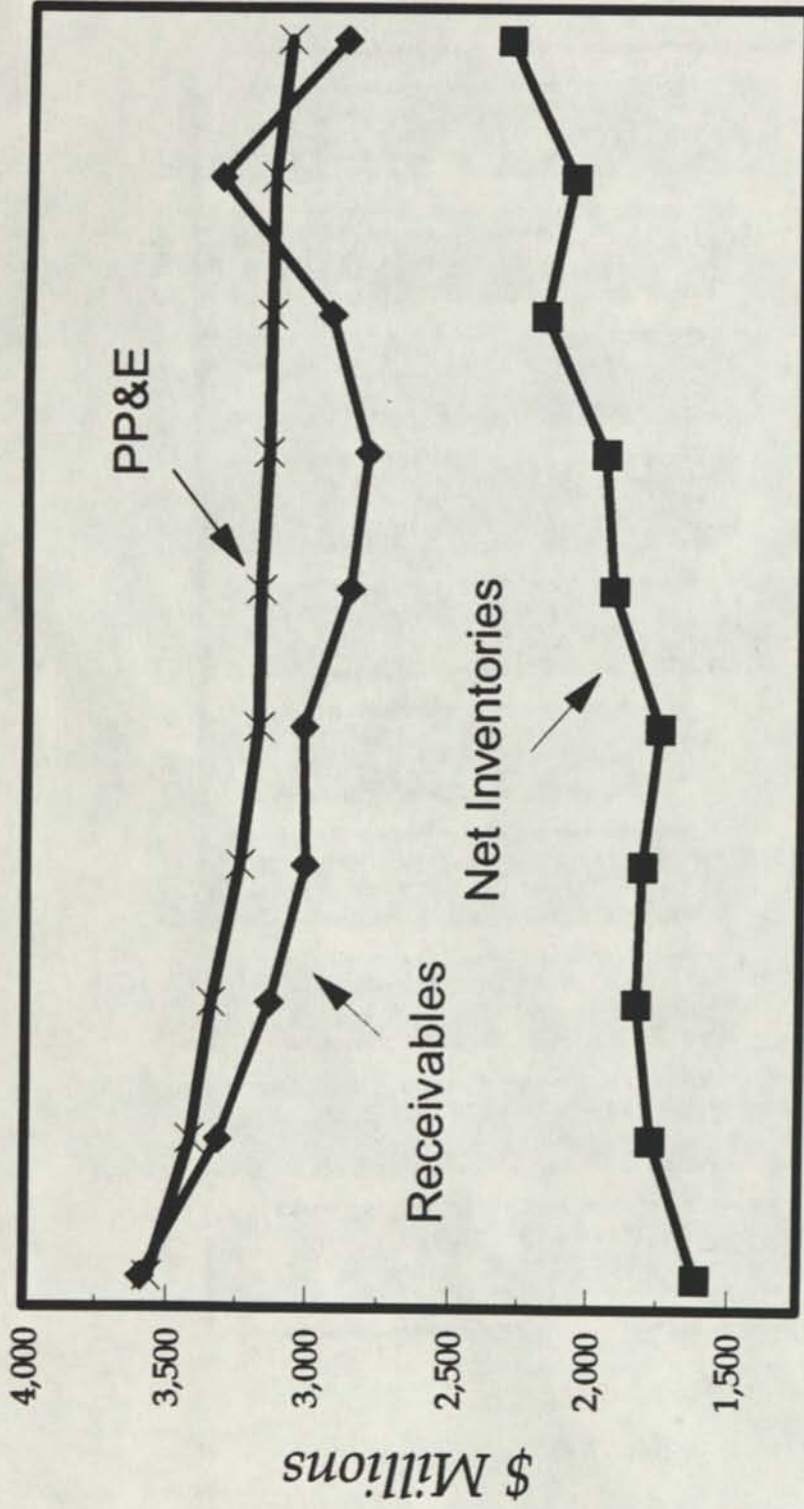


Corp. SSC:mn
rq1_grfb.PRE

DAYS SALES OUTSTANDING



OPERATING ASSETS

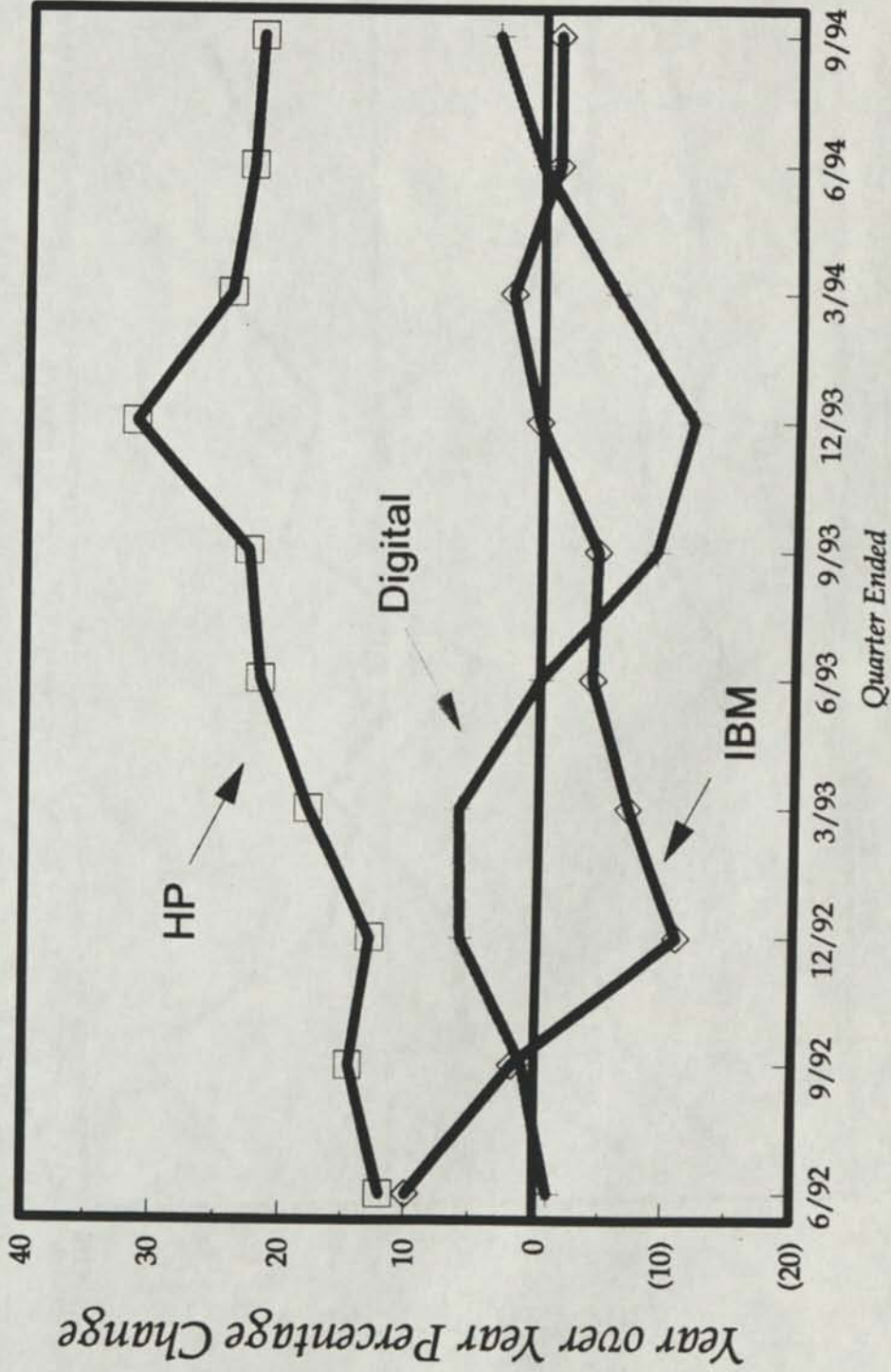


Fiscal Quarter	Q492	Q193	Q293	Q393	Q493	Q194	Q294	Q394	Q494	Q195
PP&E	\$3,570	\$3,418	\$3,342	\$3,240	\$3,178	\$3,174	\$3,146	\$3,136	\$3,129	\$3,079
A/R	\$3,594	\$3,316	\$3,132	\$3,009	\$3,020	\$2,859	\$2,796	\$2,925	\$3,319	\$2,883
INV	\$1,614	\$1,777	\$1,832	\$1,815	\$1,755	\$1,921	\$1,950	\$2,165	\$2,064	\$2,298

Corp. SSC:mn
rq1_g7fb.PRE

DIGITAL vs. IBM & HP

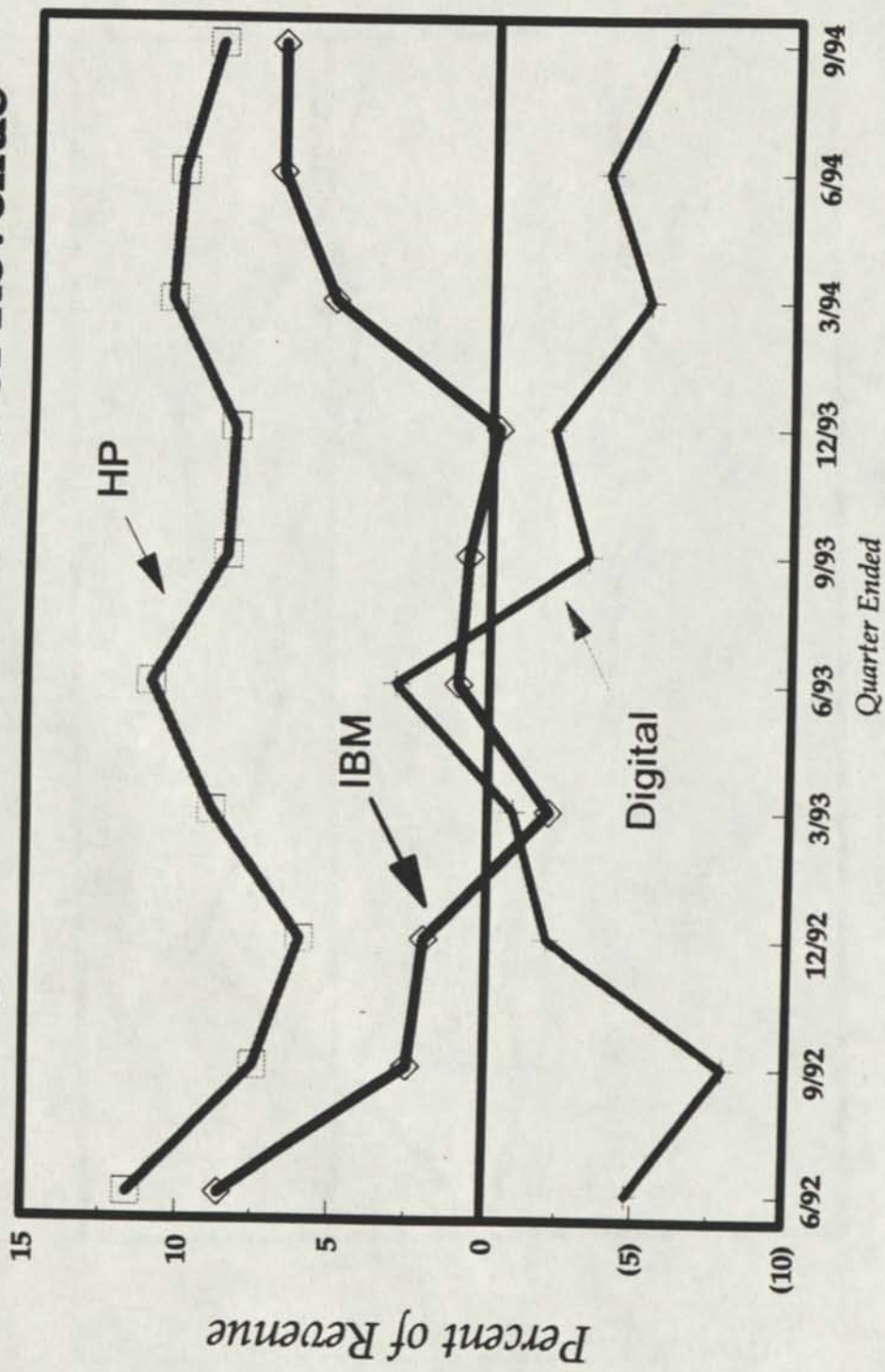
Revenue Growth Trends



Note: Data reflects their quarter ended June for IBM, July for HP.

DIGITAL vs. IBM & HP

Operating Profit As A Percent of Revenue



Notes: Data reflects their quarter ended June for IBM, July for HP.
Excludes one-time charges.

SAM FULLER

LJO2/D12

OCT 10 1995

Digital Equipment Corporation

Q4 and Full Year FY95

Financial Results

By: Corporate Shared Services Center

INTEROFFICE MEMORANDUM

TO: Distribution

Date: 1-August-1995
From: Mitzi Nicholas
Dept: Corporate Shared Services Center
DTN: 223-1924
Loc.: MSO2-3/B17

SUBJECT: Digital Equipment Corporation Q4 and FY, FY95 Financial Results

Enclosed is a hard copy package of Digital's Q4, FY95 and Full Year, FY95 financial results. This package is distributed to senior managers for use by their staffs with customers or Digital business partners.

The composition of the package includes a series of summary messages which highlight the quarter's performance as regards to operations, revenue, expenses, etc. This is followed by a number of tables which contain a profit and loss statement and a balance sheet analysis as compared to last year's results for the quarter. Next are a number of graphs which chart the trend of major P&L lines and balance sheet activity for the last ten quarters. This is followed by graphs showing various trends over the last ten years. Also included are schedules which compare the revenue and profit performance of a selected group of our competitors during the last quarter and over the last ten years.

Finance managers who support the Senior Leadership Team please note: team members have received the SLT Results Communications Package which is limited to an internal Digital audience due to "Company Confidential" material such as comparisons to Plan, the impact of currency and pricing/mix BFA analysis. Conversely, the contents of this package can be shared with an external audience.

Please note: to accommodate SEC regulations, some graphs which contain adjusted ("excluding one-time charges") values now also include the numbers as reported. These graphs will reflect the adjusted numbers as data values, however the reported values will be shown at the bottom of the page.

Overhead Transparencies:

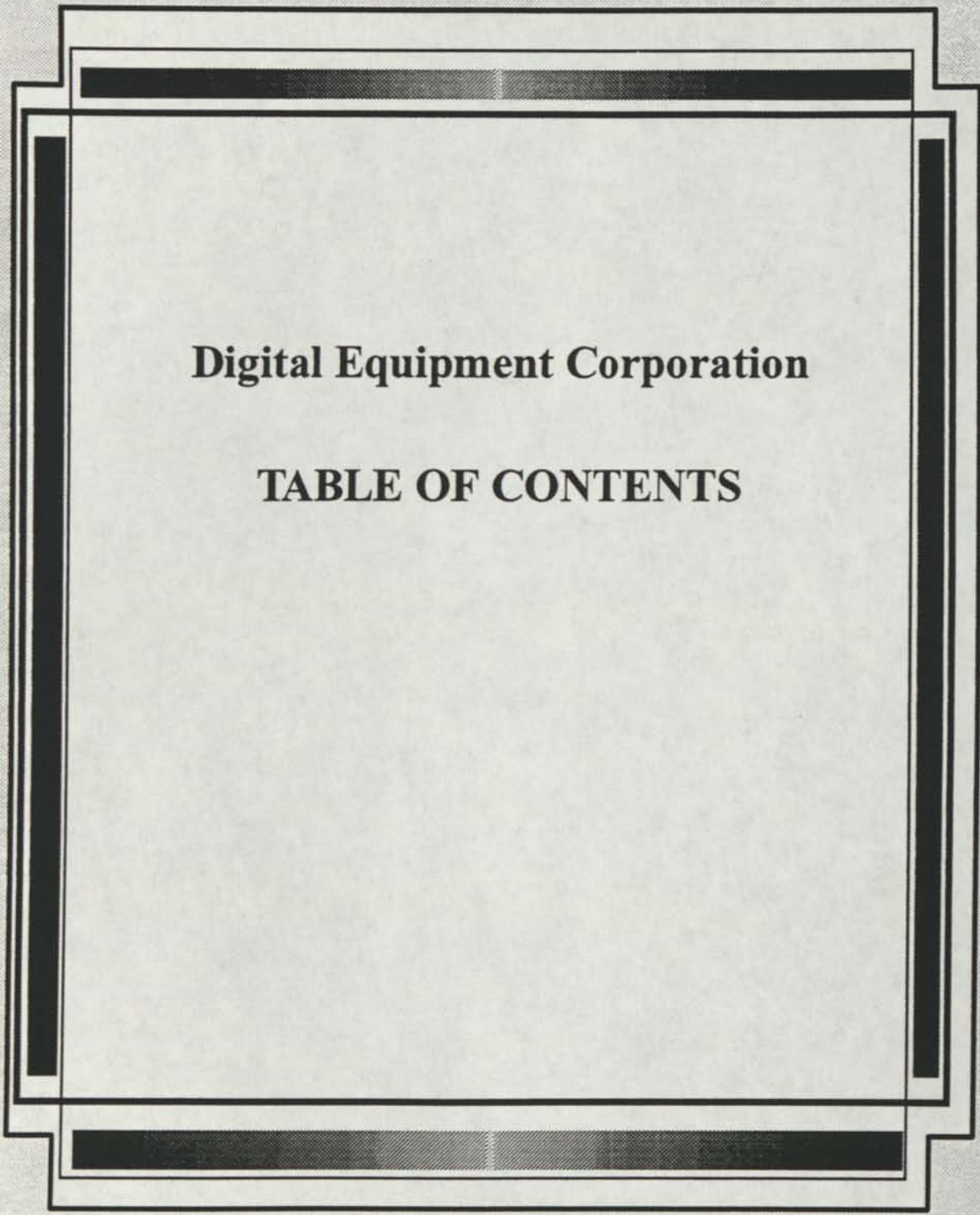
There are color overhead transparencies of the graphs in this package which may be borrowed from our library at any time. If you wish to borrow them, please contact me at DTN 223-1924 or E-mail at ASABET::MNICHOLAS. In order to insure timely delivery and availability of the information, we ask that you contact our office *at least forty-eight hours in advance.*

Regards,

**Corporate Shared Services Center
Quarterly Presentation Materials**

Q4, FY95 Distribution

DICK	ASHENFELTER	GEO	MARIAN	O'LEARY	MRO1-1/P1
TOM	BEAUDOIN	MRO1-2/S12	LEO	QUINN	OGO1-1/M18
JAN	BLANCKAERT	BRO	SHOAIB	QURAESHI	REO-F1
ZEEV	BOTVINIK	ISO	RON	RANA	GEO
CHUCK	BUSHEY	PKO3-1/A8	GEOFF	SACKMAN	MSO2-3/B17
RICH	BUTLER	OGO1-2/L17	DICK	SCARBOROUGH	OGO1-1/M11
TIM	BYE	MRO1-2/S11	RAY	SCHMALZ	MSO2-2/F19
MICHEL	CAVADINI	GEO	STEVEN	SMITH	OGO1-1/G17
JEFF	CLARKE	MSO2-2/G5	DAVE	SPRATT	MSO1-1/L9
BOB	COHEN	GEO	CHRIS	SULLIVAN	SHR3-2/W2
JAY	CONNOR	PKO3-1/16A	PIERRE	VANDENPLAS	BRO
STEPHEN	CRINNION	WRO2-2/T11	TONY	WAIN	MSO1-1/F14
MILLER	DONALDSON	GEO	PIET	WEIJERS	UTO
WALTER	ESCHLER	GEO			
BOB	FAULCONER	MSO1-1/L9	2 CCH	MSO2-2	
PAT	FITZGERALD	REO			
JIM	FLAYE	SNO			
SAM	FULLER	LJO2/D12			
DOUG	FULRATH	OGO1-1/R6			
TORBJORN	GEIJER	GEO			
IAN	HICKSON	GEO			
RICK	HILLS	MSO1-1/F2			
FRED	HOLLAND	MKO1-2/J13			
TEDDY	HOPSON	WRO2-1/R2			
BOB	HULT	MSO2-1/B17			
ILENE	JACOBS	MSO2-2/F17			
PHIL	KUEHNE	MRO1-2/S12			
KAREN	KUPFERBERG	MSO2-2/C22			
PHIL	LADDS	REO			
KEVIN	LANE	OGO1-2/L17			
JULIE	LORIGAN	MSO2-3/B17			
GEORGE	MATHIERS	UTO			
JAN	MCCARTHY	MPO1			
TOM	MCEACHIN	MSO1-1/L16			
HARRY	MCKNIGHT	GEO			
HARRY	MOLLOY	SHR3-1/E6			
BRENDA	MORRIS	MRO1-2/S12			
DAVE	MURRAY	MSO2-2/B25			
AMIT	NANAVATI	MSO2-3/B17			
JOHN	NIGGLE	OGO1-2/L17			
HENNING	NYGAARD	DMO			



Digital Equipment Corporation

TABLE OF CONTENTS

DIGITAL EQUIPMENT CORPORATION
Q4 & Full Year, FY95 Financial Results
TABLE OF CONTENTS

I. Q4 & FY, FY95 SUMMARY AND KEY MESSAGES

II. Q4, FY95 RESULTS

Profit & Loss Statement
- As Reported
- Excluding One-Time charges
Asset Summary
Balance Sheet
- Assets
- Liabilities & Equity
Cash Flow
Digital Business Model vs. Prior Quarter
Competitive Analysis

III. FY, FY95 RESULTS

Profit & Loss Statement
- As Reported
- Excluding One-Time charges
Asset Summary
Cash Flow
Competitive Analysis

IV. LATEST TEN QUARTER GRAPHS

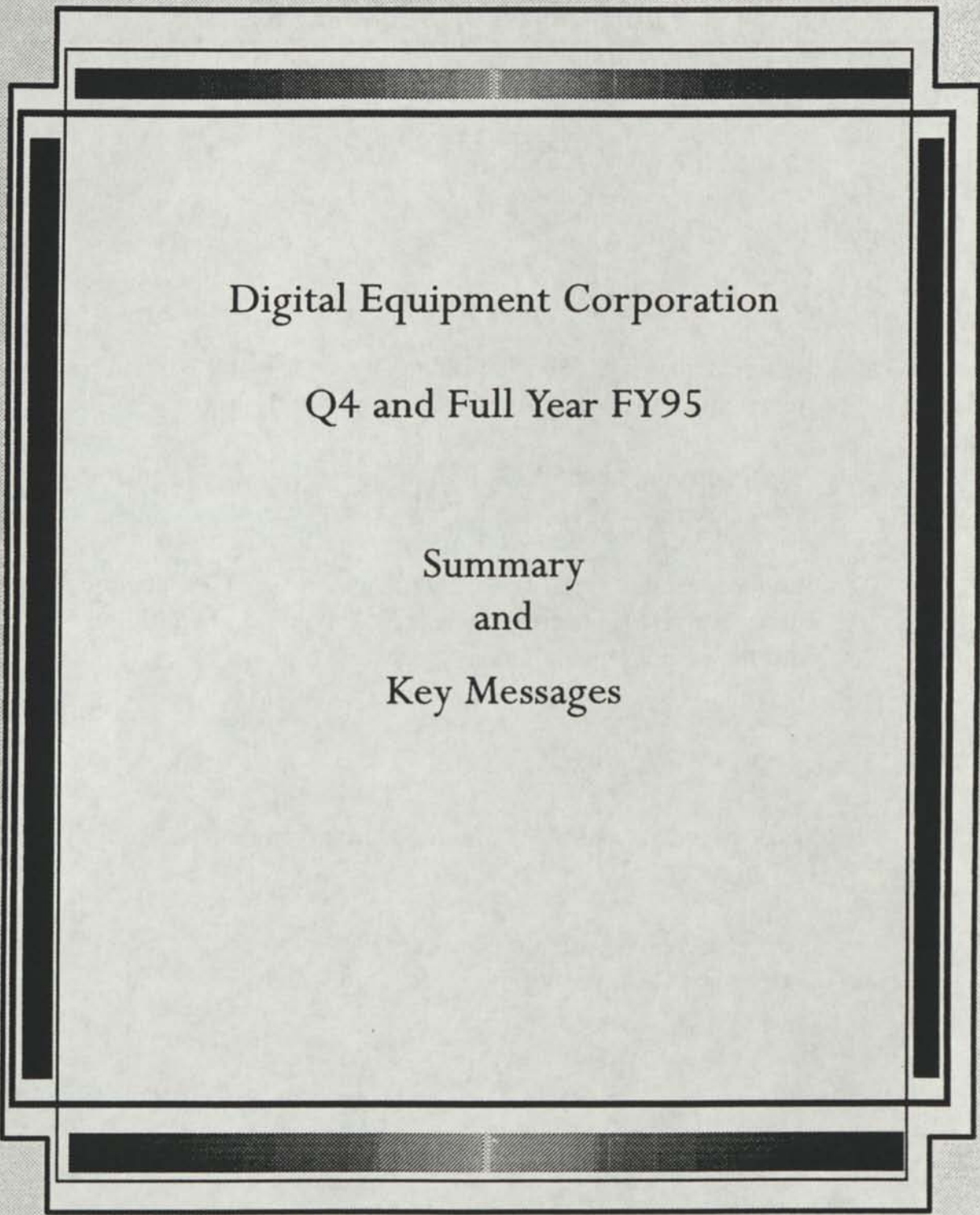
Revenue Growth by Segment
Revenue & Cost Growth
Research & Engineering Expense
Sales, General & Administrative Expense
Operating Profit Margin
Net Income
Return on Assets

IV. Latest Ten Quarter Graphs, continued

Return on Equity
Population Trends
Capital Spending
Cash & Long Term Debt
Inventory Turns
Days Sales Outstanding
Operating Assets
Competitor Comparisons
- Revenue Growth
- Operating Profit Margin

V. LATEST TEN YEAR GRAPHS

Revenue
Composition of Revenue
- Domestic & International
- Products & Services
Revenue Growth by Segment
Revenue & Gross Margin
Revenue & Cost Growth
Research & Engineering Expense
Sales, General & Administrative Expense
Operating Profit Margin
Total Costs
Net Income
Return on Assets
Return on Equity
Population
Average Revenue per Employee
Cash Flow from Operations
Cash & Long Term Debt
Capital Spending
Operating Assets
Days Sales Outstanding
Inventory Turns
Competitor Comparisons - Revenue Growth
Stock Price vs Book Value



Digital Equipment Corporation

Q4 and Full Year FY95

Summary
and
Key Messages

DIGITAL EQUIPMENT CORPORATION
Q4 & Full Year, FY95 Summary Results

REVENUE

Q4, FY95

- Total revenues were \$3.750 billion, an increase of 8% quarter-over-quarter and a (4)% decrease for year-over-year.
- Product revenues are \$2.132 billion, an increase of 9% quarter-over-quarter and a (4)% decrease year-over-year.
- Service revenues are \$1.618 billion, an increase of 7% quarter-over-quarter and a (5)% decrease compared with the \$1.698 billion reported in the same period last year.

Full Year, FY95

- Total revenues were \$13.813 billion, an increase of 3% versus FY94.
- Product revenues increased 6% over FY94.
 - Alpha and PC revenues increased significantly.
- Service revenues, down (1)% versus FY94.

Digital Equipment Corporation
Q4 and FY, FY95 Summary Results - continued

GROSS MARGIN - Q4 & FY, FY95

- Gross Margin for the quarter was 32.4% , a slight improvement quarter-over-quarter and an increase of 2.5 points versus Q4, FY94.
Full Year Gross Margin of 32.0% was down (1.7) points vs. FY94.
- Product Gross Margin for the quarter was 31.2%, an increase of 2.5 points versus the prior quarter.
Full Year Product Gross Margin of 29.1% is down (1.8) points from FY94.
- Services Gross Margin for the quarter is 34.0%, a decrease of (2.7) points over prior quarter.
Full Year Services Gross Margin of 35.5% is down (1.5) points from FY94.

Digital Equipment Corporation
Q4 & FY, FY95 Summary Results - continued

EXPENSES

FY95

- Total operating expenses for the year decreased 19% to \$4.313 billion from \$5.329 billion the prior year.
- R&E spending improved 20% year-over-year.
- SG&A spending improved 12% year-over-year.

Digital Equipment Corporation
Q4 & FY, FY95 Summary Results - continued

PROFIT

Q4, FY95

- Q4, FY95 was profitable with a net income of \$160 million, or \$1.01 per common share -- compared with a net loss of (\$160) million, or \$(1.22) per common share, for Q4, FY94.
- Profit Margins increased quarter-over-quarter and year-over-year.

Full Year, FY95

- For the first time in five fiscal years, Digital has reported Net Income for the year.

FY95 was profitable with a net income of \$122 million, or \$.59 per common share, compared with a net loss of \$(519) million, or \$(3.86) per common share, for FY94 (excluding restructuring and One-time charges).

Digital Equipment Corporation
Q4 & FY, FY95 Summary Results - continued

BALANCE SHEET

- A strong Cash position continued with an increase of \$421 million, or 36%, compared with a year ago.
- DSO increased by one day year-over-year.
- Total Capital spending was \$317 million lower than FY94.

Digital Equipment Corporation
Q4 & FY, FY95 Summary Results - continued

RESTRUCTURING/POPULATION - Q4 & FY, FY95

- Total Regular population is approximately 61,700, a decline of approximately 21% from Q4, FY94.
- Since the inception of the restructuring program, about 55,300 reductions resulted in annual savings of approximately \$3,035 million.
- Reduction in facilities and equipment also continued.

Digital Equipment Corporation

Q4, FY95

Results

Q4, FY95 RESULTS
Compared with Q4, FY94
(\$Mils)
As Reported

	Q4, FY95	Percent Growth
	<u>Actual</u>	<u>Over Q4, FY94</u>
Product Revenue	\$ 2,132	(4.2) %
Service Revenue	1,618	(4.8) %
Total Revenue	\$ 3,750	(4.4) %
Gross Margin	\$ 1,215	3.5 %
<i>% of Revenue</i>	32.4 %	2.5 pts
Research & Engineering	\$ 253	(25.4) %
<i>% of Revenue</i>	6.7 %	(1.9) pts
Selling, General & Administrative	\$ 790	(38.9) %
<i>% of Revenue</i>	21.1 %	(11.9) pts
Operating Income	\$ 173	NM
<i>% of Revenue</i>	4.6 %	47.0 pts
Net Interest (Income)/Expense	\$ 8	(25.6) %
Profit Before Taxes	165	NM
Income Taxes	5	(93.0) %
Net Income	\$ 160	NM
EPS	\$ 1.01	NM

Q4, FY95 RESULTS
Compared with Q4, FY94
(\$Mils)
- Excluding One-time Charges -

	<u>Q4, FY95</u> <u>Actual</u>	<u>Percent Growth</u> <u>Over Q4, FY94</u>
Product Revenue	\$ 2,132	(4.2) %
Service Revenue	1,618	(4.8) %
Total Revenue	\$ 3,750	(4.4) %
Gross Margin	\$ 1,215	3.5 %
<i>% of Revenue</i>	32.4 %	2.5 pts
Research & Engineering	\$ 253	(25.4) %
<i>% of Revenue</i>	6.7 %	(1.9) pts
Selling, General & Administrative	\$ 790	(19.6) %
<i>% of Revenue</i>	21.1 %	(4.0) pts
Operating Income	\$ 173	NM
<i>% of Revenue</i>	4.6 %	8.3 pts
Net Interest (Income)/Expense	\$ 8	25.6 %
Profit Before Taxes	165	NM
Income Taxes	5	38.5 %
Net Income	\$ 160	NM
EPS	\$ 1.01	NM

**Q4, FY95 RESULTS
ASSET SUMMARY
(\$Mils)**

	<u>Q4, FY95</u>	<u>Q4, FY94</u>
Cash Balance	\$ 1,602	\$ 1,181
Accounts Receivable DSO	\$ 3,219 77 Days	\$ 3,319 76 Days
Net Inventory Inventory Turns	\$ 2,054 4.9 x	\$ 2,064 5.2 x
Capital Spending PP&E Turns	\$ 101 6.2 x	\$ 168 5.0 x

Q4, FY95 RESULTS
TOTAL ASSETS
(\$Mils)

	Balance as of	
	<u>Q4, FY95</u>	<u>Q4, FY94</u>
Cash	\$ 1,602	\$ 1,181
Accounts Receivable	3,219	3,319
Net Inventory	2,054	2,064
Prepaid Expenses	317	302
Current Deferred Taxes	<u>80</u>	<u>22</u>
<i>Current Assets</i>	\$ 7,272	\$ 6,888
Property, Plant & Equipment	\$ 5,476	\$ 7,021
Accumulated Depreciation	<u>3,207</u>	<u>3,891</u>
<i>Net Property, Plant & Equipment</i>	\$ 2,269	\$ 3,129
Non-Current Deferred Taxes	\$ 76	\$ 115
Other Assets	\$ <u>331</u>	\$ <u>447</u>
TOTAL ASSETS	\$ 9,947	\$ 10,580

Q4, FY95 RESULTS
LIABILITIES & EQUITY
(\$Mils)

	Balance as of	
	<u>Q4, FY95</u>	<u>Q4, FY94</u>
Loans & Current Debt	\$ 14	\$ 33
Accounts Payable	1,113	1,197
Taxes	77	21
Salaries & Wages	562	620
Deferred Revenue	1,232	1,240
Restructuring Reserve	492	1,351
Other Current Liabilities	<u>755</u>	<u>595</u>
<i>Current Liabilities</i>	\$ 4,246	\$ 5,056
Non-Current Deferred Tax	\$ 0	\$ 5
Long Term Debt	1,013	1,011
Post Retirement Benefits	<u>1,160</u>	<u>1,228</u>
TOTAL LIABILITIES	\$ 6,419	\$ 7,300
Stockholders' Equity	\$ <u>3,528</u>	\$ <u>3,280</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ <u>9,947</u>	\$ <u>10,580</u>

Q4, FY95 RESULTS

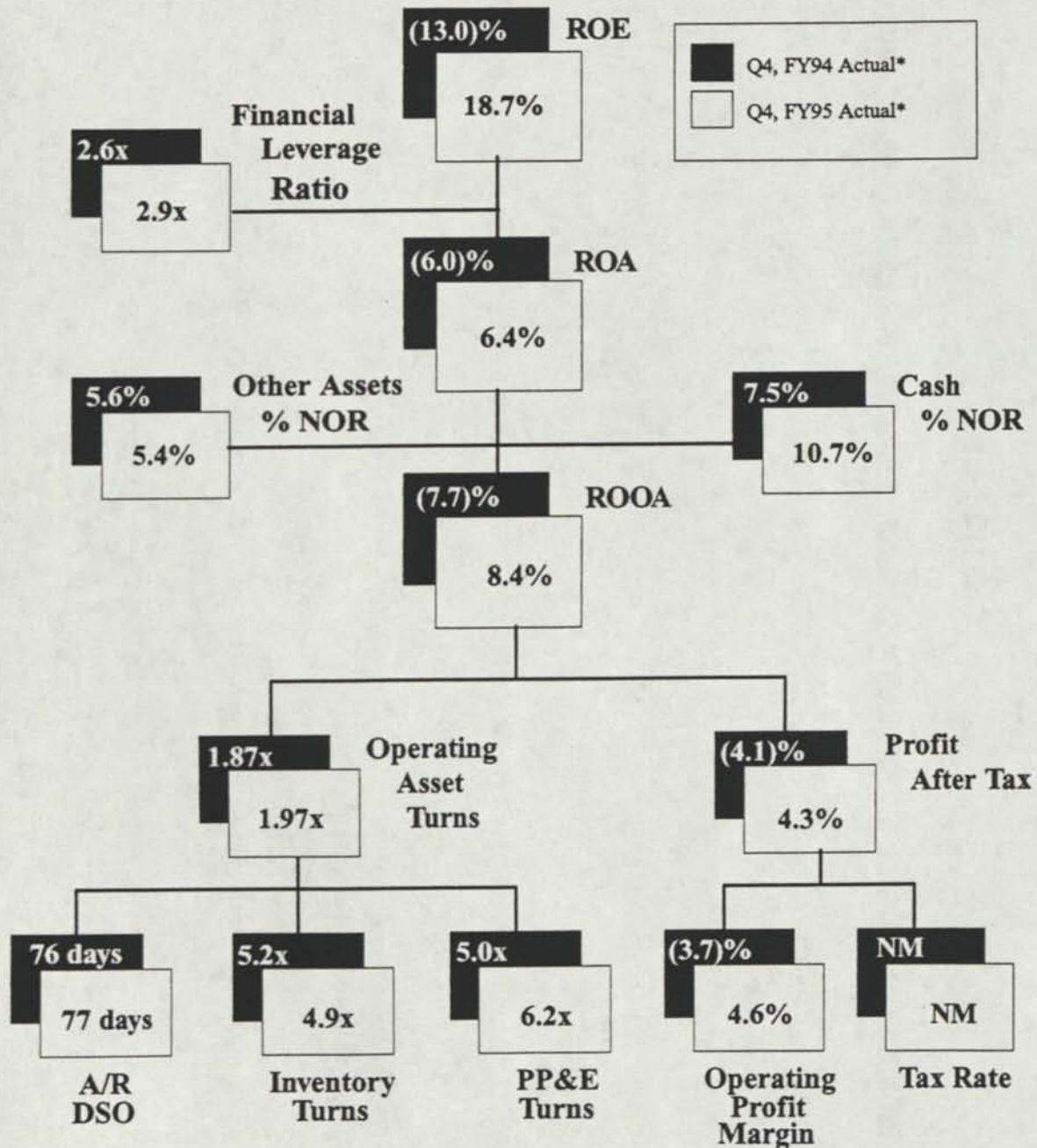
CASH FLOW

(\$Mils)

	<u>Q4, FY95</u>	<u>Q3, FY95</u>	<u>Q4, FY94</u>
Beginning Cash	\$ 1,465	\$ 1,132	\$ 1,264
Net Income	\$ 160	\$ 74	\$ (1,746)
Depreciation & Amortization	137	139	158
Other Adjustments to Net Income	22	(3)	289
Receivables	(137)	(166)	(394)
Inventories	20	(15)	101
Restructuring	(202)	(195)	1,120
Other Working Capital	(34)	488	463
TOTAL FROM OPERATING	\$ (34)	\$ 323	\$ (9)
Capital Spending	\$ (101)	\$ (83)	\$ (168)
Proceeds from Disp. of PP&E	70	28	21
Investment in Other Assets	(7)	(18)	(3)
Proceeds from Disp. Other Assets	136	82	0
TOTAL FROM INVESTING	\$ 99	\$ 10	\$ (150)
Proceeds from the Issuance of Debt	\$ 4	\$ 9	\$ 10
Debt	(3)	(2)	5
Employee Stock Plans	79	2	63
Dividend	(2)	(2)	(2)
TOTAL FROM FINANCING	\$ 71	\$ 0	\$ 76
TOTAL CHANGE	\$ 137	\$ 333	\$ (83)
Ending Cash	\$ 1,602	\$ 1,465	\$ 1,181

Digital Business Model

Q4, FY95 Actual *



*Excludes one-time charges.

COMPETITOR RESULTS
For Quarter Ended June, 1995
(Adjusted for One-time charges)

	Year/Year Revenue (% Change)	Gross Margin (% Revenue)	Operating Profit (% Revenue)	Net Income (% Revenue)
Digital	(4) %	32 %	5 %	4 %
IBM	14	44	16	10
Hewlett-Packard**	19	37	12	8
Apple (a)	20	28	6	4
Stratus	(3)	48	4	4
Compaq	40	24	11	7
Sun Microsystems	18	44	11	8
Dell Computer**	48	21	8	5
Intel	41	54	34	23
Novell**	30	77	24	18
3Com***	67	54	19	12
Microsoft	25	86	33	23
CA	21	100	24	15
EMC	41	53	28	18
EDS	28 %	24 %	12 %	8 %

* Quarter ended March 1994

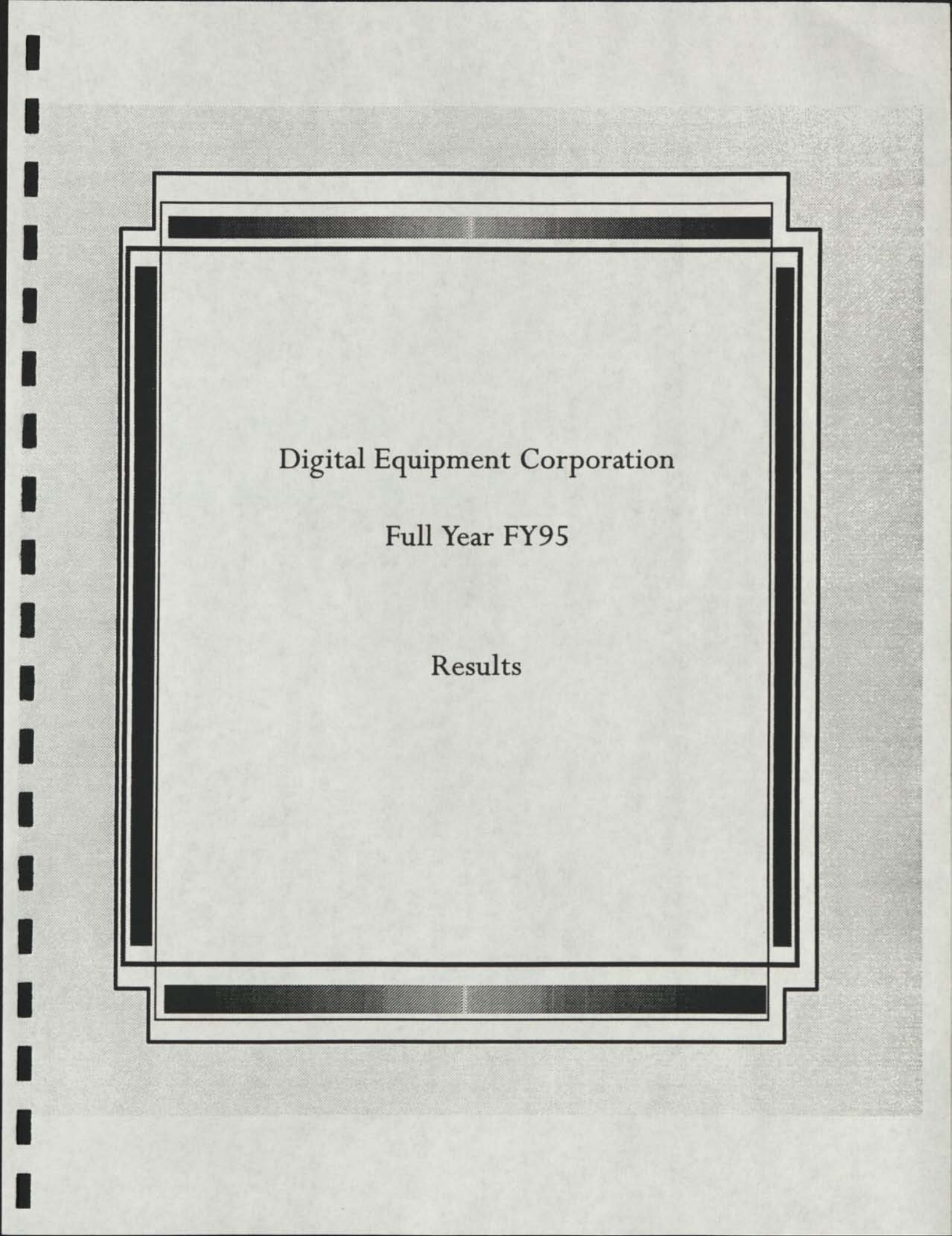
** Quarter ended April 1995

*** Quarter ended May 1995

Corp SSC:mvstQ495.slw

a. Operating Profit adjusted for one-time charges;
 Because of tax implications Net Income includes one-time charges.

8-Aug-95



Digital Equipment Corporation

Full Year FY95

Results

FY95 RESULTS
Compared with FY94
(\$Mils)
As Reported

	FY95 <u>Actual</u>	Percent Growth <u>Over FY94</u>
Product Revenue	\$ 7,616	5.9 %
Service Revenue	6,197	(1.0) %
Total Revenue	\$ 13,813	2.7 %
Gross Margin	\$ 4,421	(2.6) %
<i>% of Revenue</i>	32.0 %	(1.7) pts
Research & Engineering	\$ 1,040	(20.1) %
<i>% of Revenue</i>	7.5 %	(2.1) pts
Selling, General & Administrative	\$ 3,273	(18.7) %
<i>% of Revenue</i>	23.7 %	(6.2) pts
Operating Income	\$ 108	NM
<i>% of Revenue</i>	0.8 %	15.6 pts
Net Interest (Income)/Expense	\$ 33	36.9 %
Profit Before Taxes	76	NM
Income Taxes	18	NM
Net Income	\$ 122	NM
EPS	\$ 0.59	NM

FY95 RESULTS
Compared with FY94
(\$Mils)
- Excluding One-time Charges -

	FY95	Percent Growth
	<u>Actual</u>	<u>Over FY94</u>
Product Revenue	\$ 7,616	5.9 %
Service Revenue	6,197	(1.0) %
Total Revenue	\$ 13,813	2.7 %
Gross Margin	\$ 4,421	(2.6) %
<i>% of Revenue</i>	32.0 %	(1.7) pts
Research & Engineering	\$ 1,040	(20.1) %
<i>% of Revenue</i>	7.5 %	(2.1) pts
Selling, General & Administrative	\$ 3,273	(12.0) %
<i>% of Revenue</i>	23.7 %	(3.9) pts
Operating Income	\$ 108	NM
<i>% of Revenue</i>	0.8 %	4.4 pts
Net Interest (Income)/Expense	\$ 33	36.9 %
Profit Before Taxes	76	NM
Income Taxes	18	21.9 %
Net Income	\$ 57	NM
EPS	\$ 0.15	NM

**FY95 RESULTS
ASSET SUMMARY
(\$Mils)**



	<u>FY95</u>	<u>FY94</u>
Cash Balance	\$ 1,602	\$ 1,181
Accounts Receivable DSO	\$ 3,219 77 Days	\$ 3,319 76 Days
Net Inventory Inventory Turns	\$ 2,054 4.6 x	\$ 2,064 4.7 x
Capital Spending PP&E Turns	\$ 366 5.1 x	\$ 682 4.3 x

FY95 RESULTS
CASH FLOW
(\$Mils)

	FY95	FY94
Beginning Cash	\$ 1,181	\$ 1,643
Net Income	\$ 122	\$ (2,156)
Depreciation & Amortization	576	681
Other Adj. to Net Income	(92)	394
Receivables	43	(299)
Inventories	(272)	(309)
Restructuring	(859)	612
Other Working Capital	135	702
TOTAL FROM OPERATING	\$ (348)	\$ (375)
Capital Spending	\$ (366)	\$ (682)
Proceeds from Disp. of PP&E	209	97
Investment in Other Assets	(38)	(64)
Proceeds from Disp. Other Assets	<u>863</u>	<u>24</u>
TOTAL FROM INVESTING	\$ 669	\$ (626)
Proceeds from the Issuance of Debt	\$ 13	\$ 23
Debt	(29)	(19)
Employee Stock Plans	152	537
Dividend	<u>(36)</u>	<u>(2)</u>
TOTAL FROM FINANCING	\$ 100	\$ 538
TOTAL CHANGE	\$ 421	\$ (462)
Ending Cash	\$ 1,602	\$ 1,181

COMPETITOR RESULTS
For Four Quarters Ending June, 1995
(Adjusted for One-time charges)

	Revenue (% Change)	Gross Margin (% Revenue)	Operating Profit (% Revenue)	Net Income (% Revenue)
Digital	3 %	32 %	1 %	1 %
IBM	9	42	12	7
Hewlett-Packard**	23	38	11	7
Apple (a)	19	28	7	5
Stratus	2	54	9	8
Compaq	44	24	11	7
Sun Microsystems	26	42	9	6
Dell Computer**	30	21	7	5
Intel	35	51	30	21
Novell**a	54	77	22	10
3Com***	57	54	15	10
Microsoft	28	85	34	25
CA	24	100	36	22
EMC	60	52	26	18
EDS	25 %	24 %	12 %	8 %

* Quarter ended March 1994

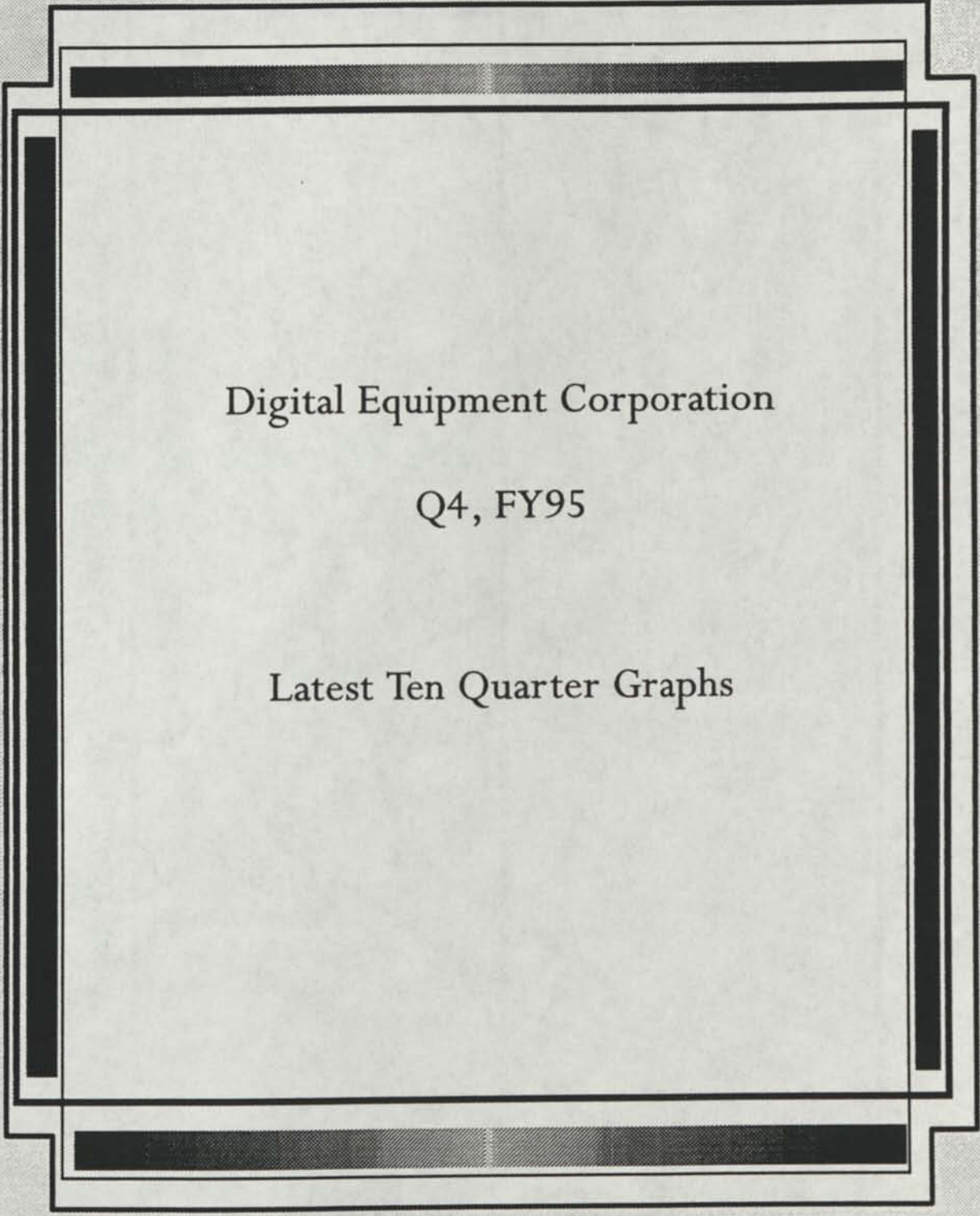
** Quarter ended April 1995

*** Quarter ended May 1995

Corp SSC:mn\res\Q495.xlw

a. Operating Profit adjusted for one-time charges;
 Because of tax implications Net Income includes one-time charges.

8-Aug-95

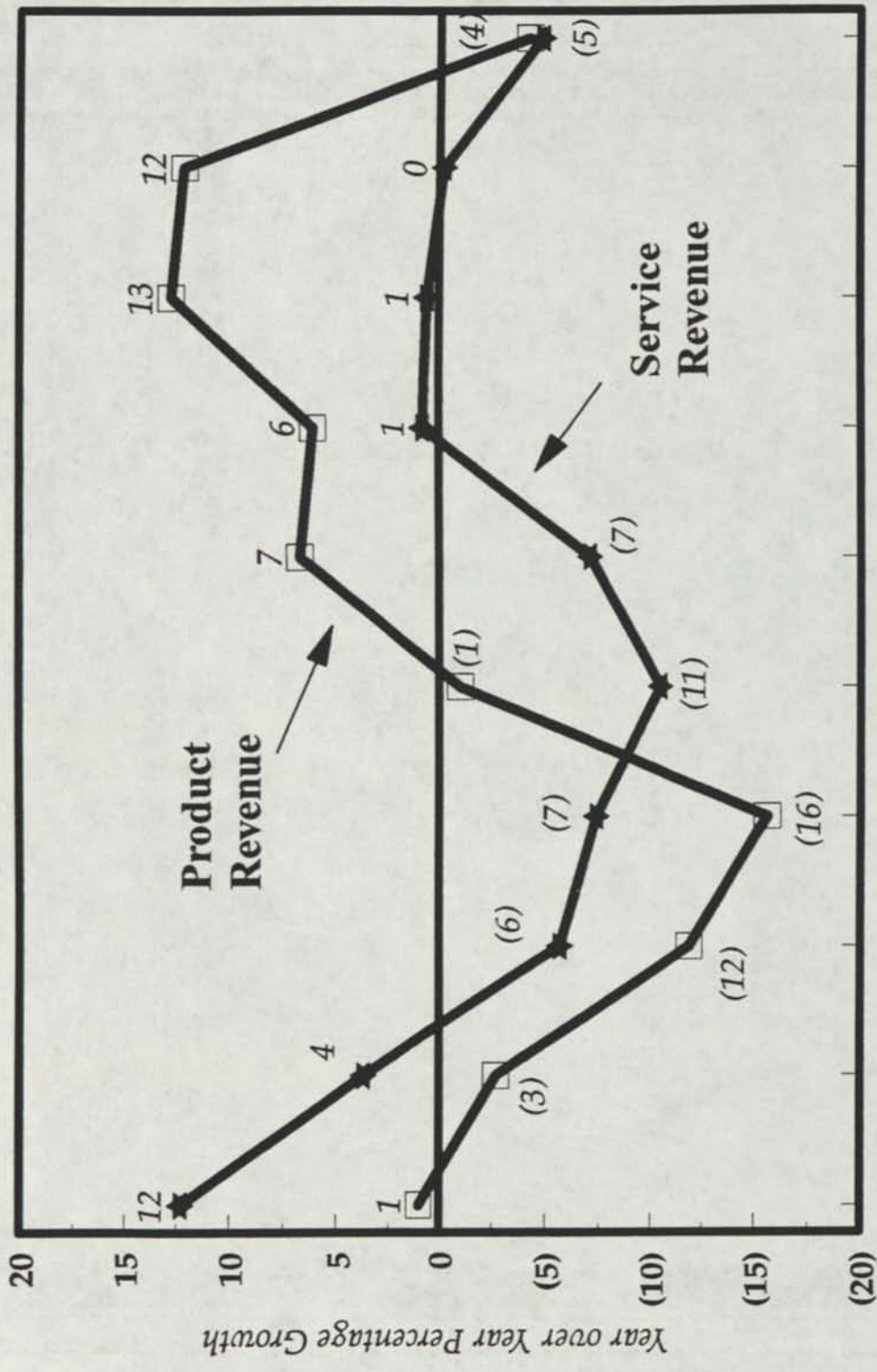


Digital Equipment Corporation

Q4, FY95

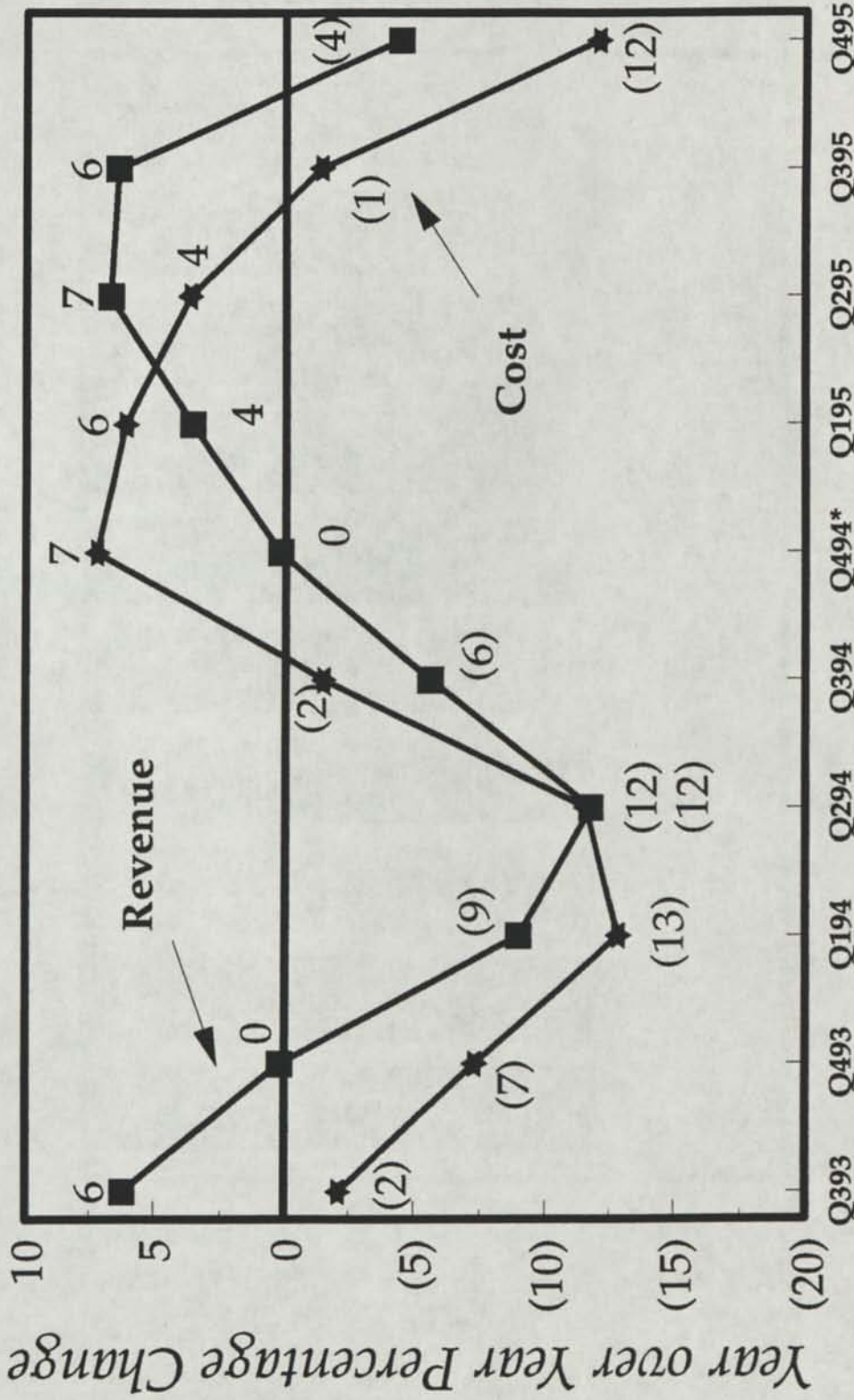
Latest Ten Quarter Graphs

REVENUE GROWTH BY SEGMENT



Year	Total Revenue Growth (%)
Q393	6.2%
Q493	0.2%
Q194	(9.0)%
Q294	(12.0)%
Q394	(5.6)%
Q494	0.2%
Q195	3.6%
Q295	6.7%
Q395	6.4%
Q495	(4.4)%

REVENUE & COST GROWTH



Fiscal Year

Operating Profit Margin

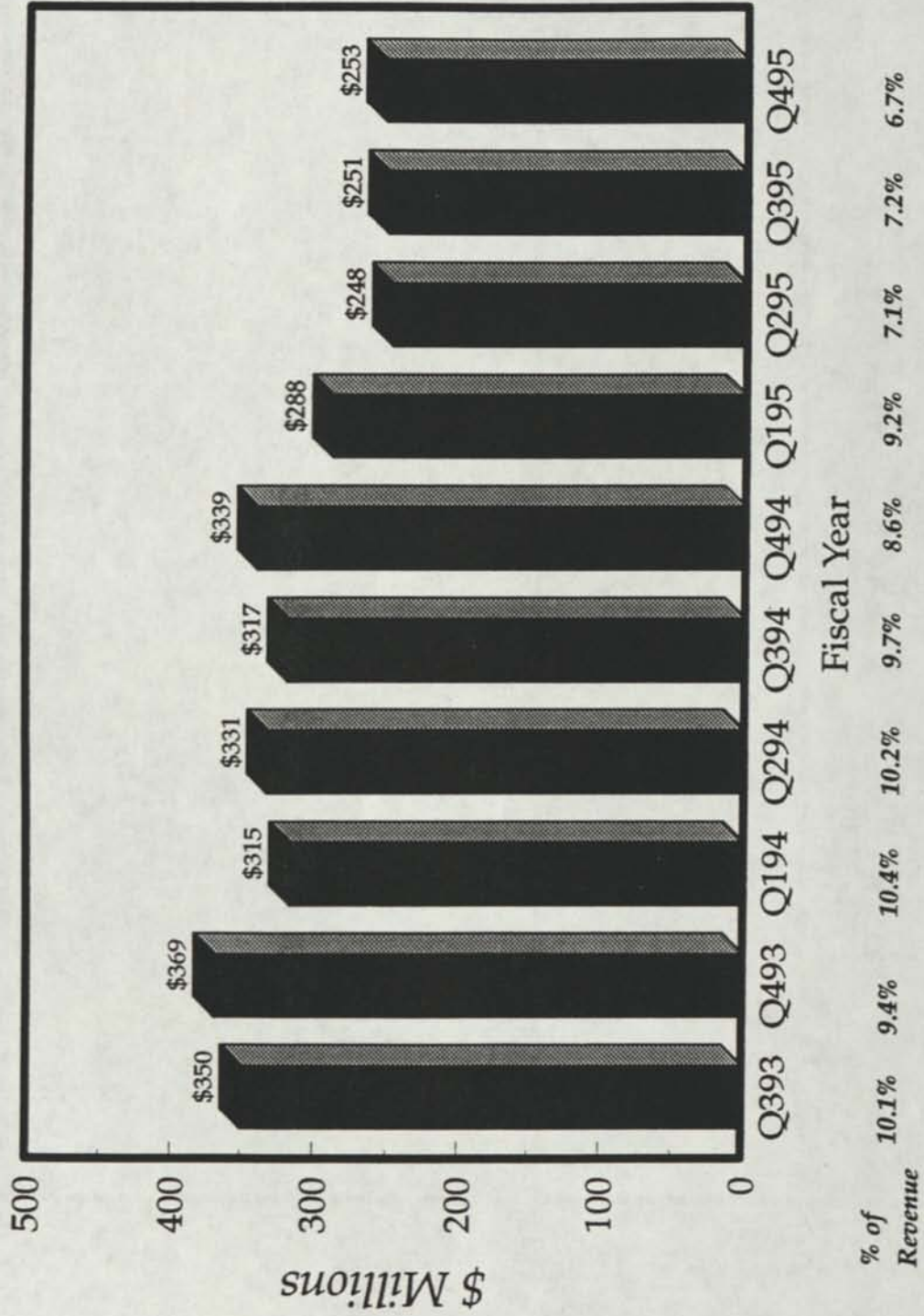
As Reported

* Excludes restructuring and one-time charges.

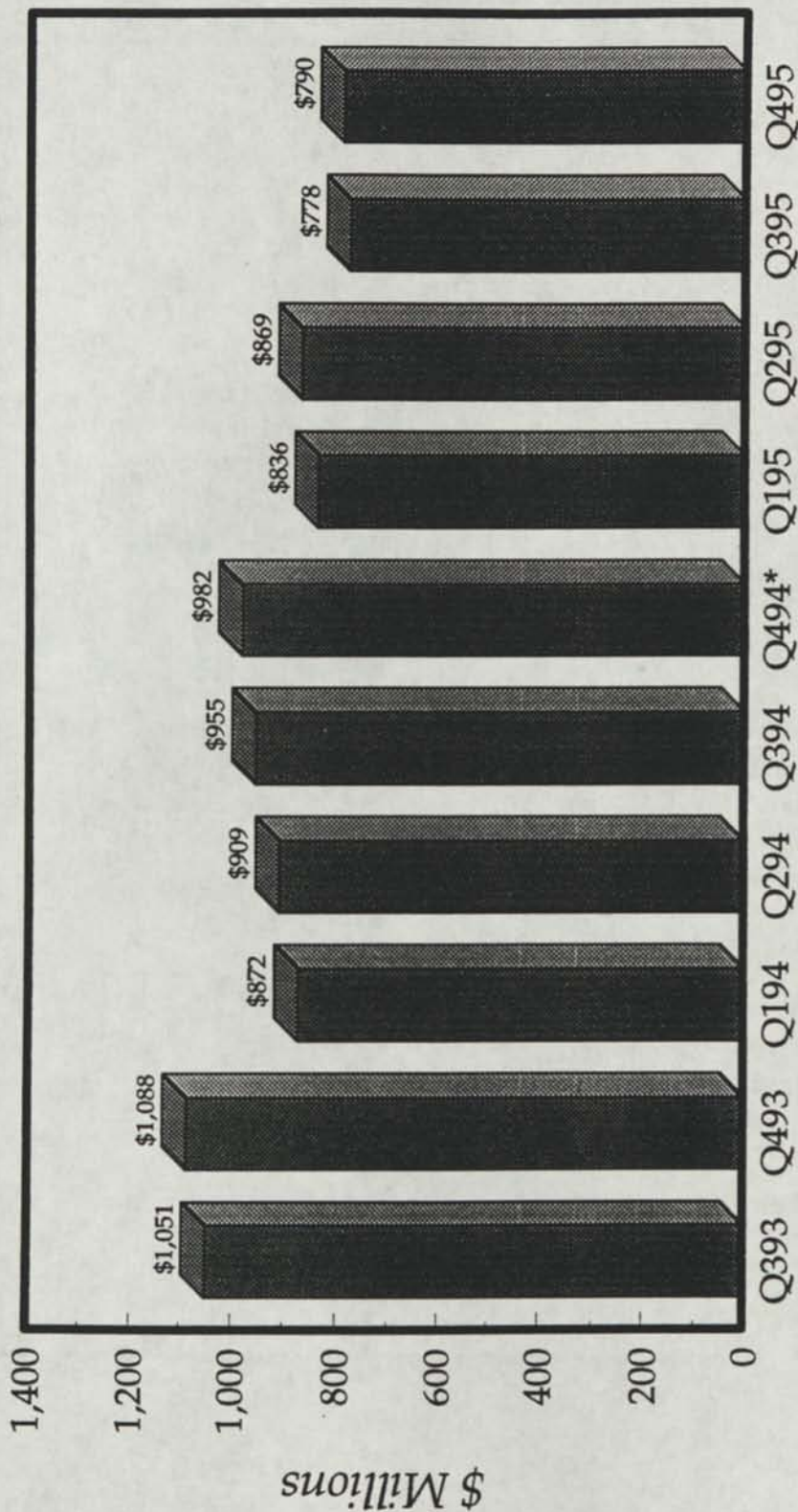
(42.4)%

(0.8)% 3.0% (3.2)% (2.0)% (5.2)% (3.7)% (5.8)% 0.9% 2.5% 4.6%

RESEARCH & ENGINEERING EXPENSE



SALES, GENERAL & ADMINISTRATIVE EXPENSE

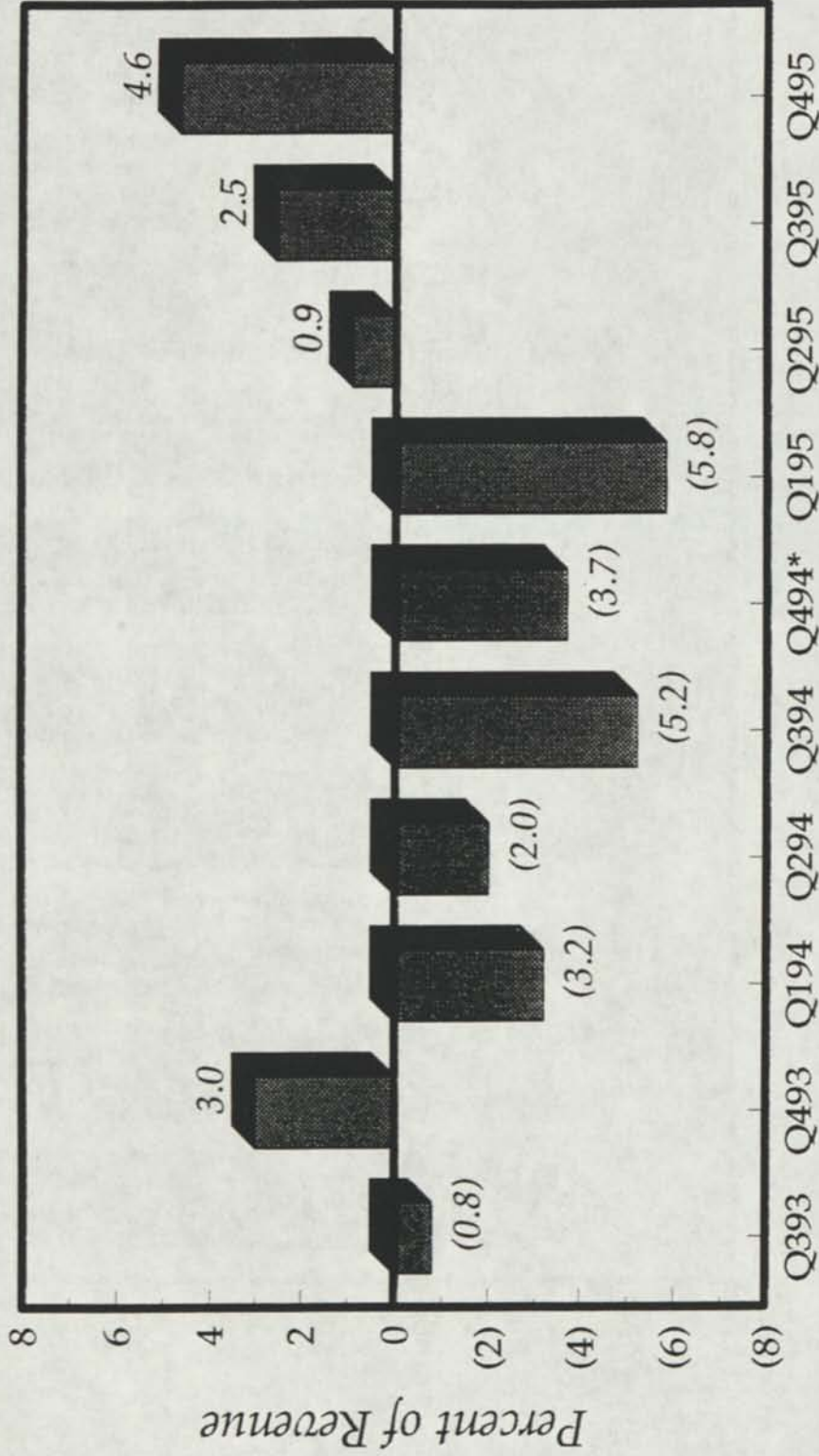


Fiscal Year

32.9%

* Excludes restructuring and one-time charges.

OPERATING PROFIT MARGIN



(\$Mils)

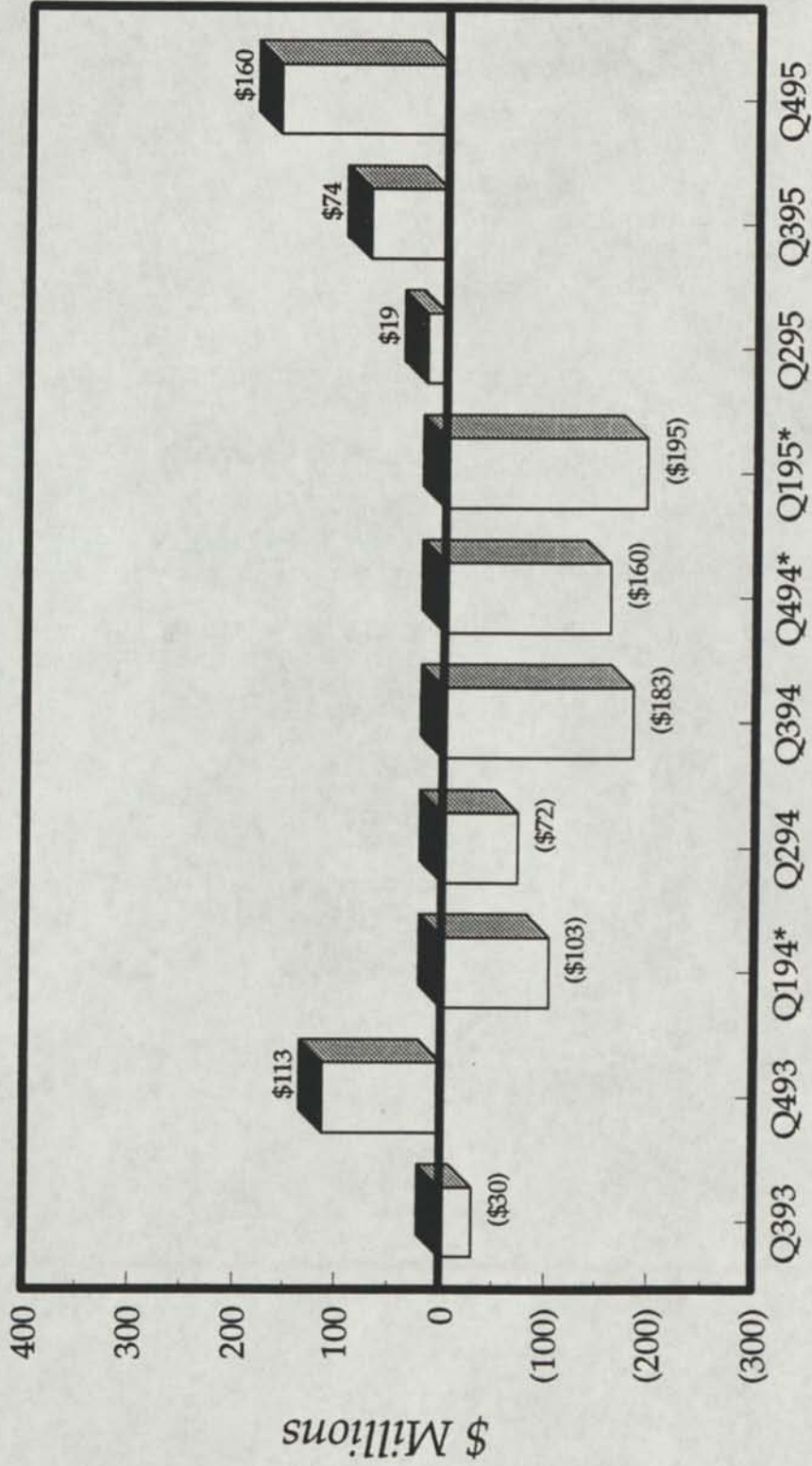
Operating Profit As Reported

As Reported

As Reported

*Excludes restructuring and one-time charges.

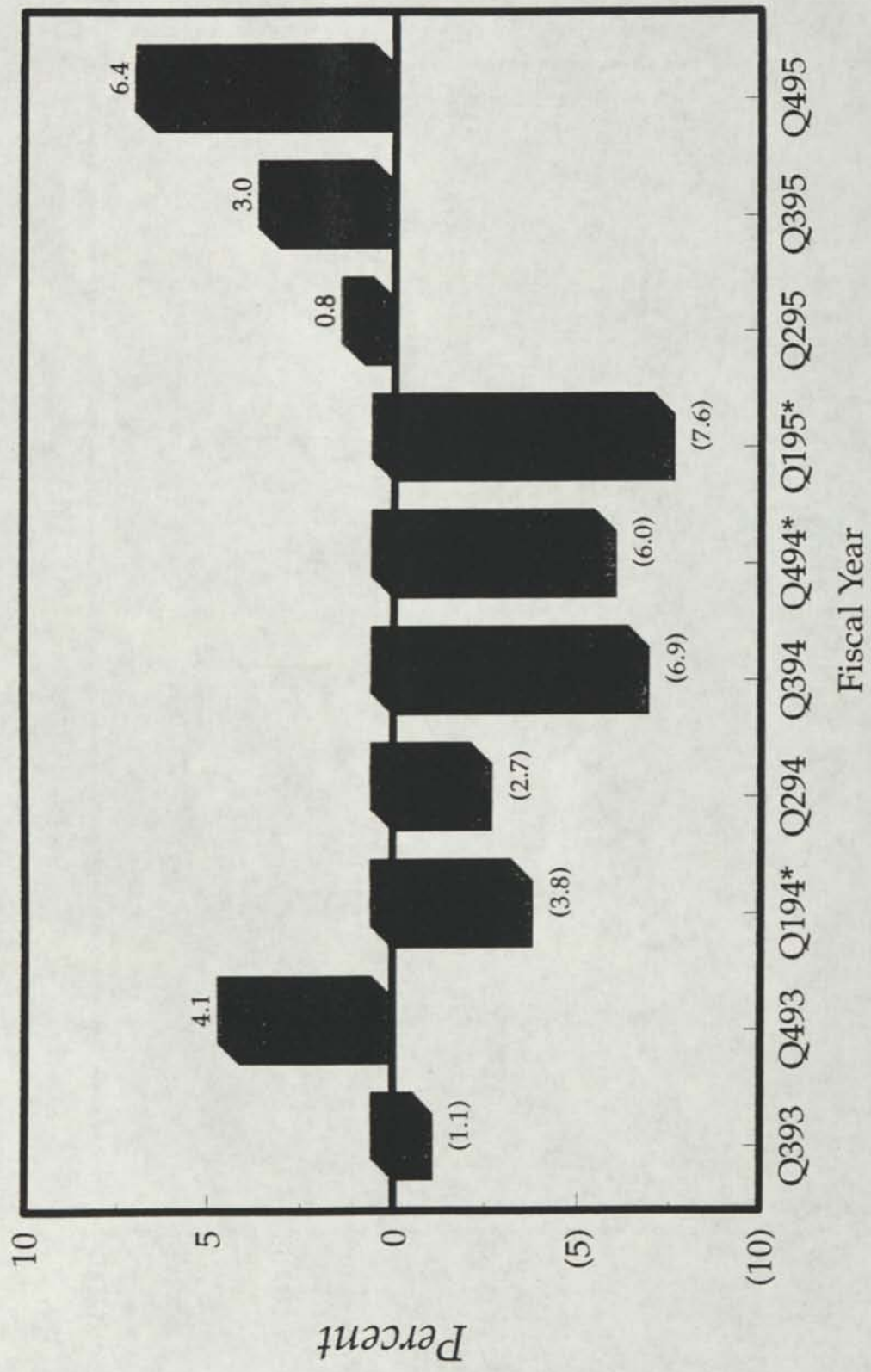
NET INCOME



As Reported (\$154) Fiscal Year (\$1,746) (\$131)

* Excludes restructuring and one-time charges.

RETURN ON ASSETS

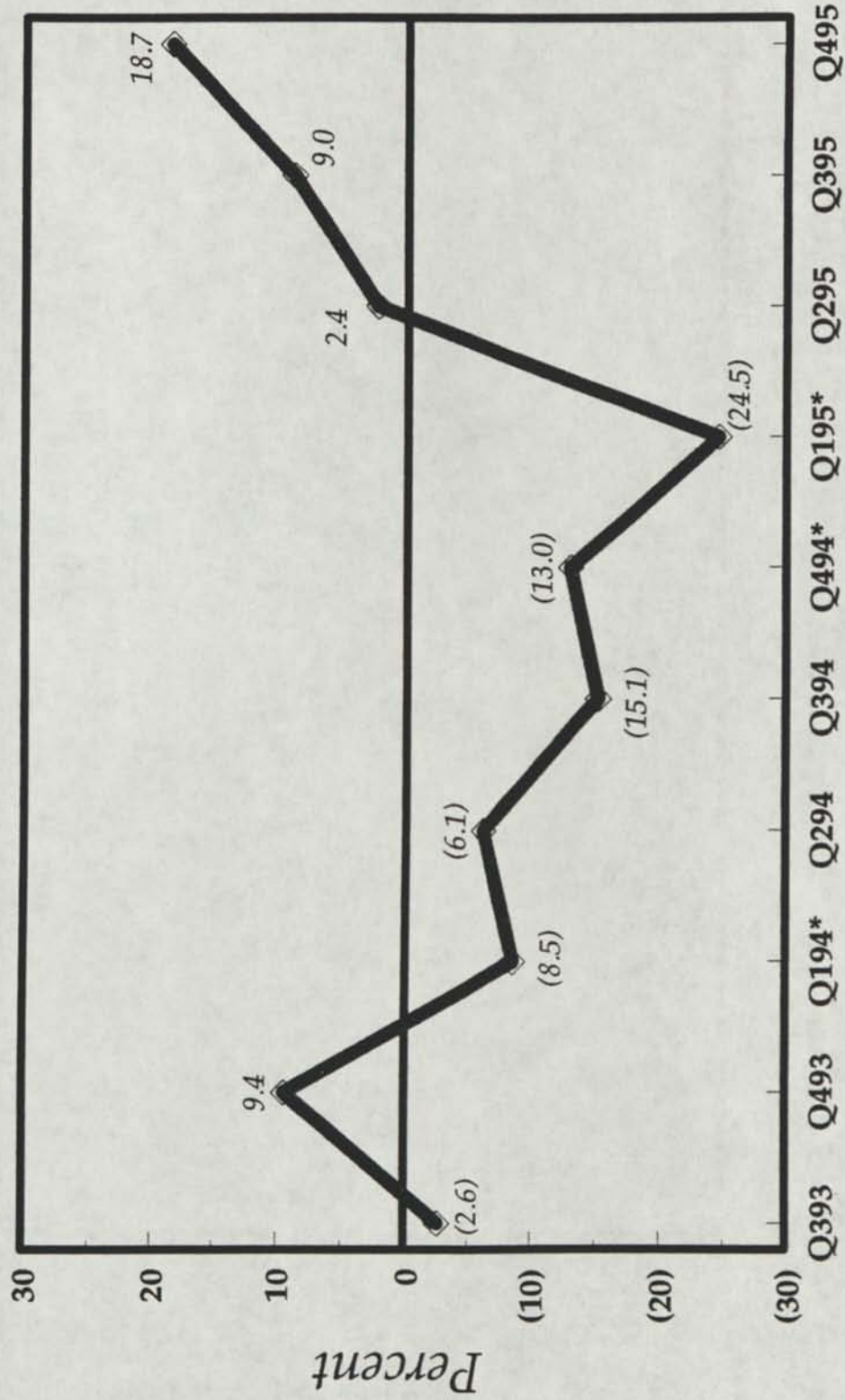


As Reported (5.7)%

(65.4)% (5.1)%

* Excludes restructuring and one-time charges.

RETURN ON EQUITY



AsReported

(12.8)%

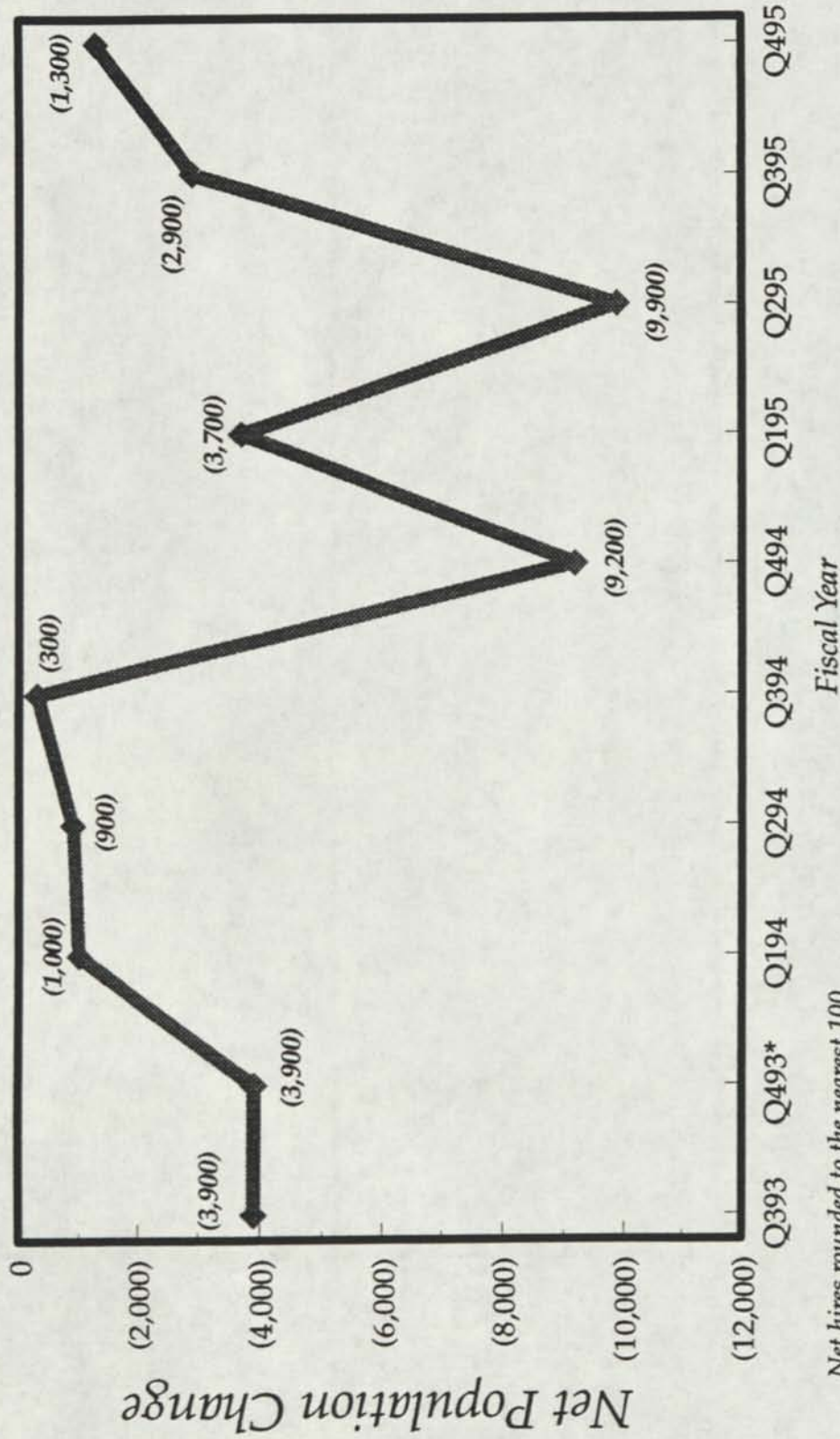
(169.4)%

(16.3)%

* Excludes restructuring and one-time charges.

Digital Equipment Corporation

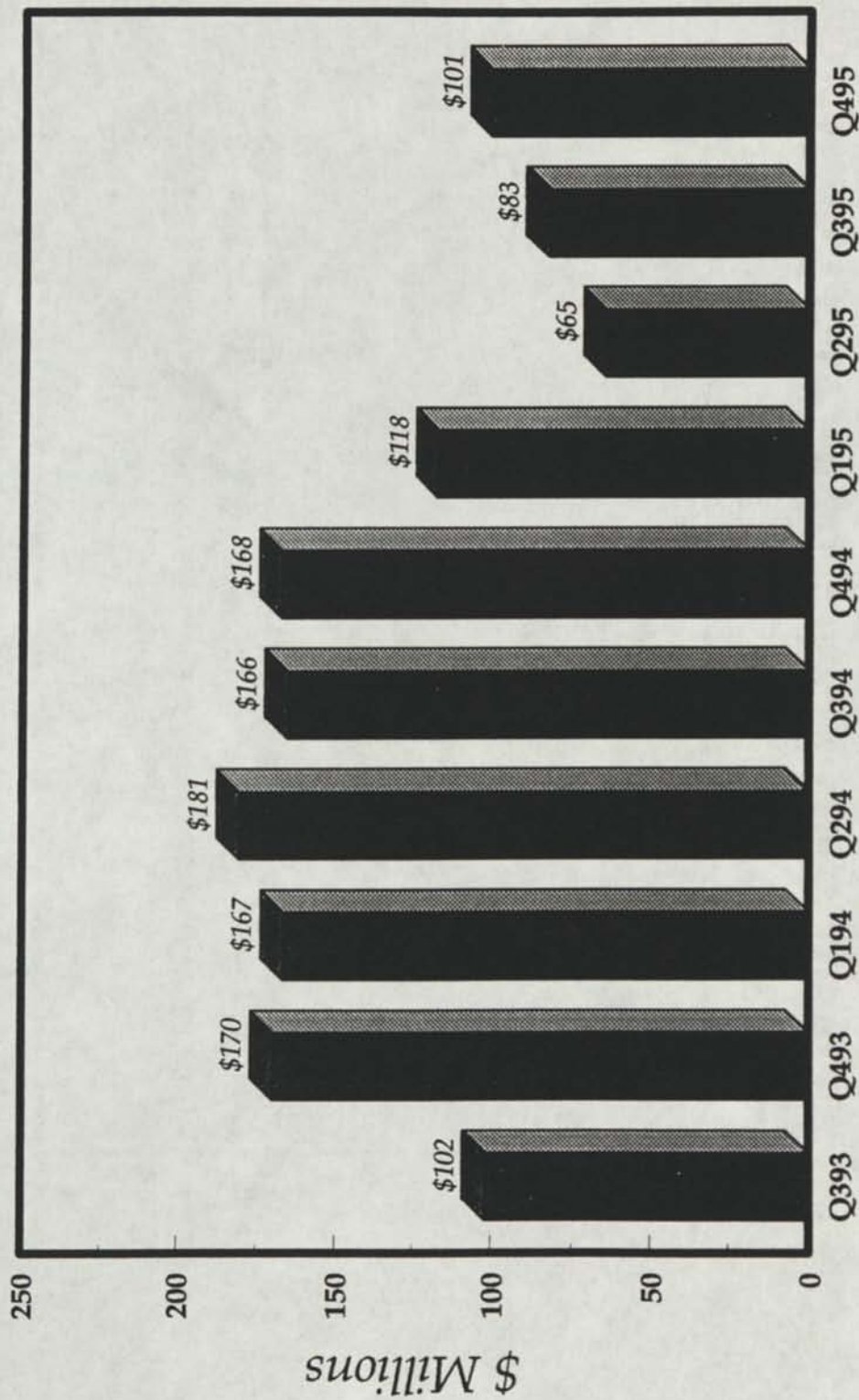
POPULATION TRENDS - NET HIRES



Net hires rounded to the nearest 100

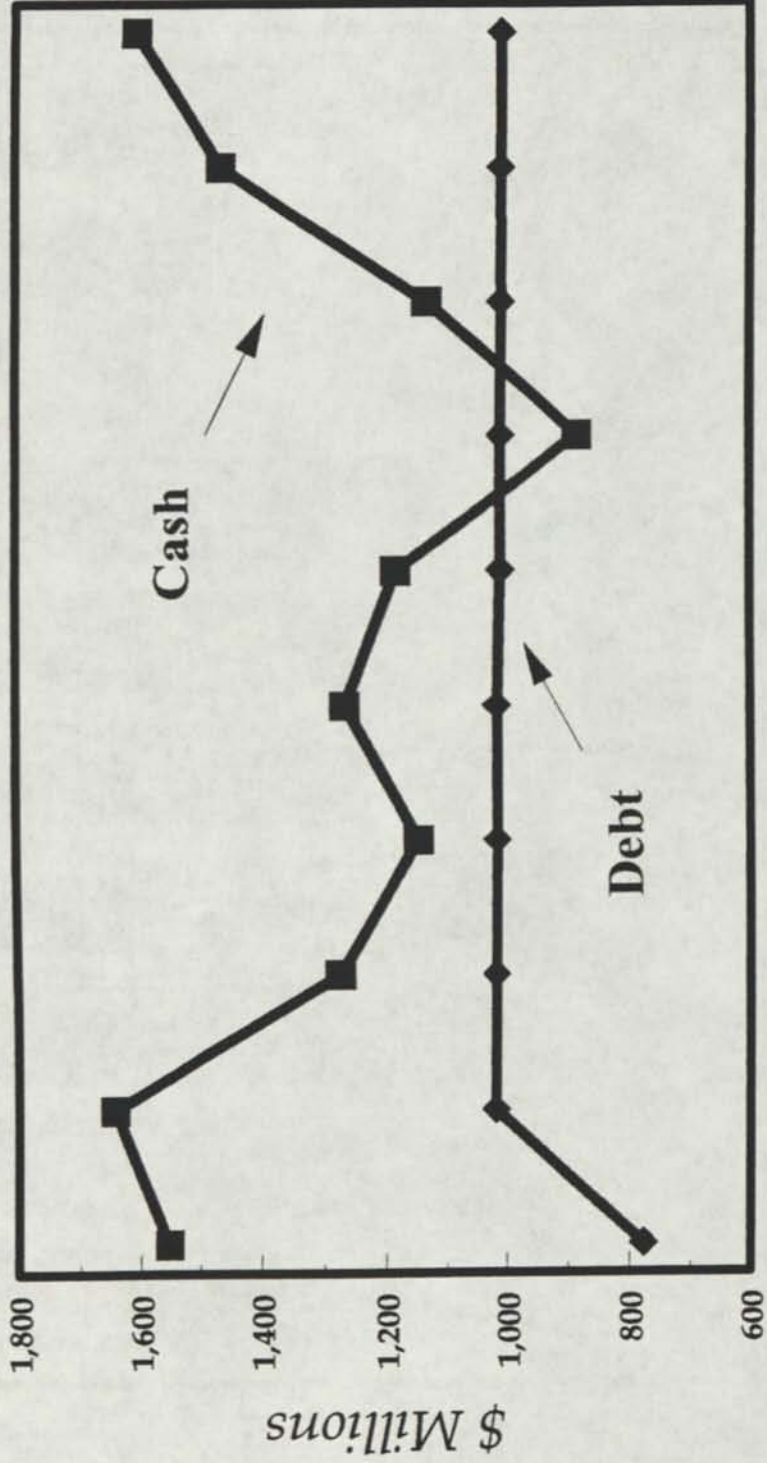
* Includes EA, Rocky Mountain and Deil.

CAPITAL SPENDING



Digital Equipment Corporation
Corp. SSC:mn
rq4_grfb.PRE

CASH AND LONG TERM DEBT

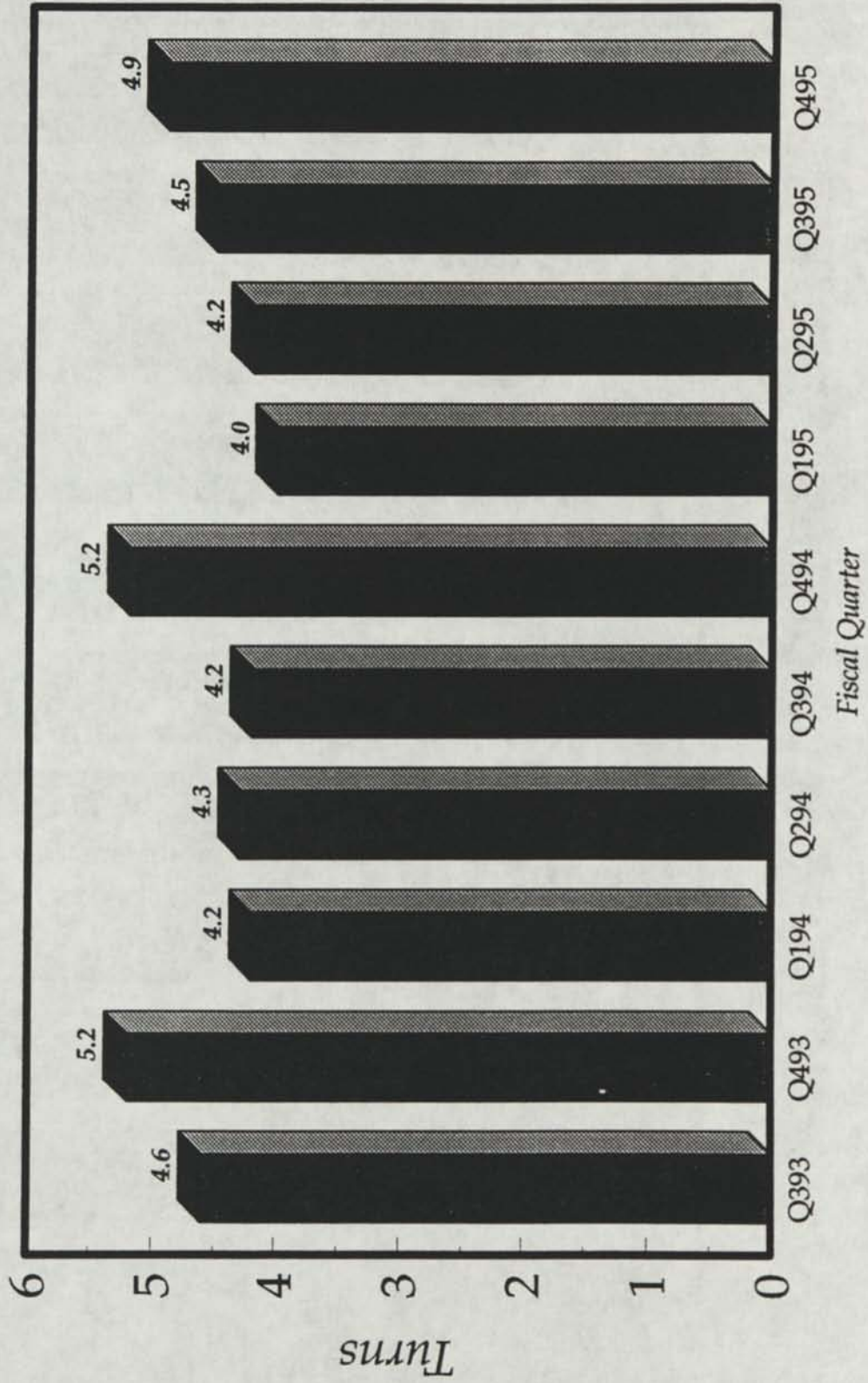


Fiscal Quarter	Q393	Q493	Q194	Q294	Q394	Q494	Q195	Q295	Q395	Q495
CASH	\$1,552	\$1,643	\$1,274	\$1,147	\$1,264	\$1,181	\$881	\$1,132	\$1,465	\$1,602
L T DEBT	\$777	\$1,018	\$1,018	\$1,017	\$1,017	\$1,011	\$1,011	\$1,011	\$1,013	\$1,013

Corp. SSC:mn
rq4_grfb.PRE

Digital Equipment Corporation

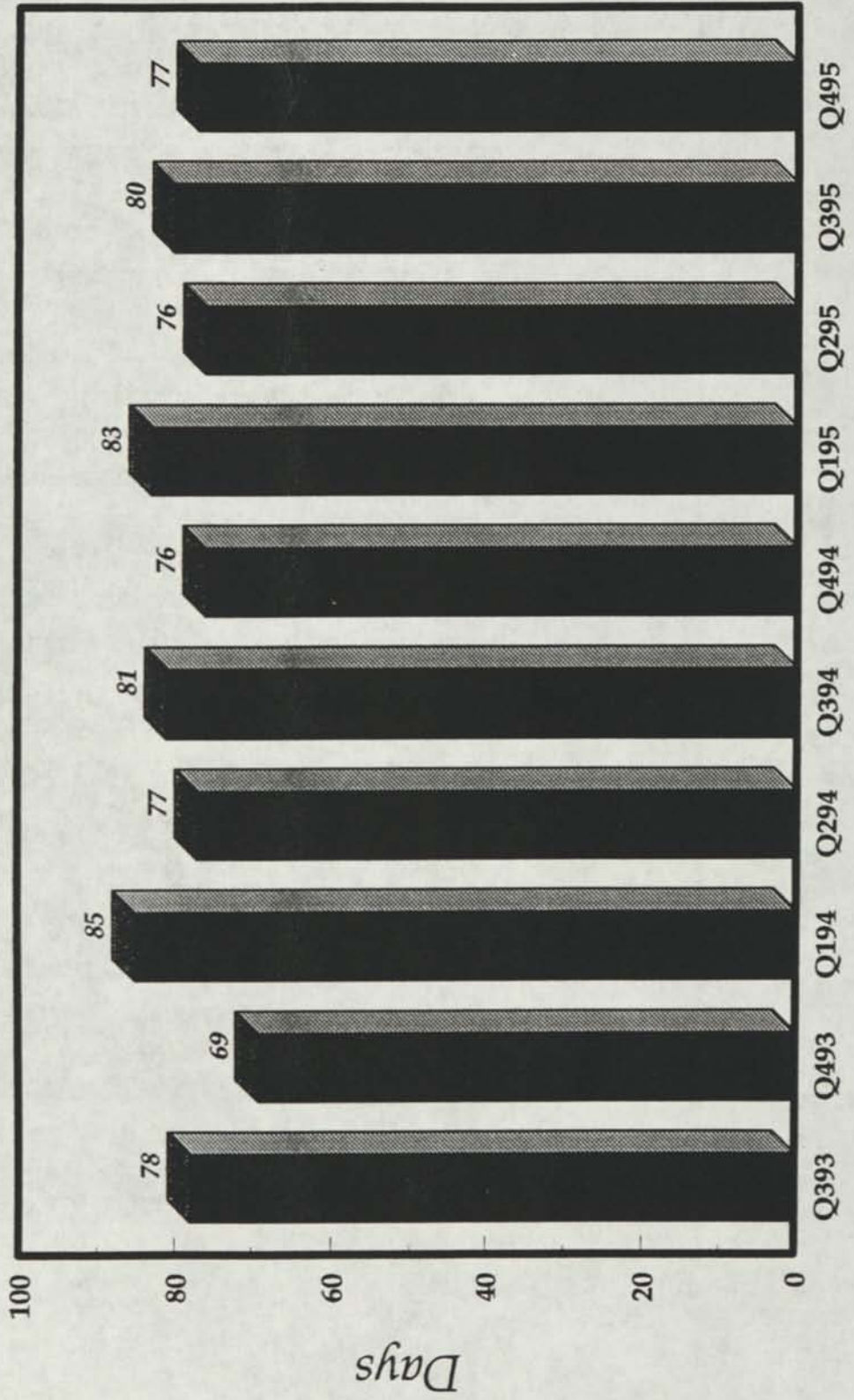
INVENTORY TURNS



Corp. SSC:mn
rq4_grfb.PRE

Digital Equipment Corporation

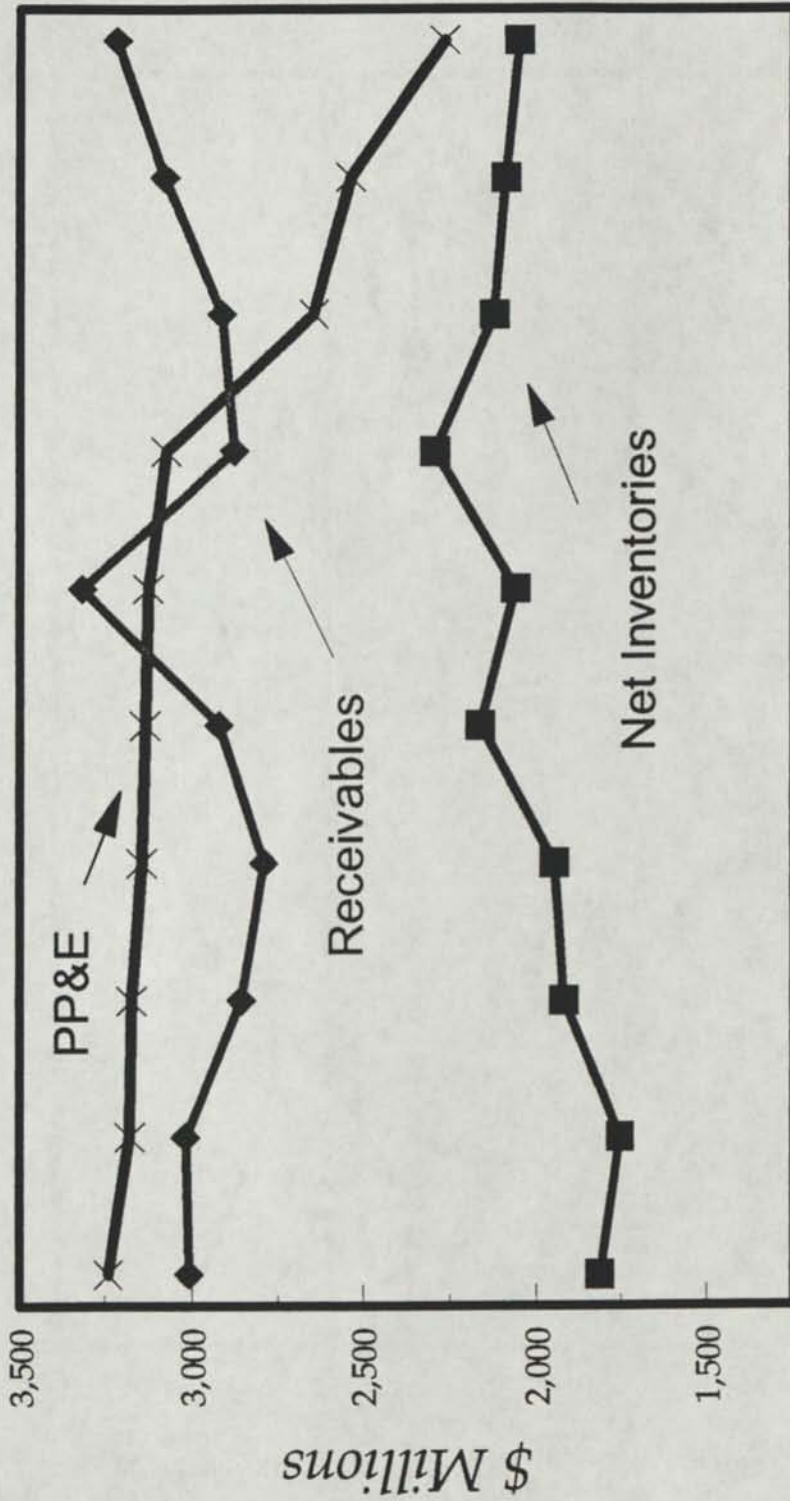
DAYS SALES OUTSTANDING



Digital Equipment Corporation

Corp. SSC:mn
rq4_grfb.PRE

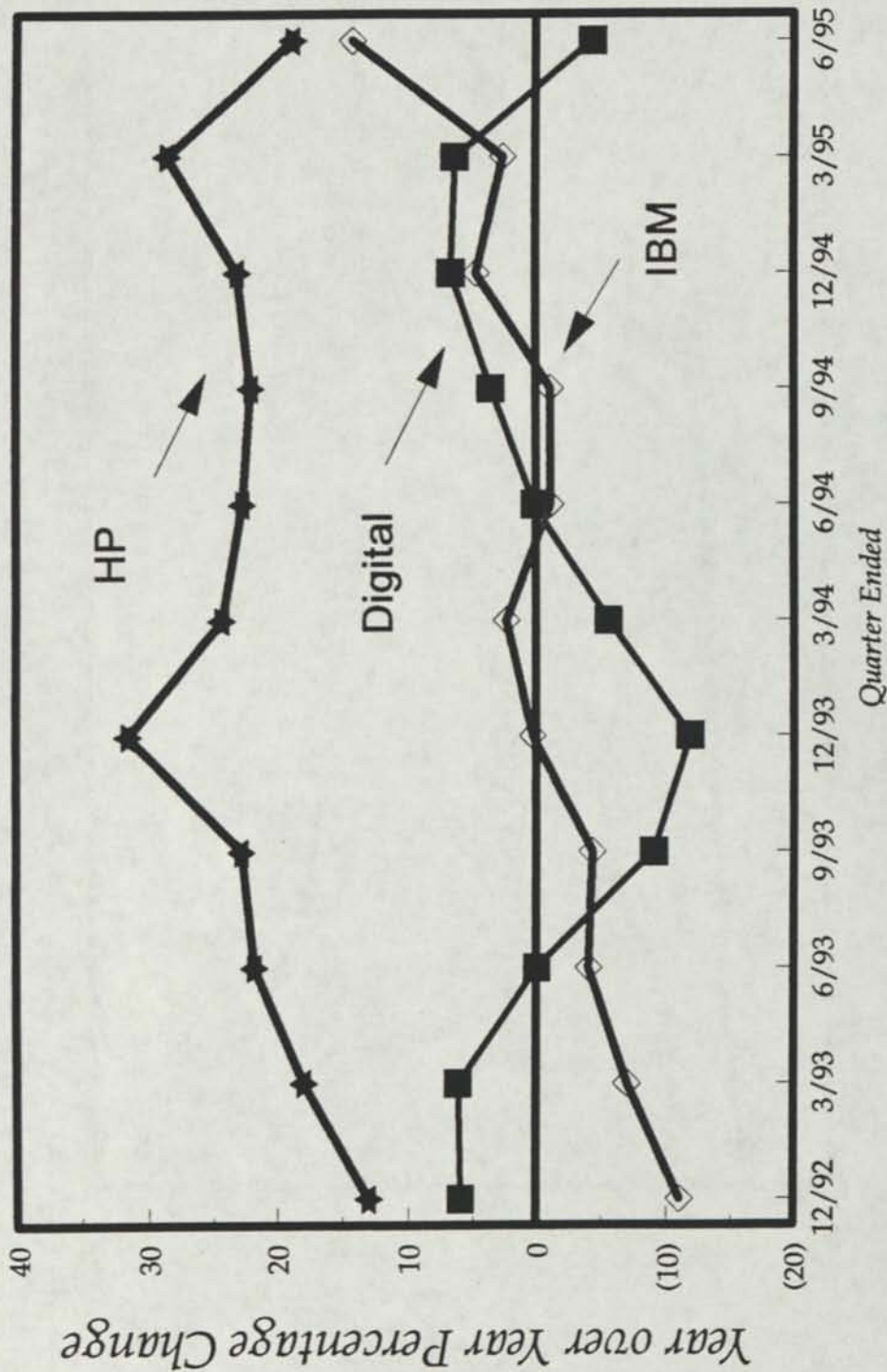
OPERATING ASSETS



Fiscal Quarter	Q393	Q493	Q194	Q294	Q394	Q494	Q195	Q295	Q395	Q495
PP&E	\$3,240	\$3,178	\$3,174	\$3,146	\$3,136	\$3,129	\$3,079	\$2,648	\$2,539	\$2,269
A/R	\$3,009	\$3,020	\$2,859	\$2,796	\$2,925	\$3,319	\$2,883	\$2,918	\$3,084	\$3,219
INV	\$1,815	\$1,755	\$1,921	\$1,950	\$2,165	\$2,064	\$2,298	\$2,127	\$2,094	\$2,054

DIGITAL vs. IBM & HP

Revenue Growth Trends



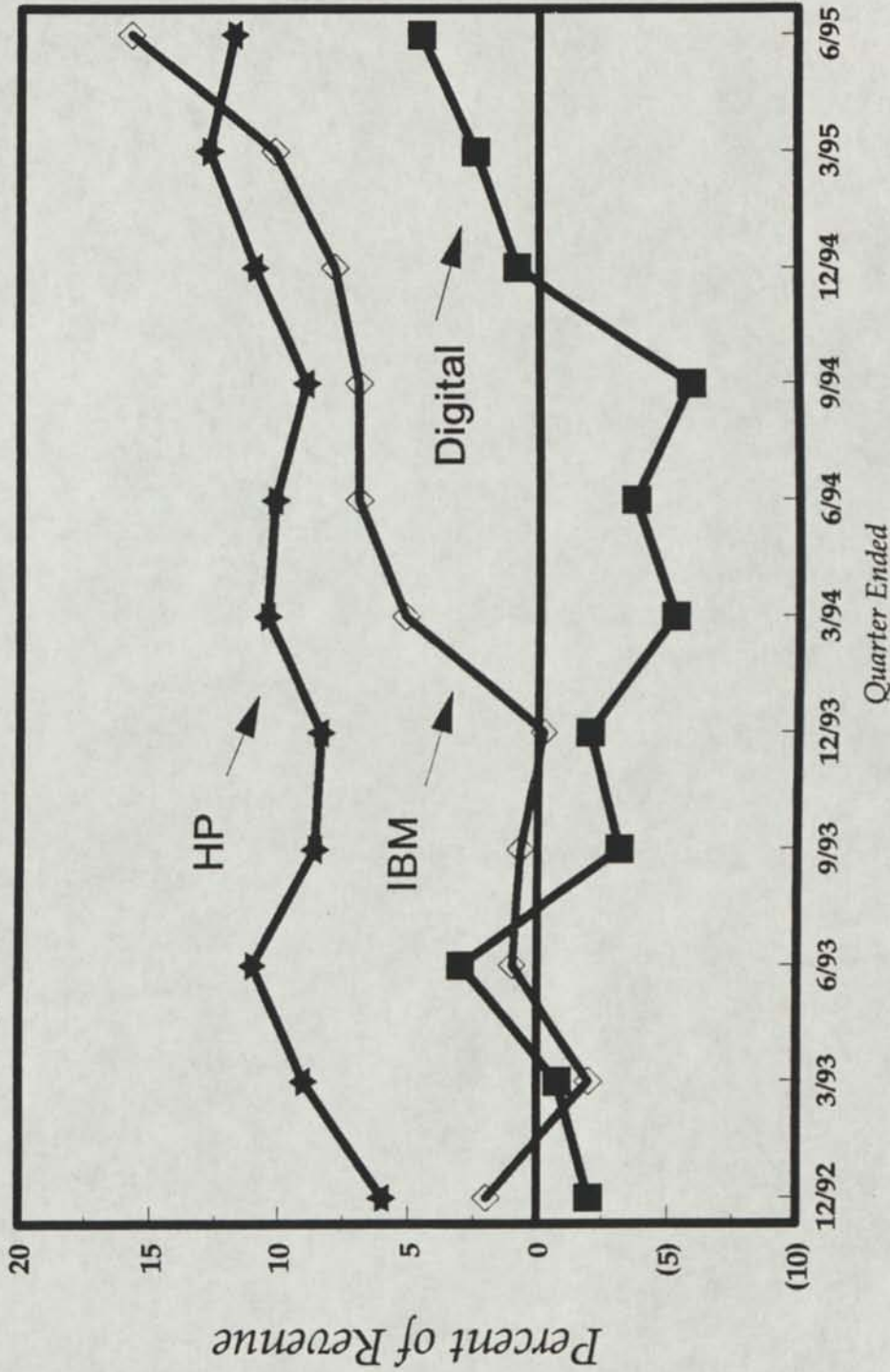
Note: Data reflects quarter ended April for HP.

Digital Equipment Corporation

Corp. SSC:mn
rq4_gfjb.PRE

DIGITAL vs. IBM & HP

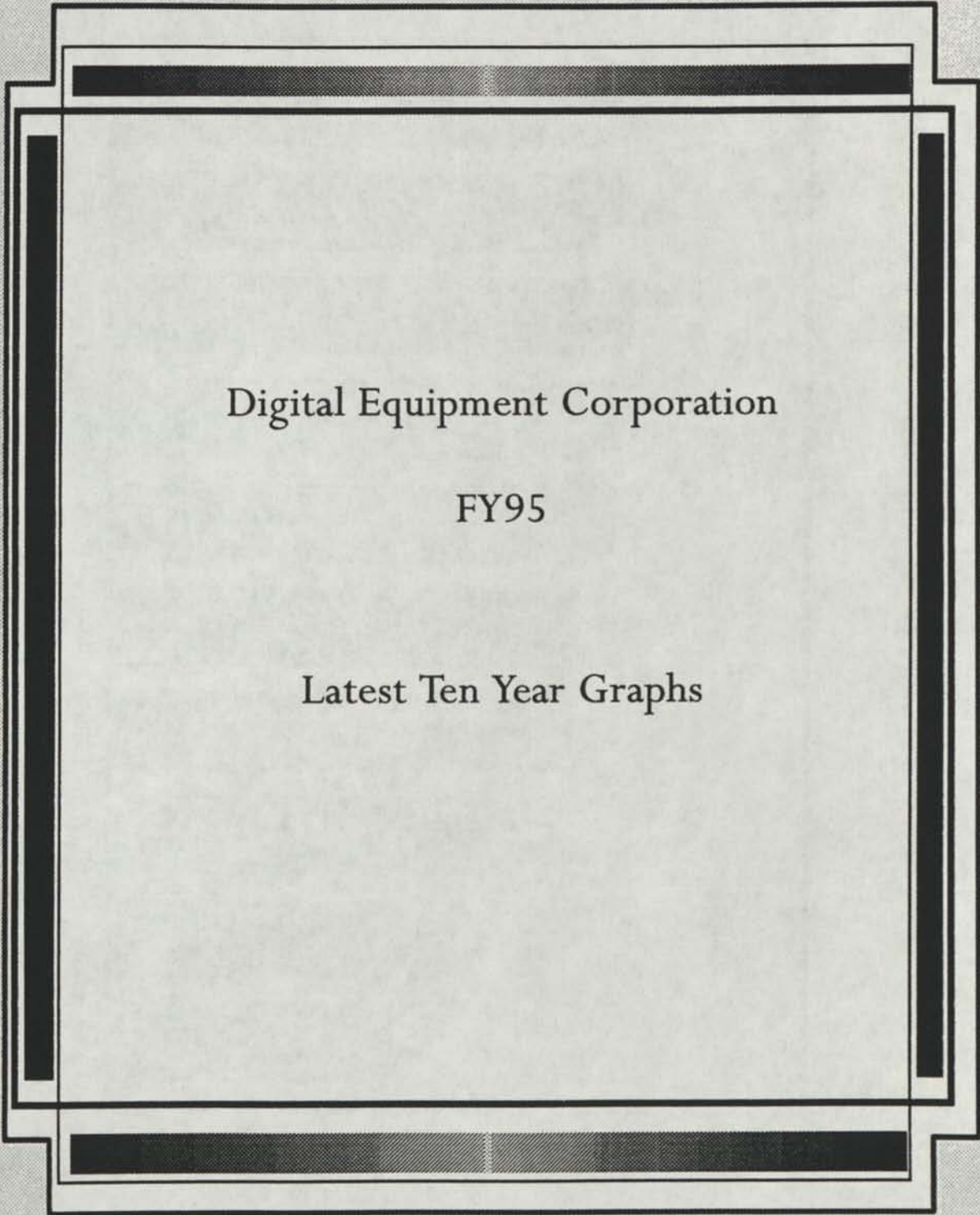
Operating Profit As A Percent of Revenue



Notes: Data reflects quarter ended April for HP.
Excludes one-time charges.

Digital Equipment Corporation

Corp. SSC:mn
rq4_gryb.PRE

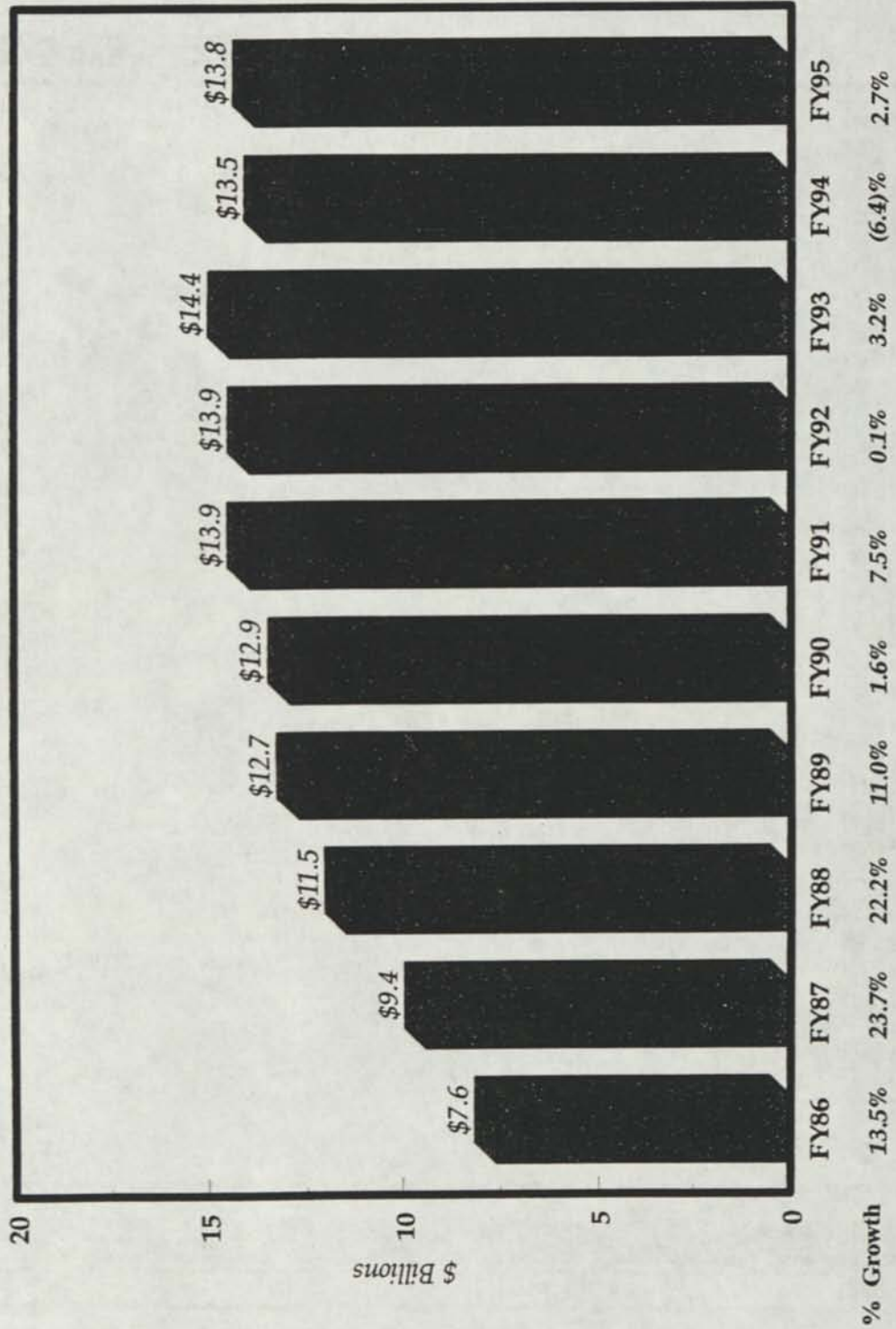


Digital Equipment Corporation

FY95

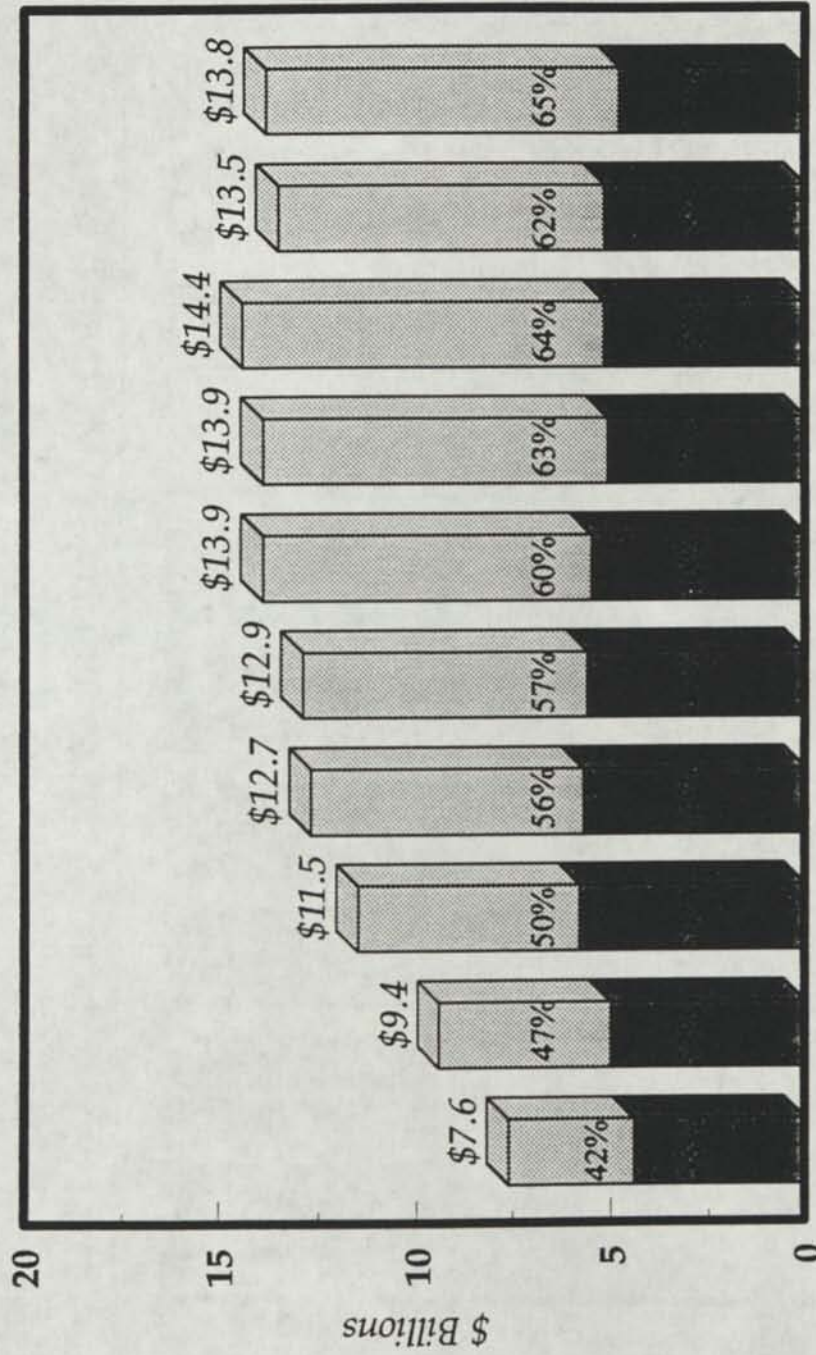
Latest Ten Year Graphs

REVENUE



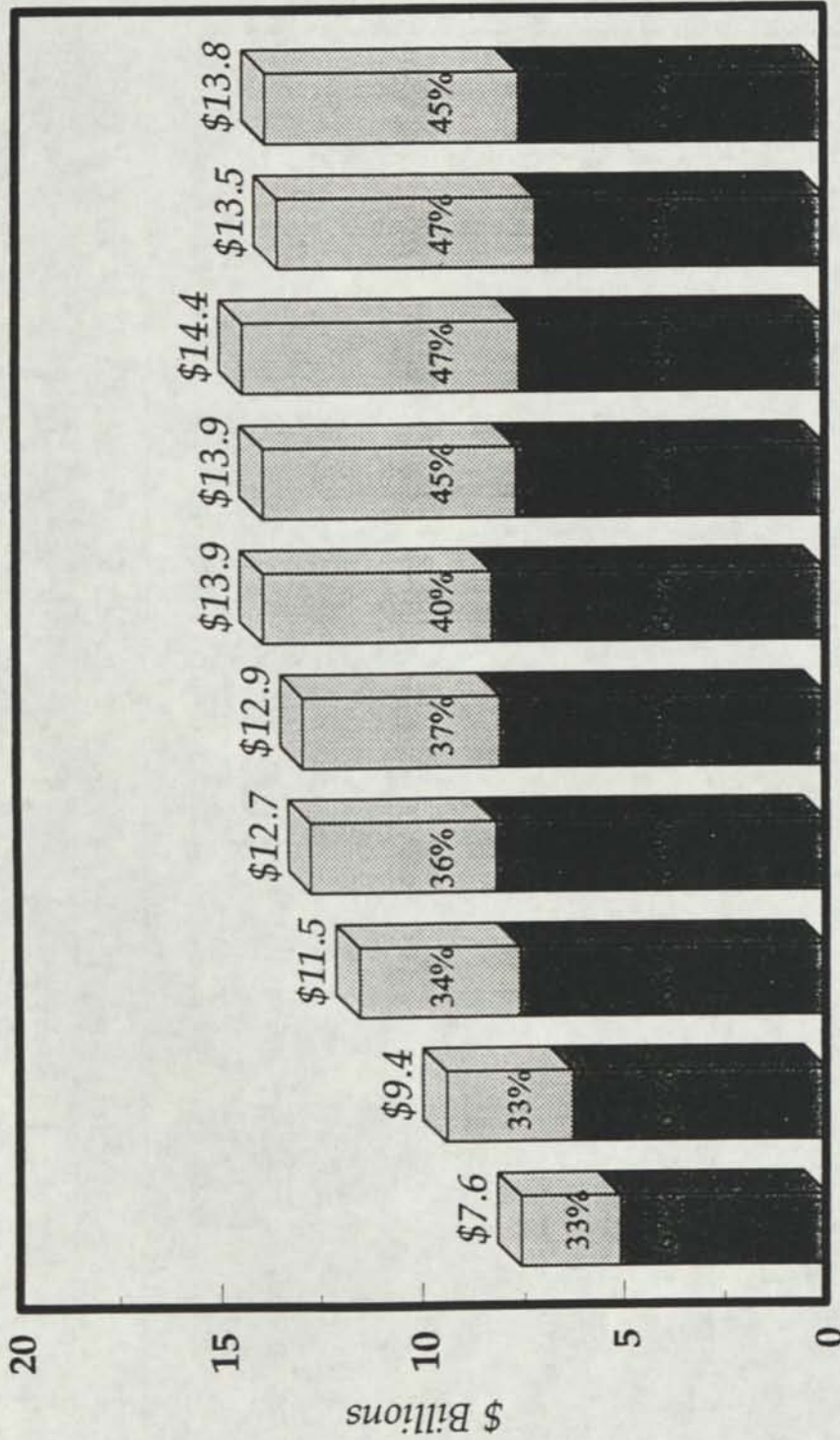
COMPOSITION OF REVENUE

Domestic and International



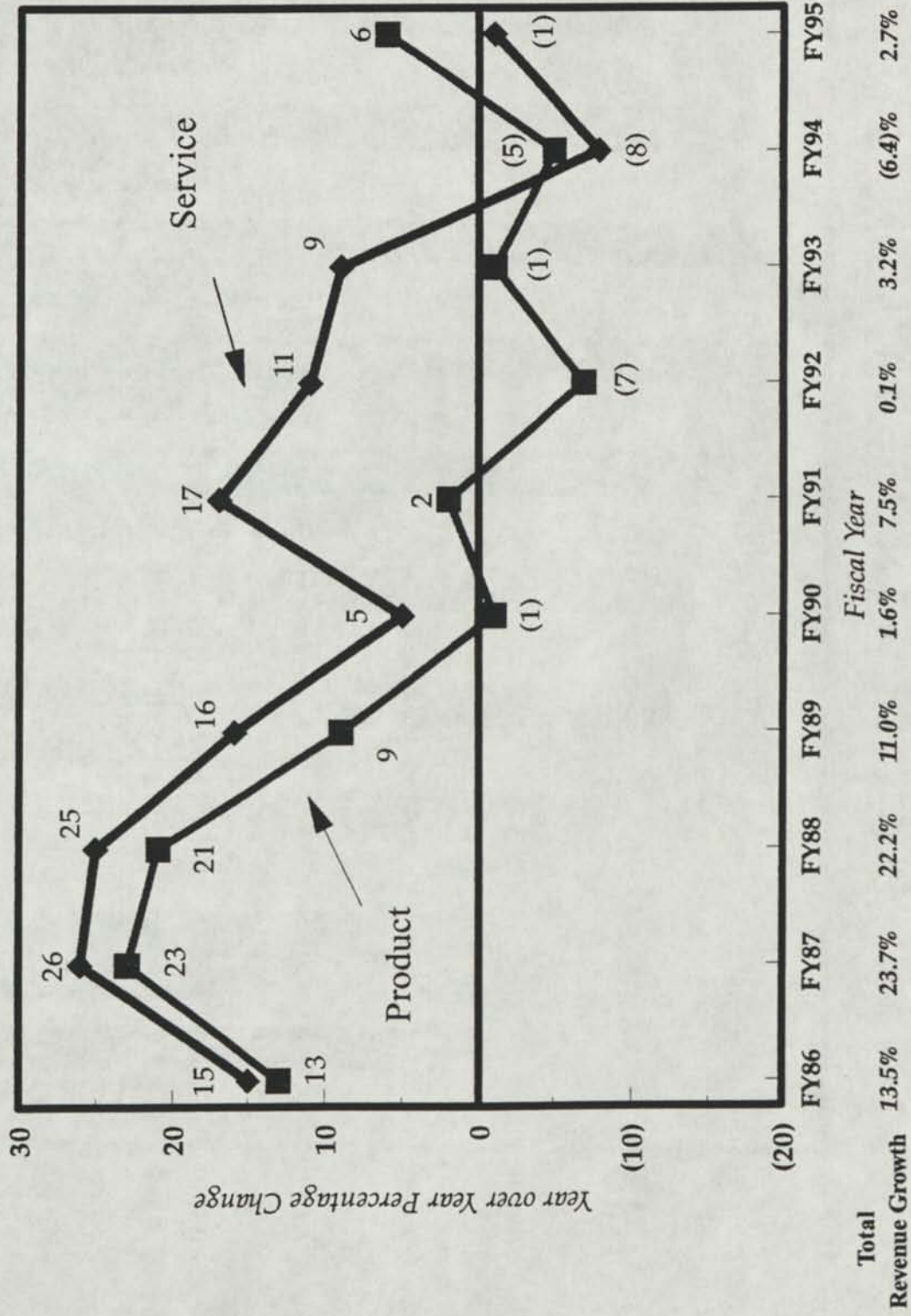
	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Domestic	\$4.4	\$5.0	\$5.8	\$5.7	\$5.6	\$5.5	\$5.1	\$5.2	\$5.2	\$4.8
International	\$3.2	\$4.4	\$5.7	\$7.0	\$7.3	\$8.4	\$8.8	\$9.2	\$8.3	\$9.0

COMPOSITION OF REVENUE Products & Services

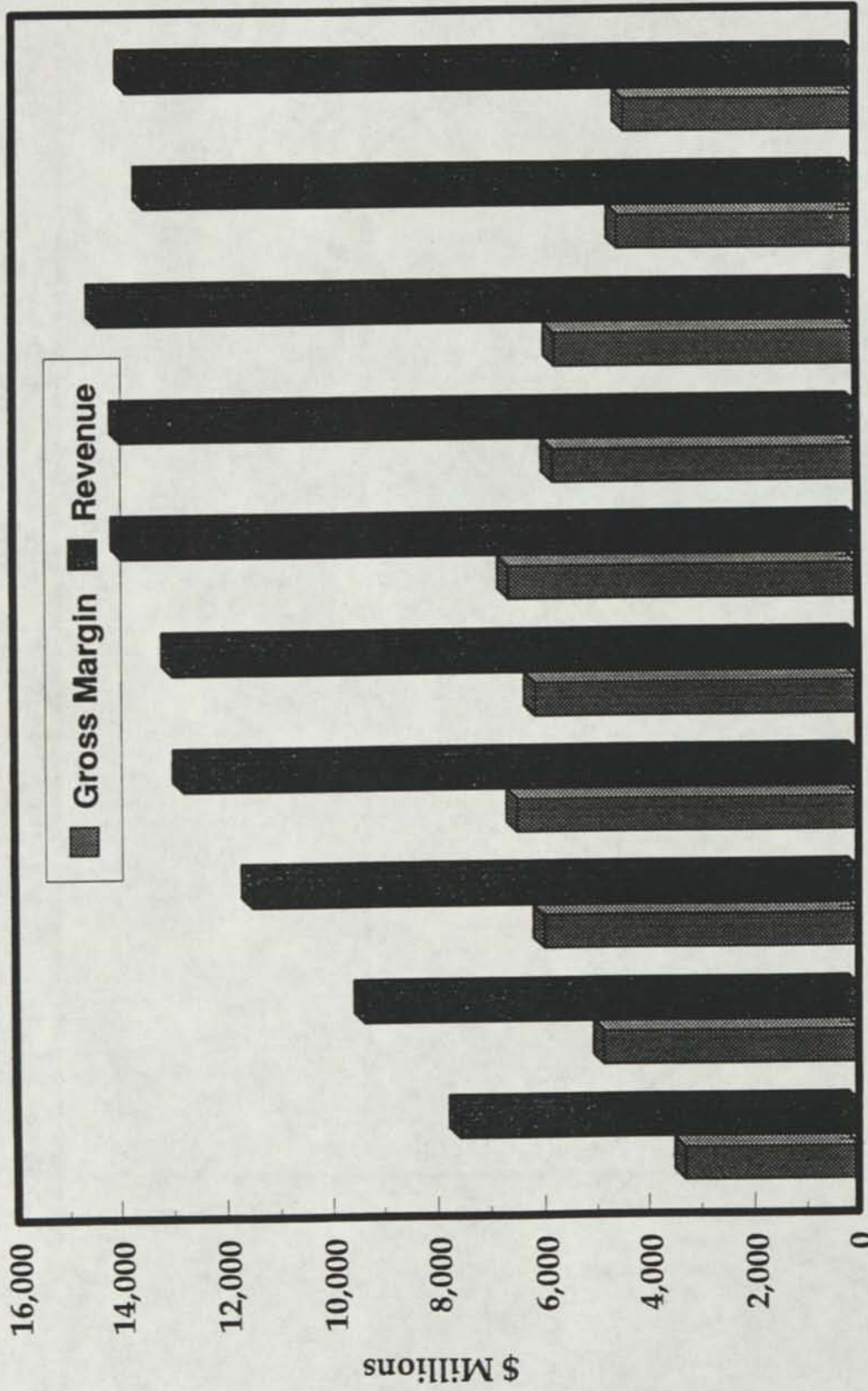


	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Product	\$5.1	\$6.3	\$7.6	\$8.2	\$8.1	\$8.3	\$7.7	\$7.6	\$7.2	\$7.6
Services	\$2.5	\$3.1	\$3.9	\$4.5	\$4.8	\$5.6	\$6.2	\$6.8	\$6.3	\$6.2

REVENUE GROWTH BY SEGMENT

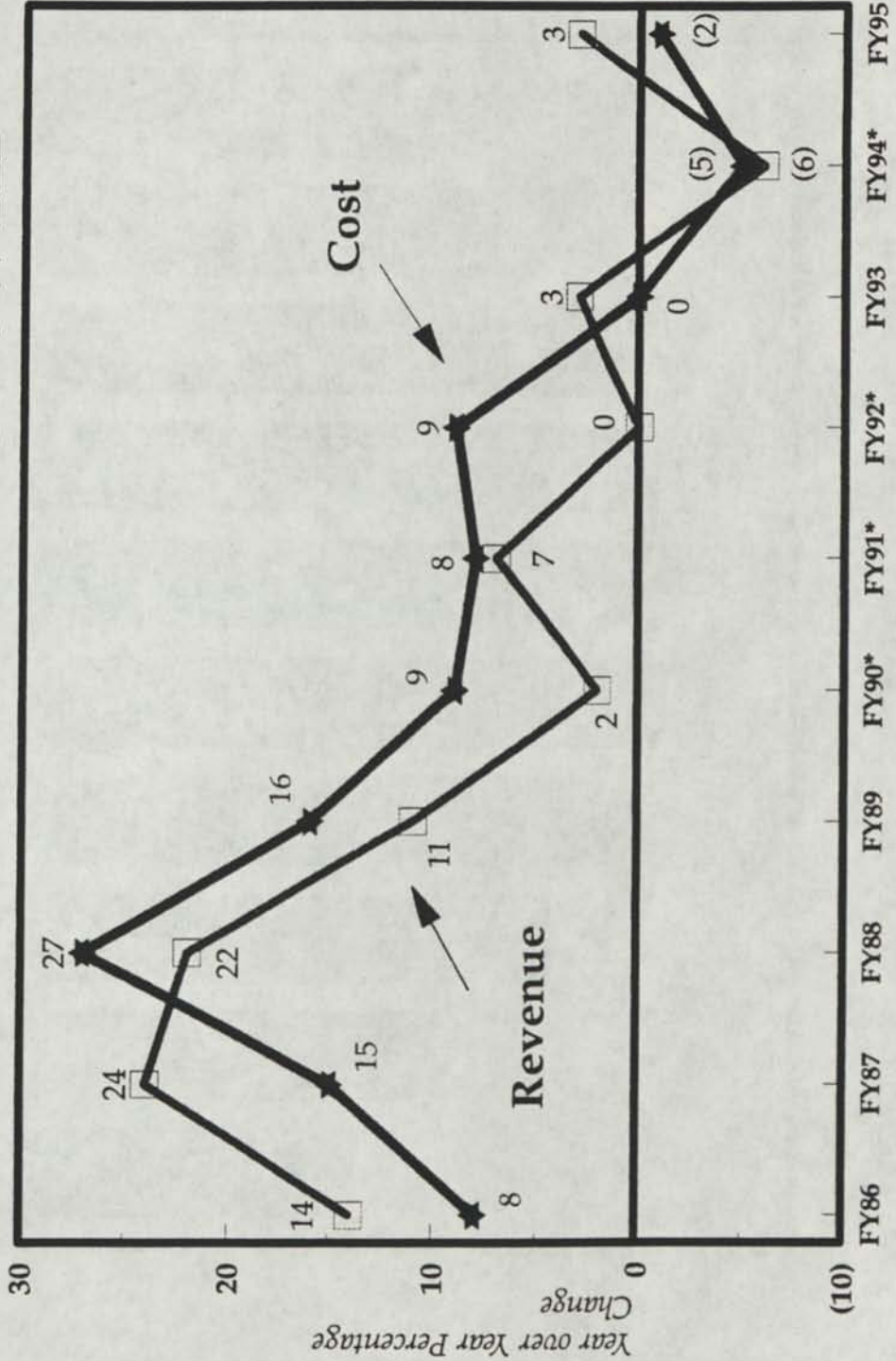


Revenue and Gross Margin



Gross Margin

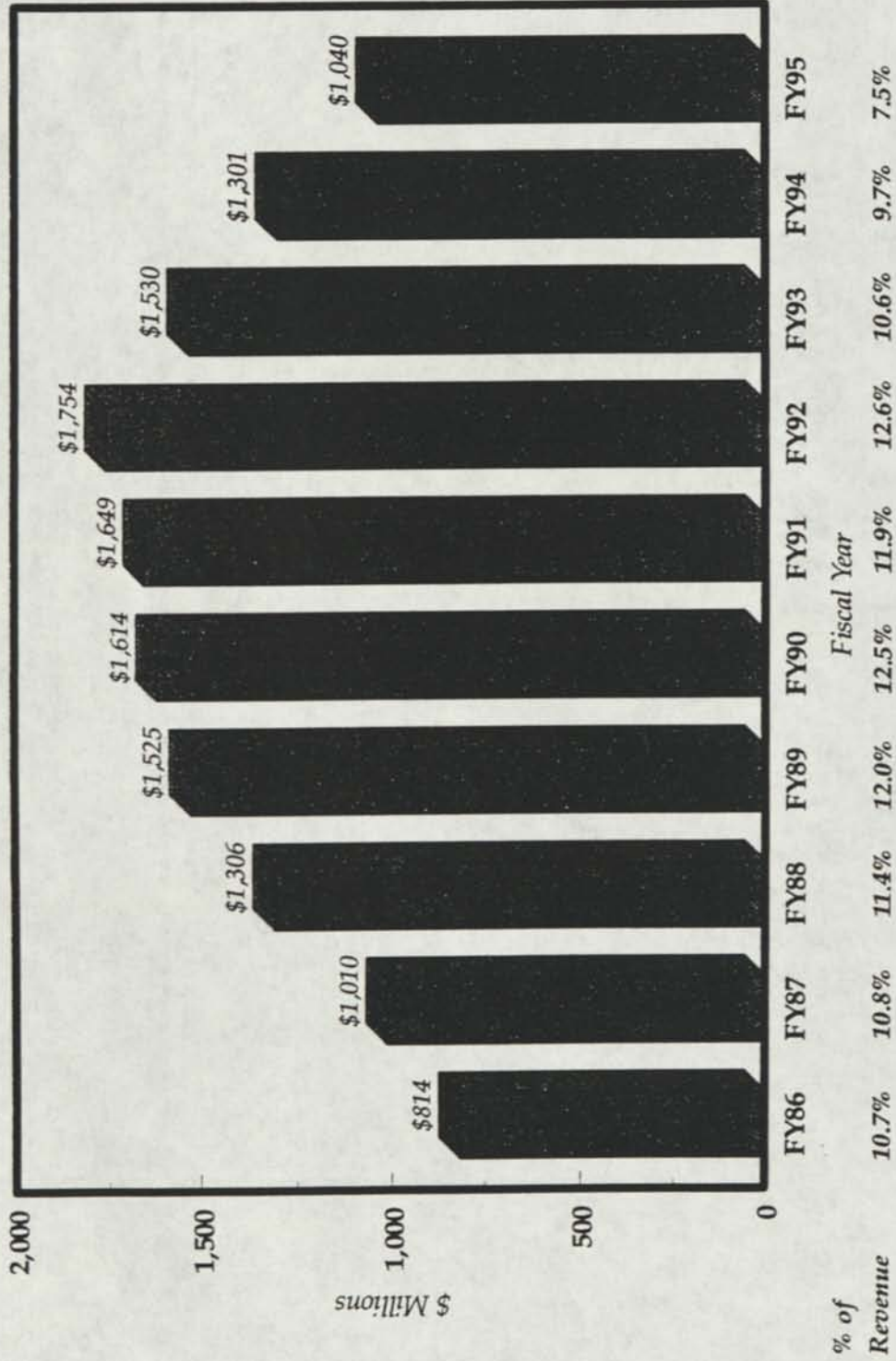
REVENUE & COST GROWTH



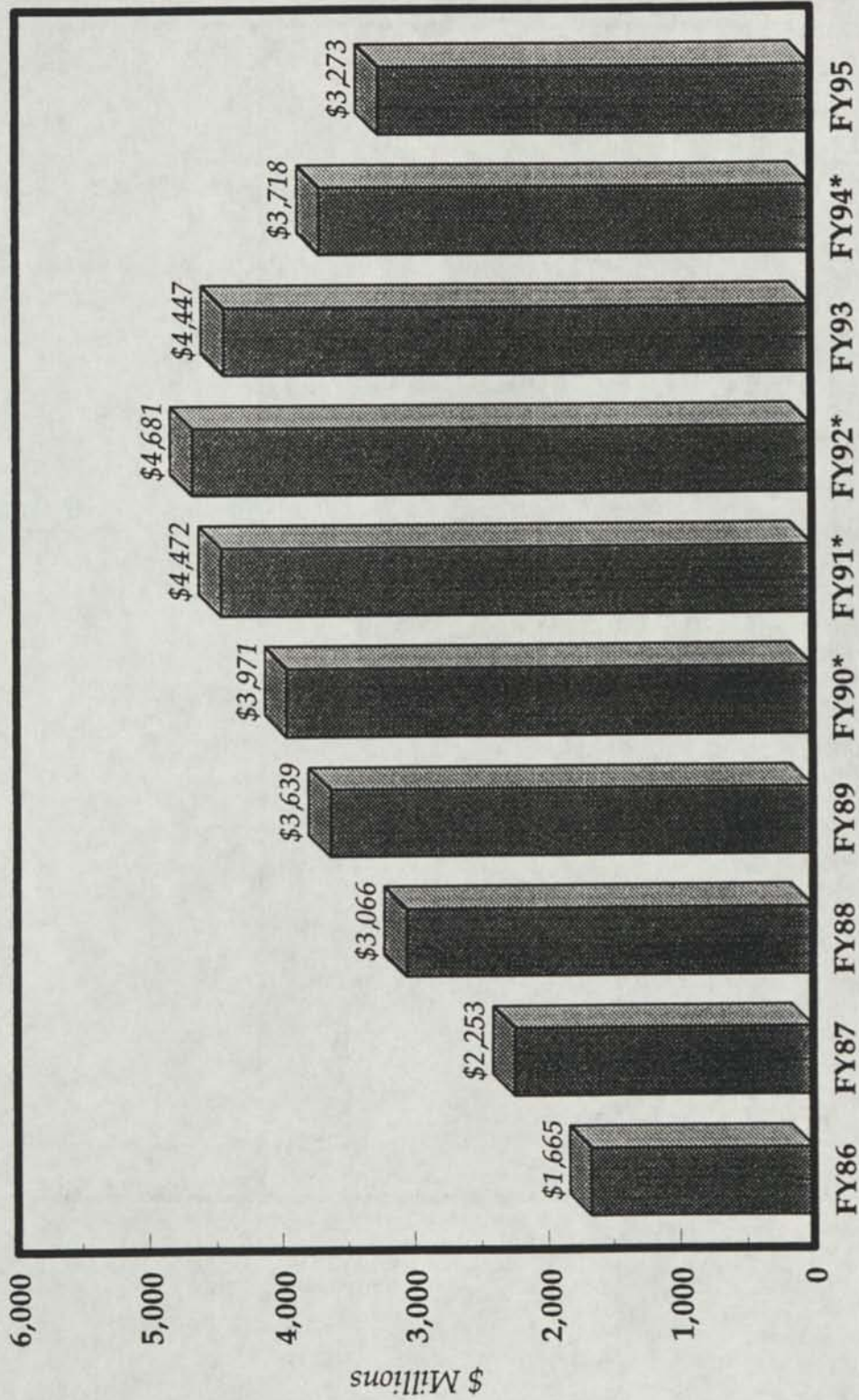
	FY86	FY87	FY88	FY89	FY90*	FY91*	FY92*	FY93	FY94*	FY95
Operating Profit Margin	10.9%	17.2%	14.2%	10.5%	4.3%	3.7%	(4.6)%	(1.7)%	(3.6)%	0.8%
As reported					0.1%	(4.2)%	(15.3)%		(16.0)%	

* Excludes One-time charges.

RESEARCH & ENGINEERING EXPENSE



SALES, GENERAL & ADMINISTRATIVE



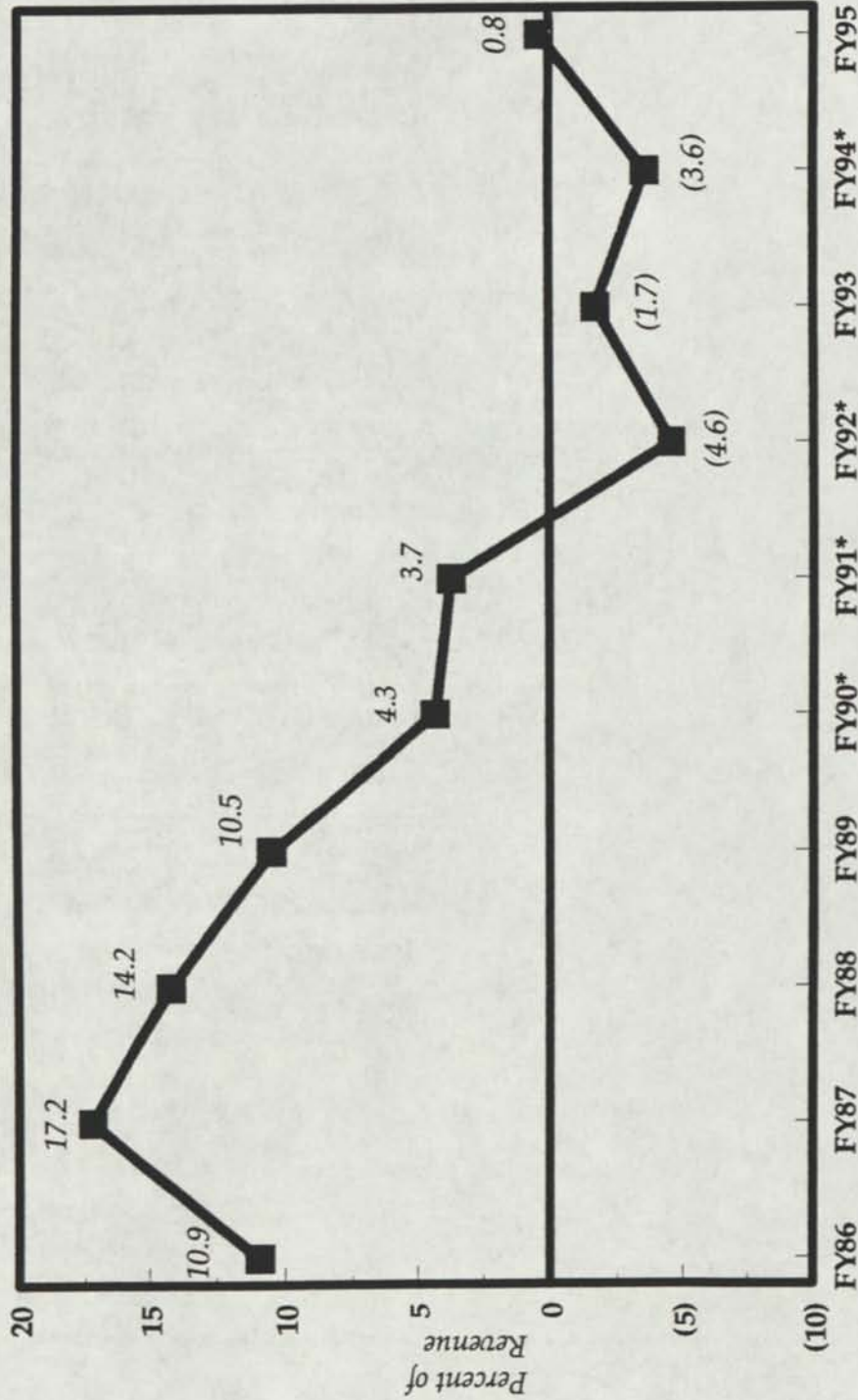
% of

Revenue

As reported

* Excludes one-time charges.

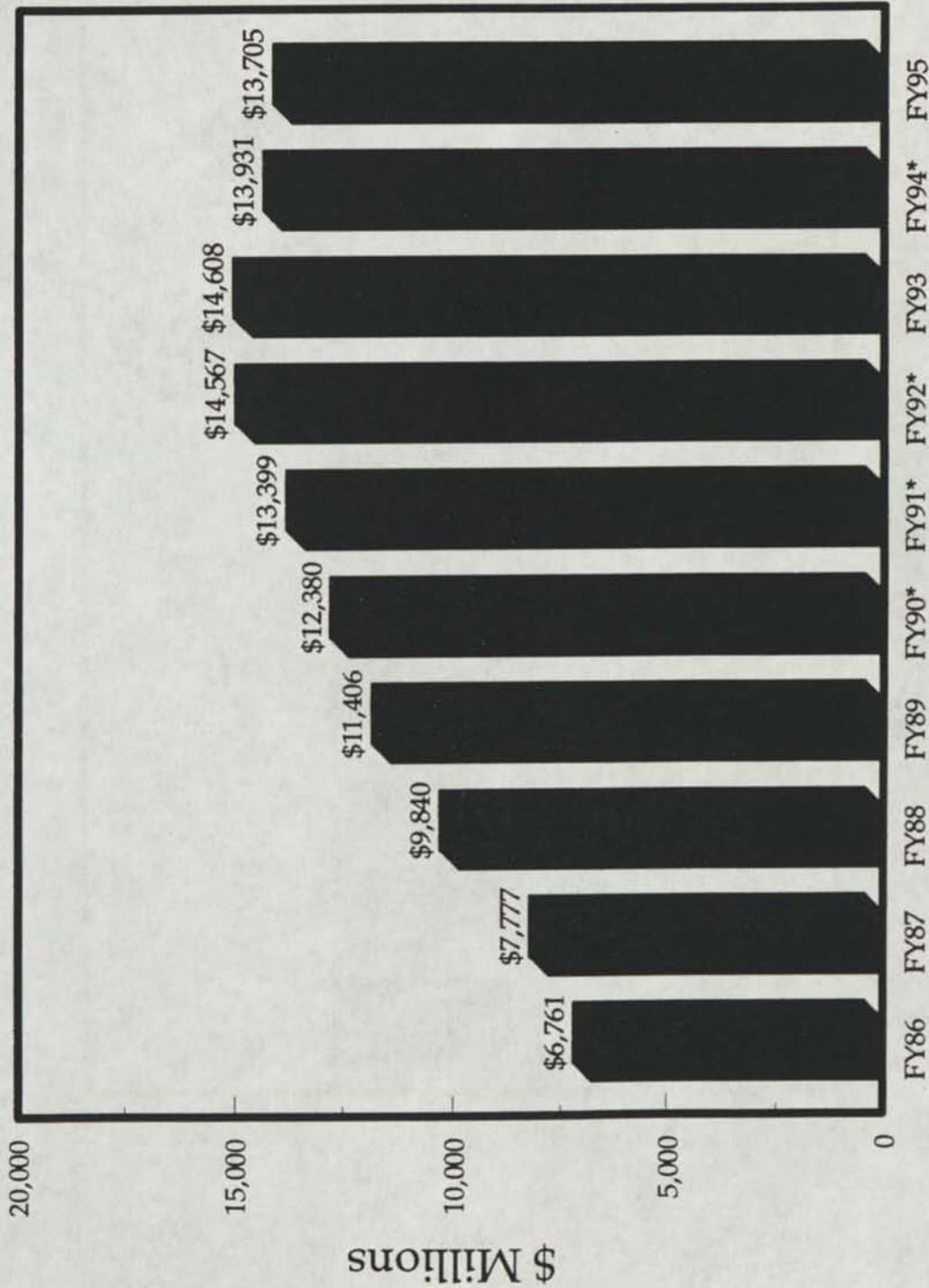
OPERATING PROFIT MARGIN



Operating Profit (\$ Millions)	FY86	FY87	FY88	FY89	FY90*	FY91*	FY92*	FY93	FY94*	FY95
As reported	\$829	\$1,612	\$1,635	\$1,336	\$563	\$512	\$(636)	\$(237)	\$(480)	\$108
					\$13	\$(588)	\$(2,136)		\$(1,996)	

* Excludes one-time charges.

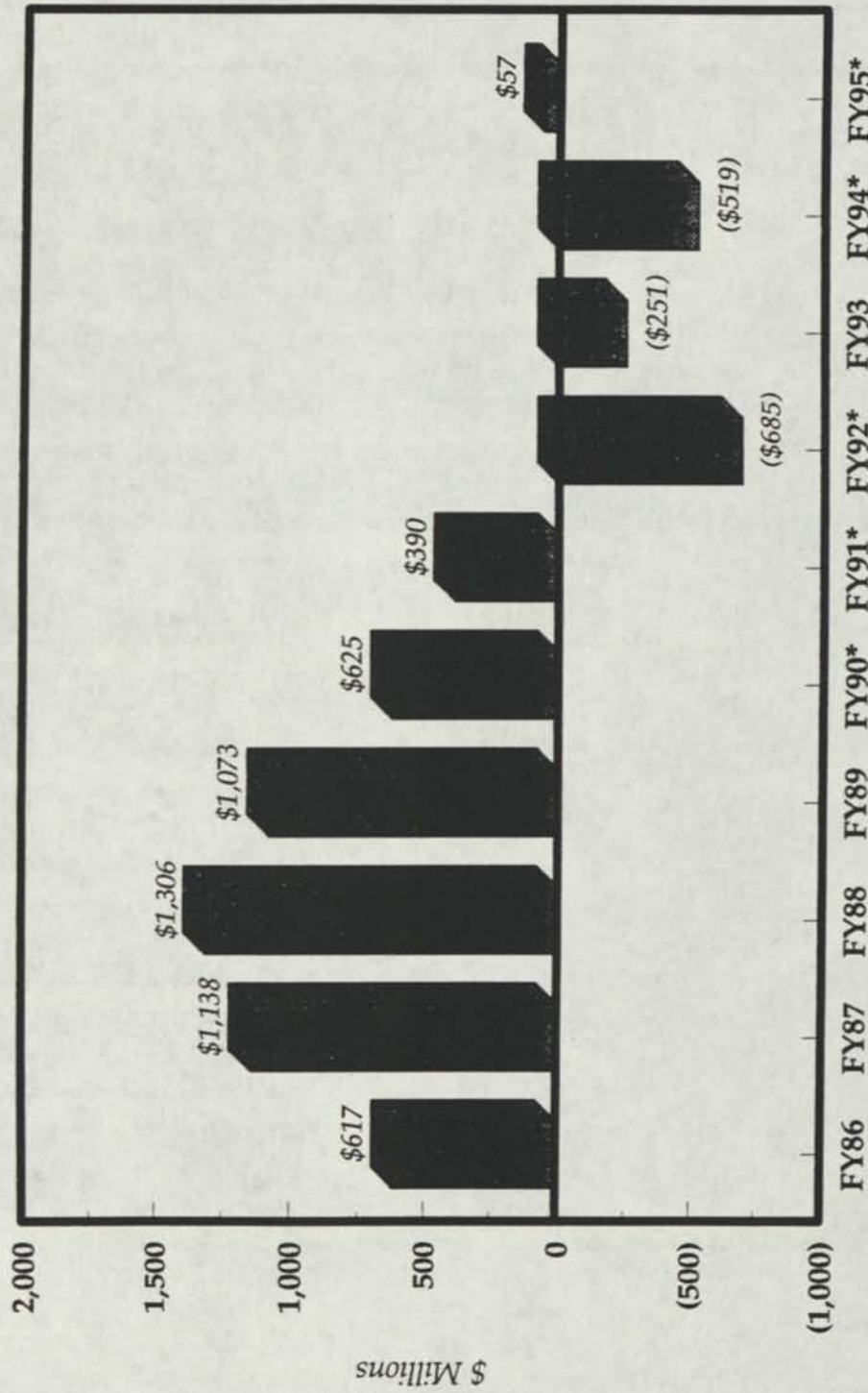
TOTAL COSTS



As reported

*Excludes one-time charges.

NET INCOME

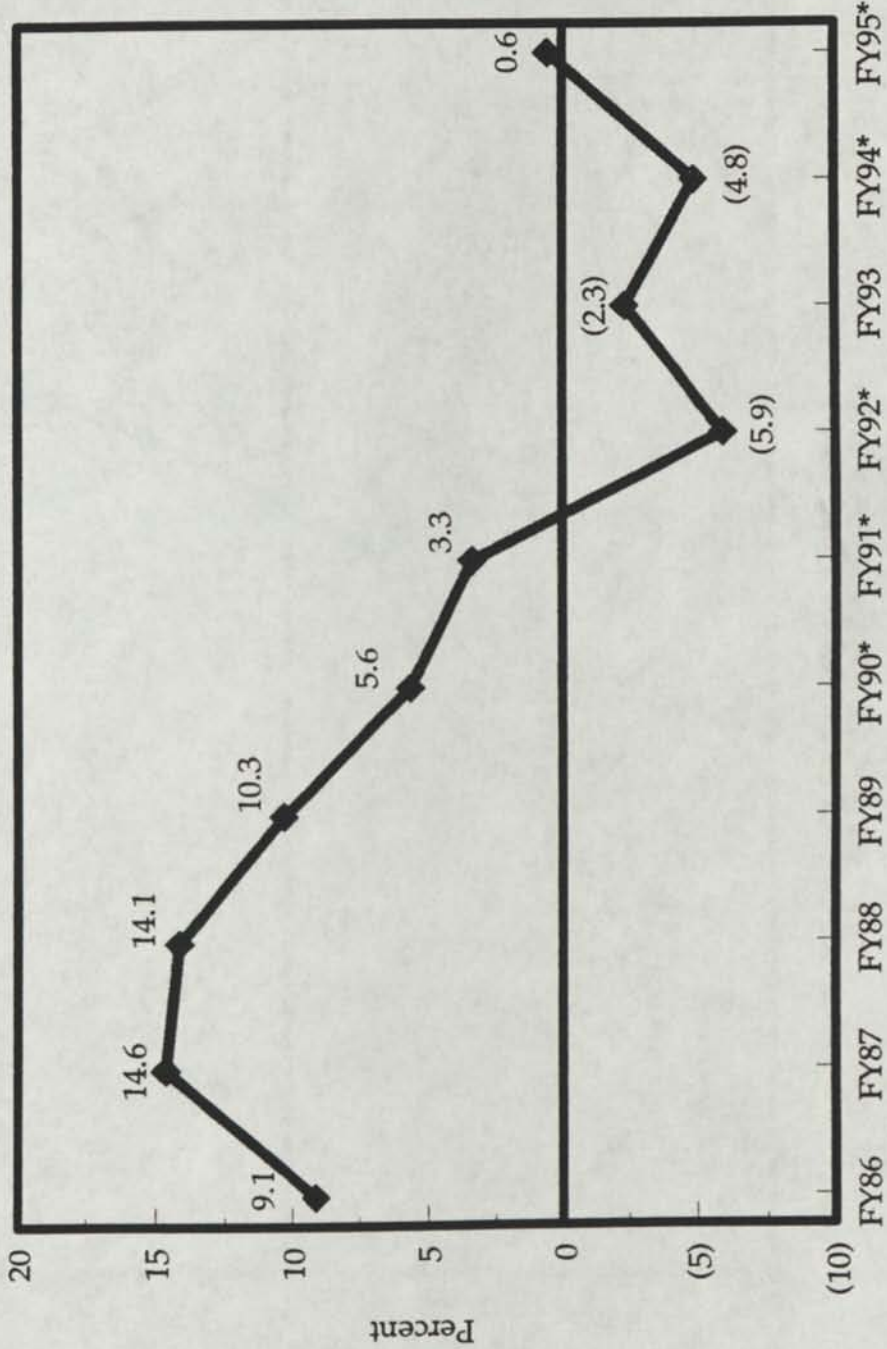


As reported

\$75M \$(617)M \$(2,796)M \$(2,156)M \$122M

*Excludes one-time charges.

RETURN ON ASSETS

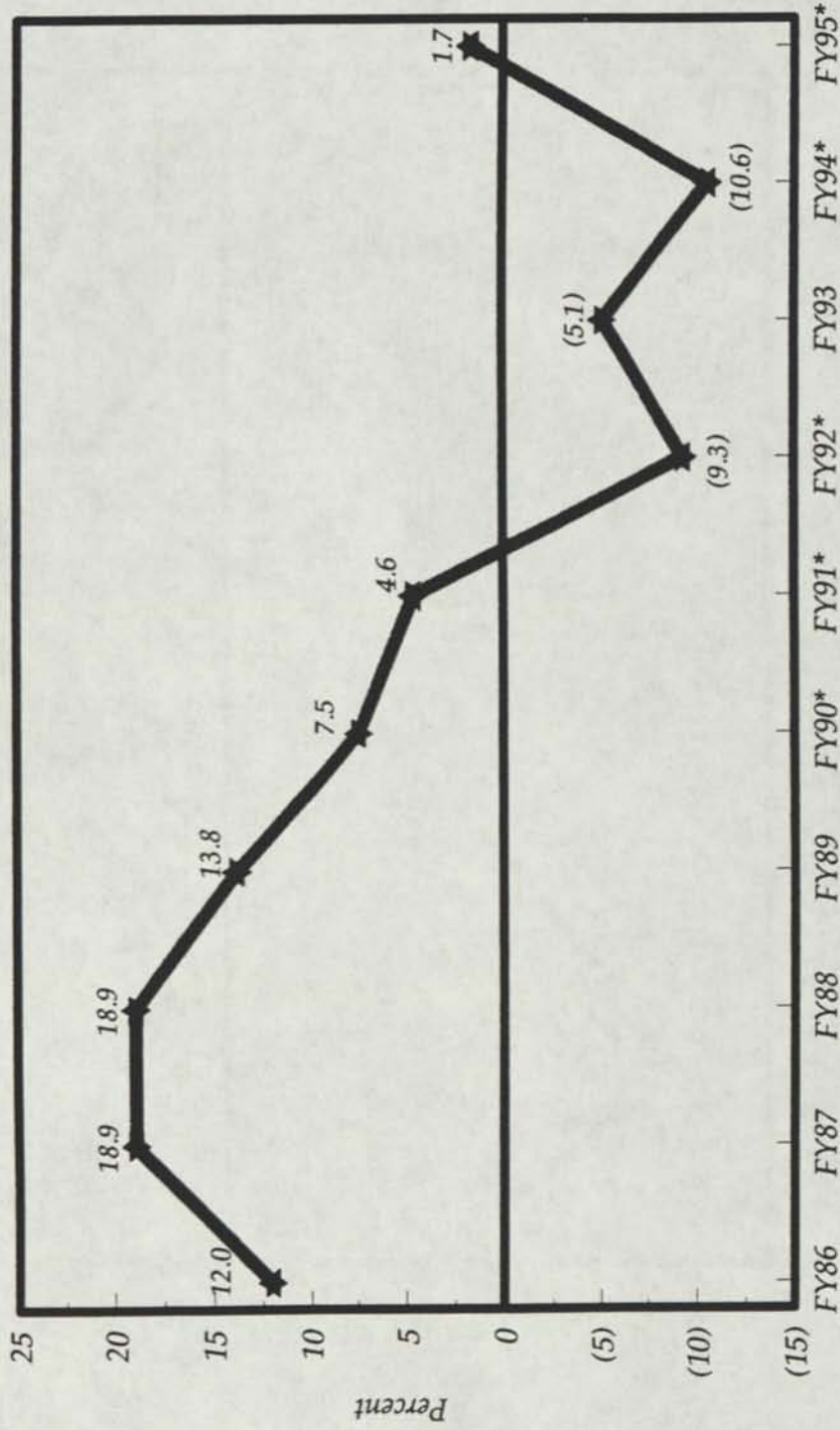


As reported

0.7% (5.2)% (24.1)% (20.0)% 1.2%

*Excludes restructuring and one-time charges.

RETURN ON EQUITY

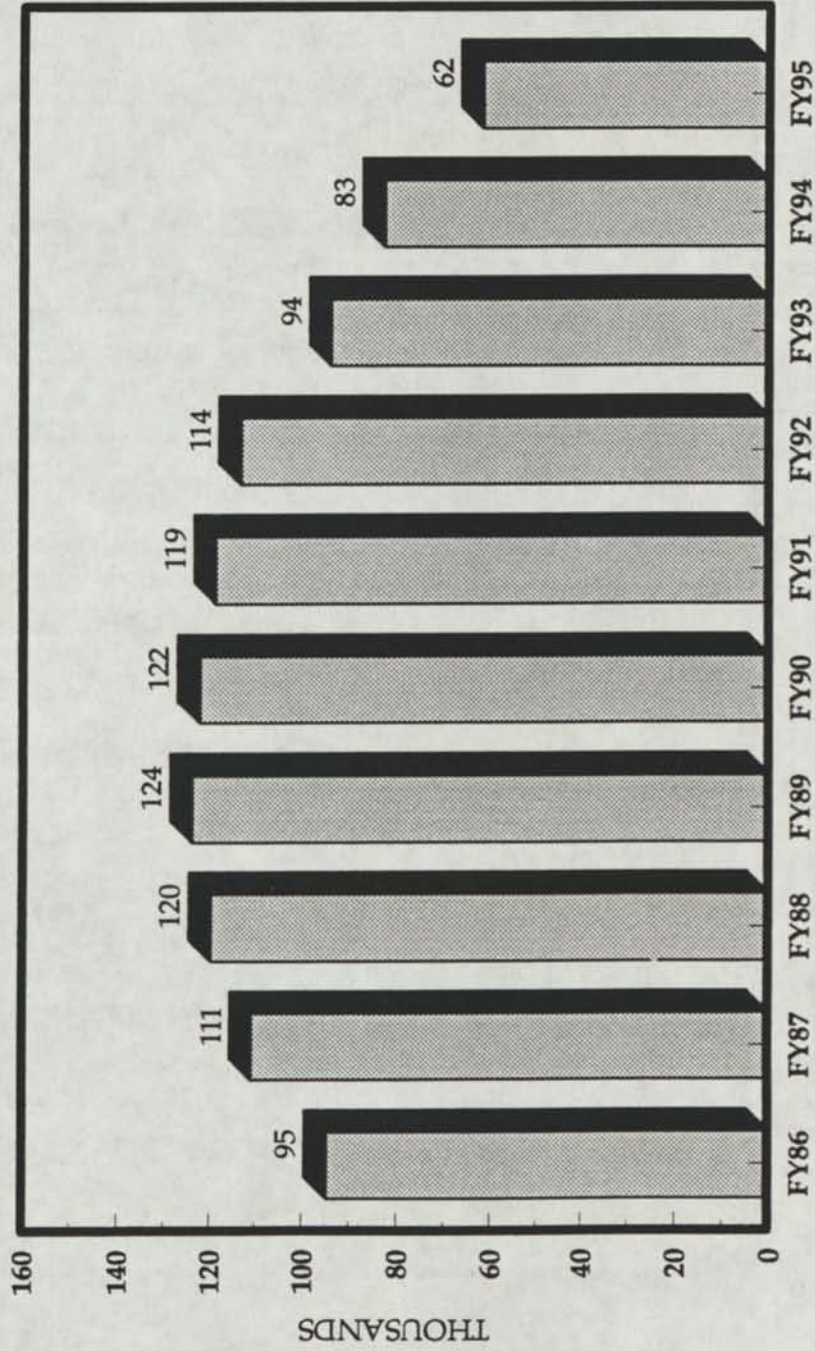


As reported

0.9% (7.8)% (44.5)% (52.8)% 3.6%

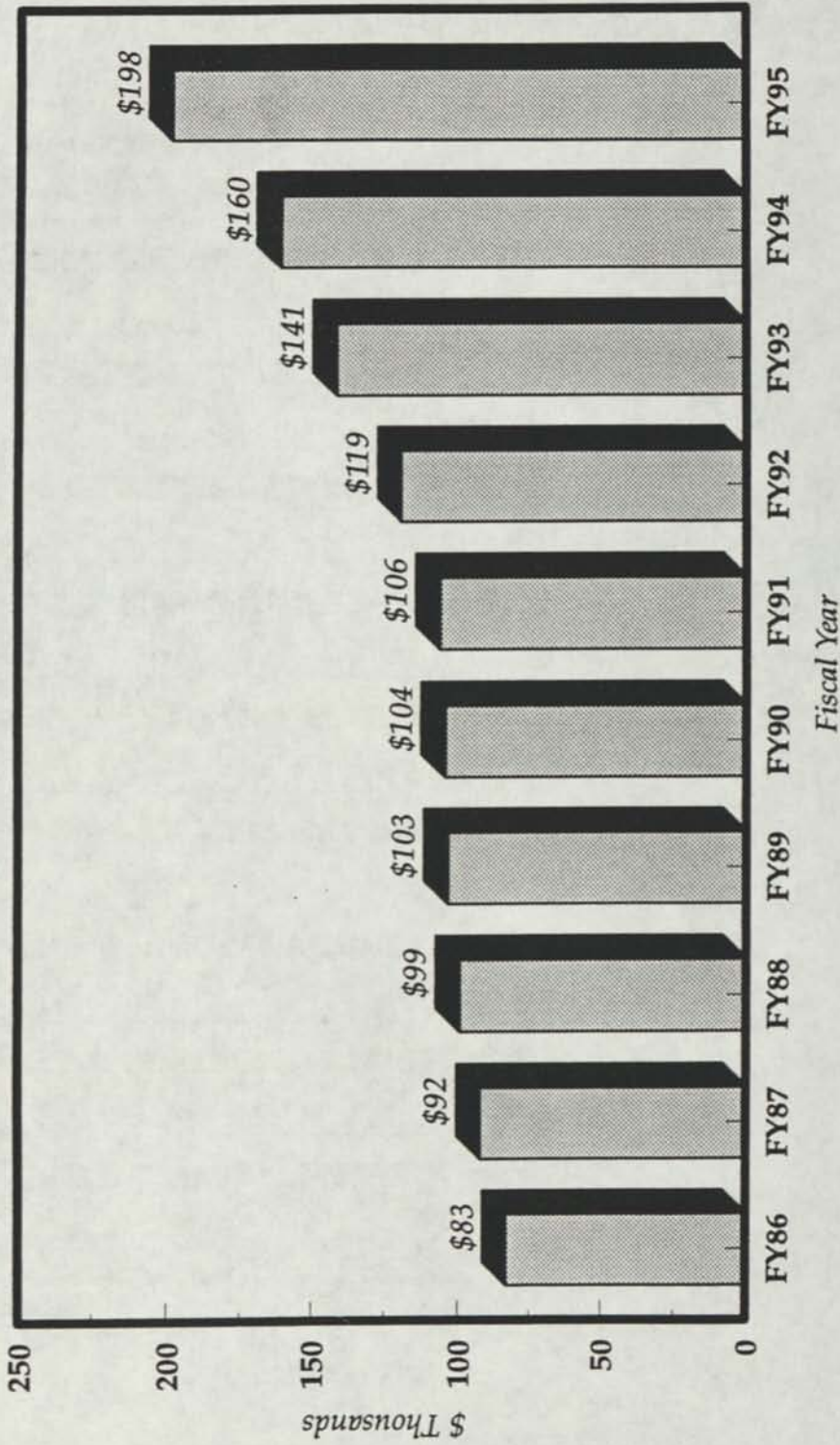
*Excludes restructuring and one-time charges.

POPULATION



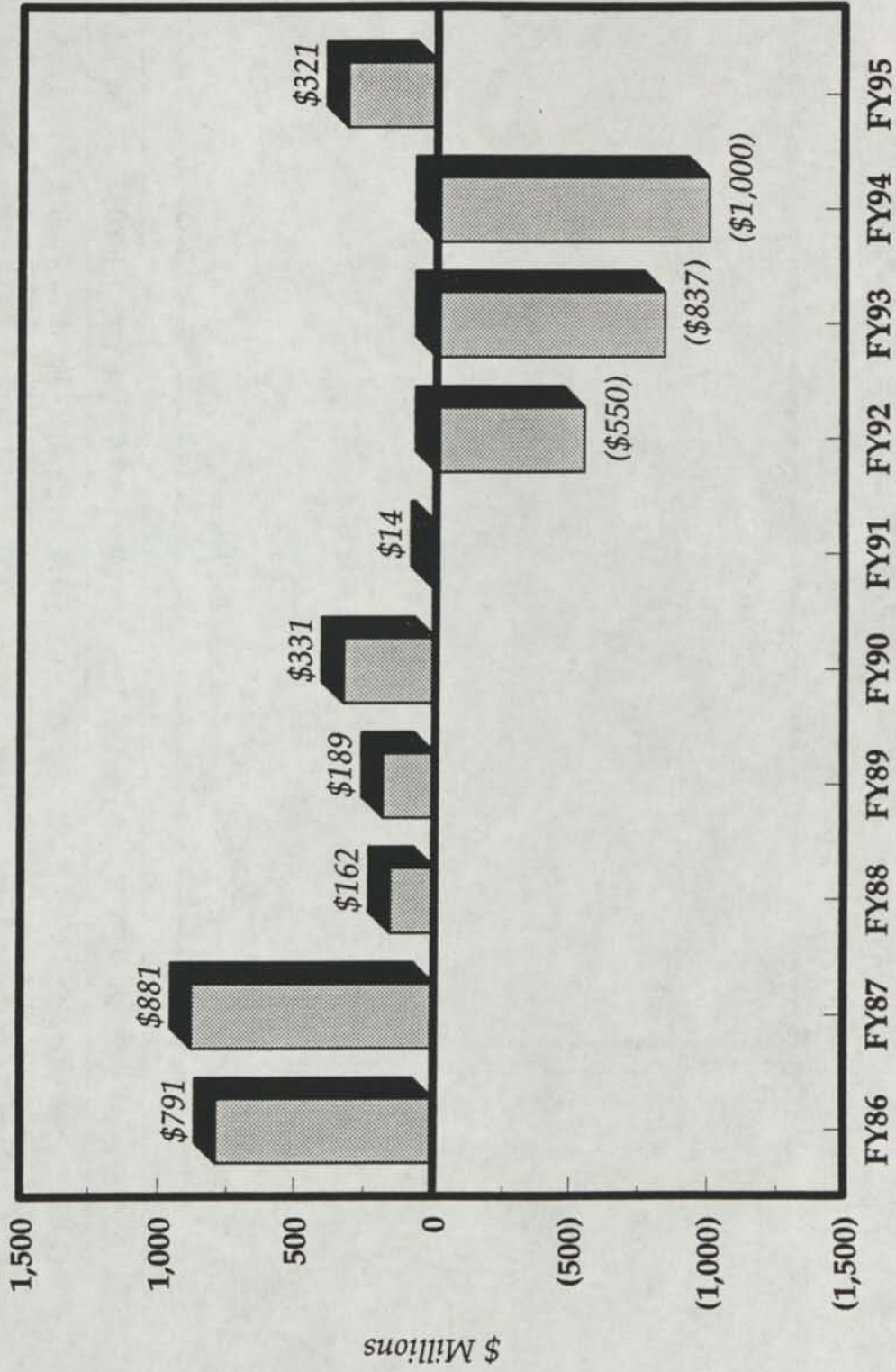
Note: Prior to FY88 headcount was gross; after, headcount is equivalent.
FY95 equals Regular Population as reported externally.

AVERAGE REVENUE PER EMPLOYEE

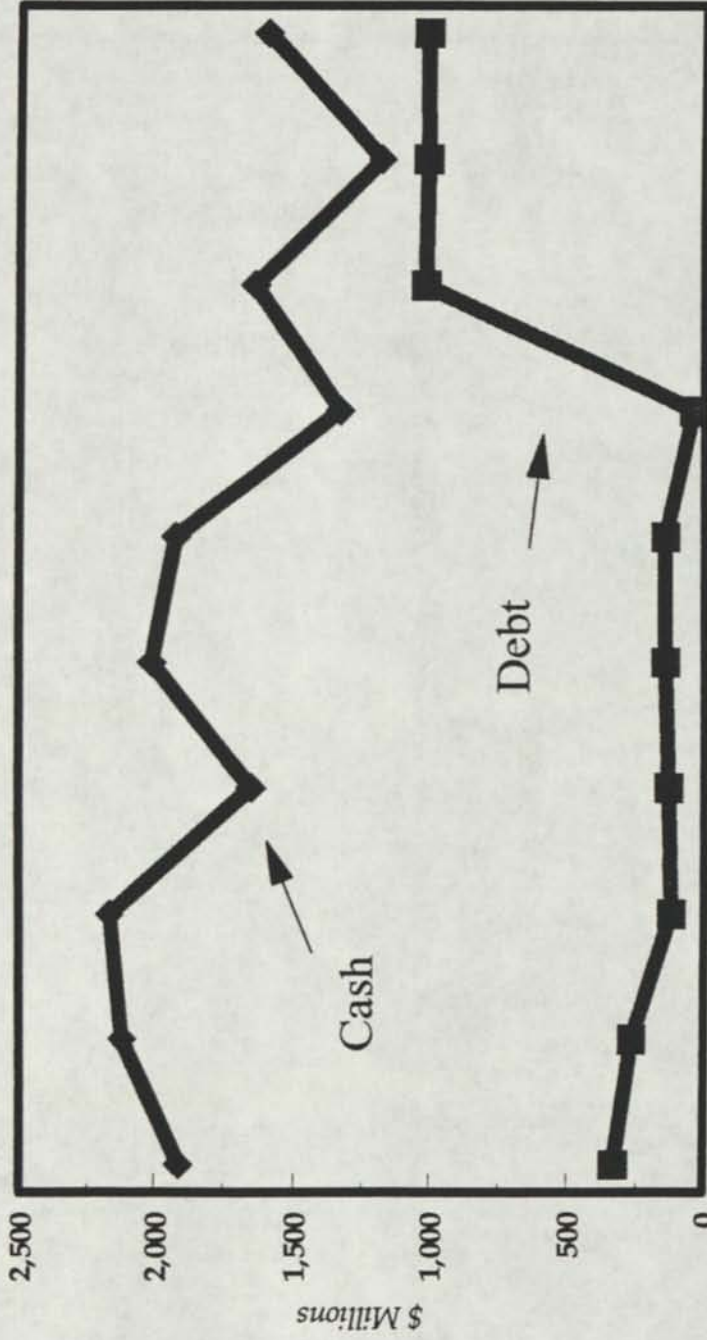


Notes: Prior to FY88, headcount was gross; after, headcount is equivalent.
 Prior to FY93, revenue per employee was based on total headcount;
 after, it is based on regular headcount.

CASH FLOW FROM OPERATING & INVESTING ACTIVITIES

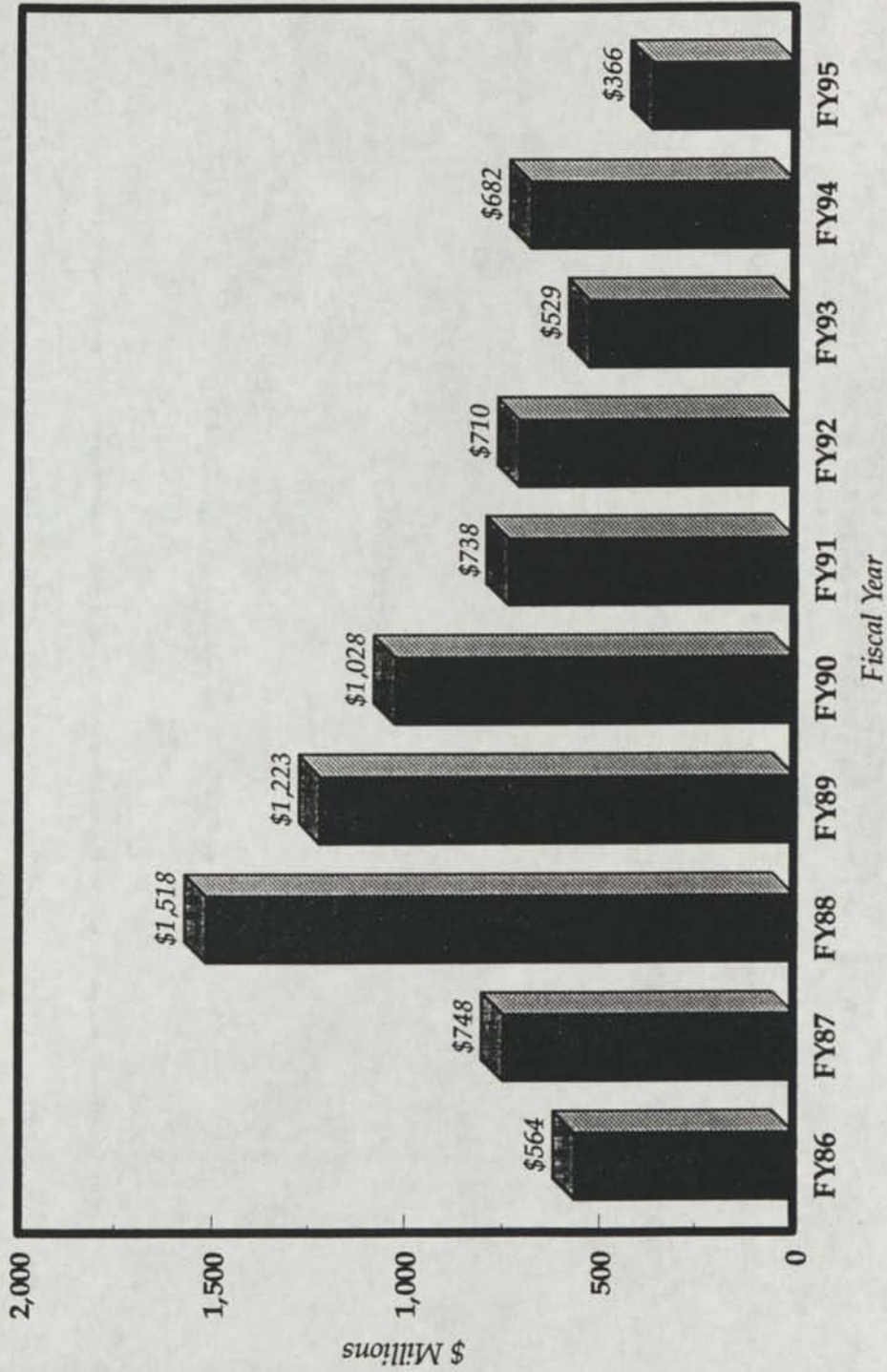


CASH AND LONG TERM DEBT

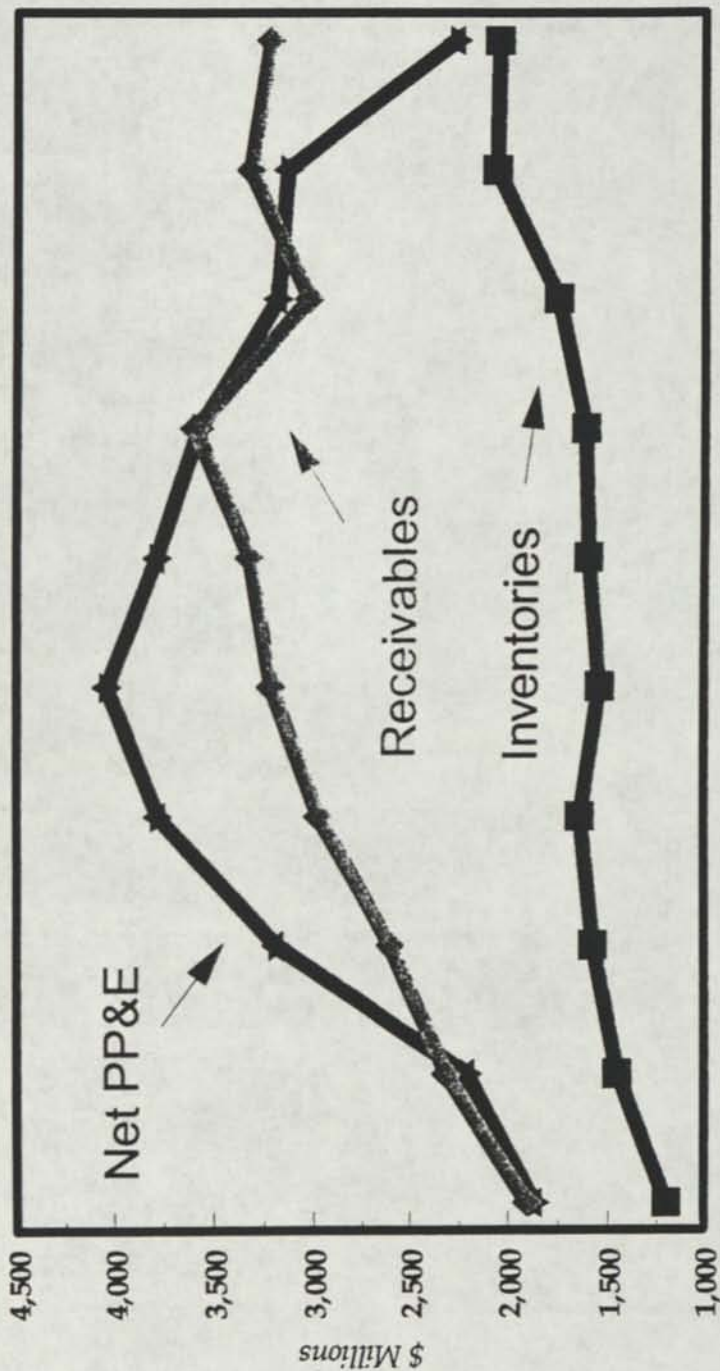


Fiscal Year	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
CASH	\$1,911	\$2,118	\$2,164	\$1,655	\$2,009	\$1,924	\$1,337	\$1,643	\$1,181	\$1,602
LT DEBT	\$333	\$269	\$124	\$136	\$150	\$150	\$42	\$1,018	\$1,011	\$1,013

CAPITAL SPENDING

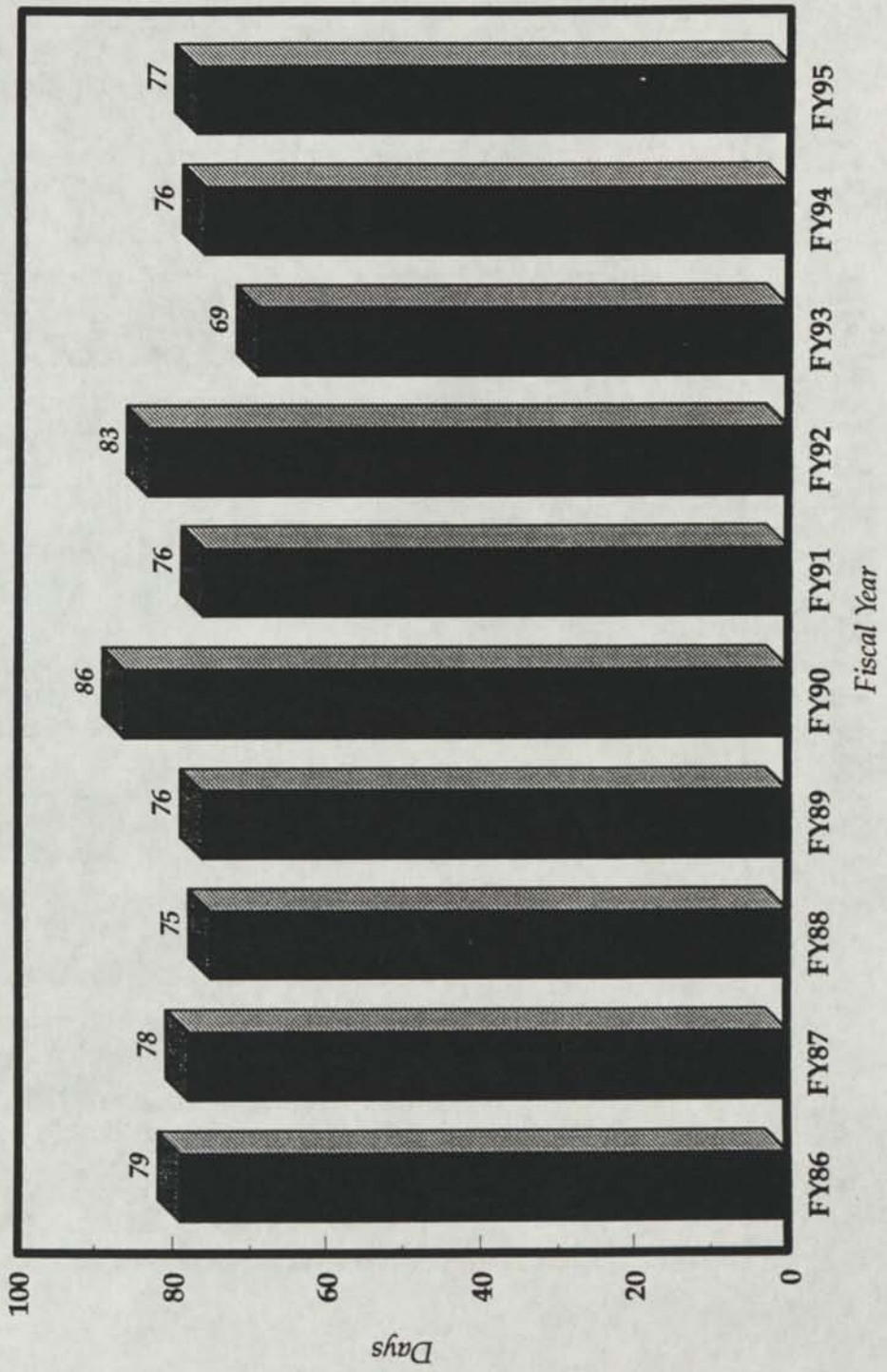


OPERATING ASSETS

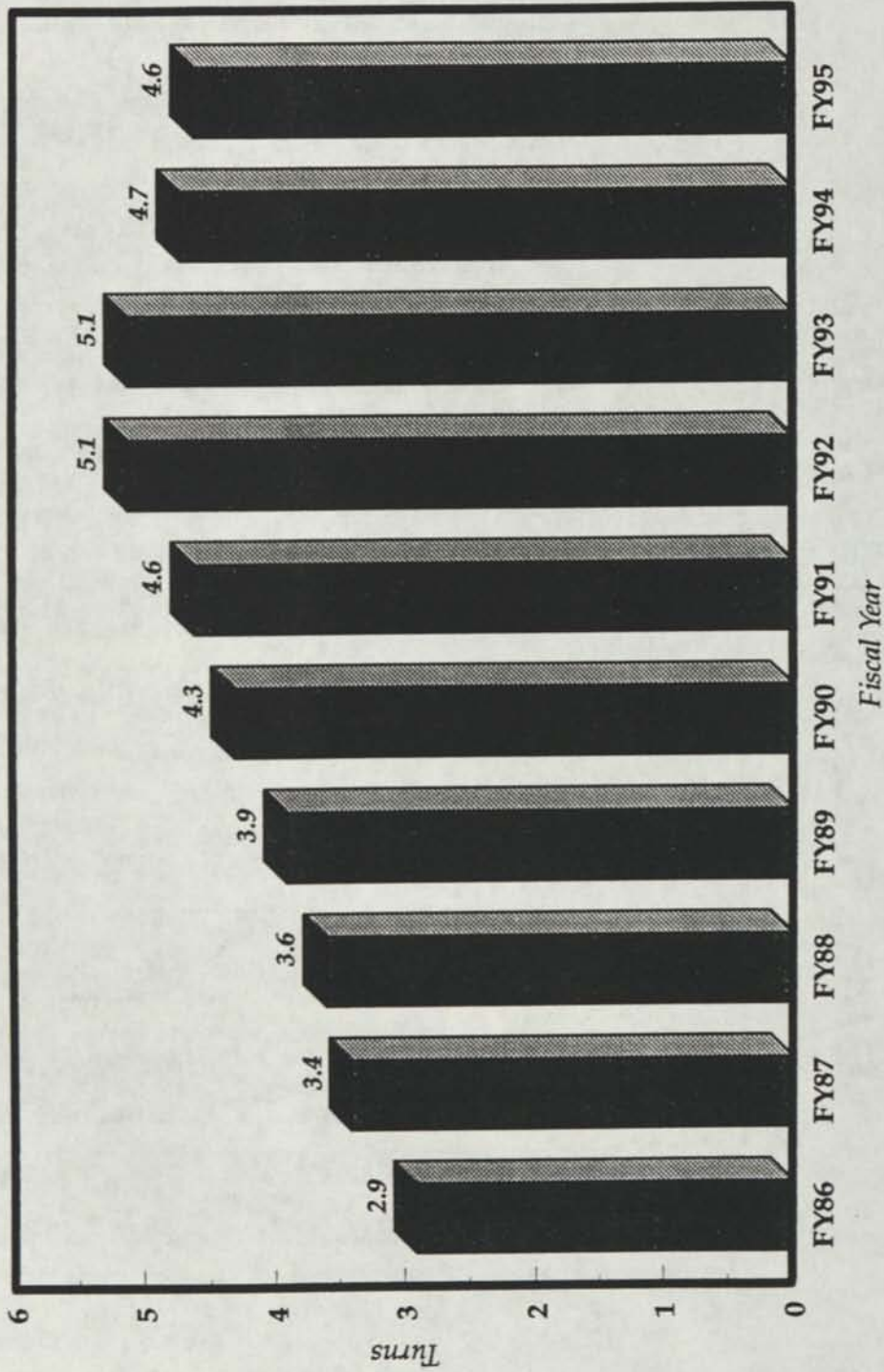


Fiscal Year	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Net PP&E	\$1,867	\$2,206	\$3,182	\$3,773	\$4,033	\$3,778	\$3,570	\$3,178	\$3,129	\$2,269
A/R	\$1,903	\$2,312	\$2,592	\$2,965	\$3,207	\$3,317	\$3,594	\$3,020	\$3,319	\$3,219
Net Inv.	\$1,200	\$1,453	\$1,575	\$1,638	\$1,538	\$1,595	\$1,614	\$1,755	\$2,064	\$2,054

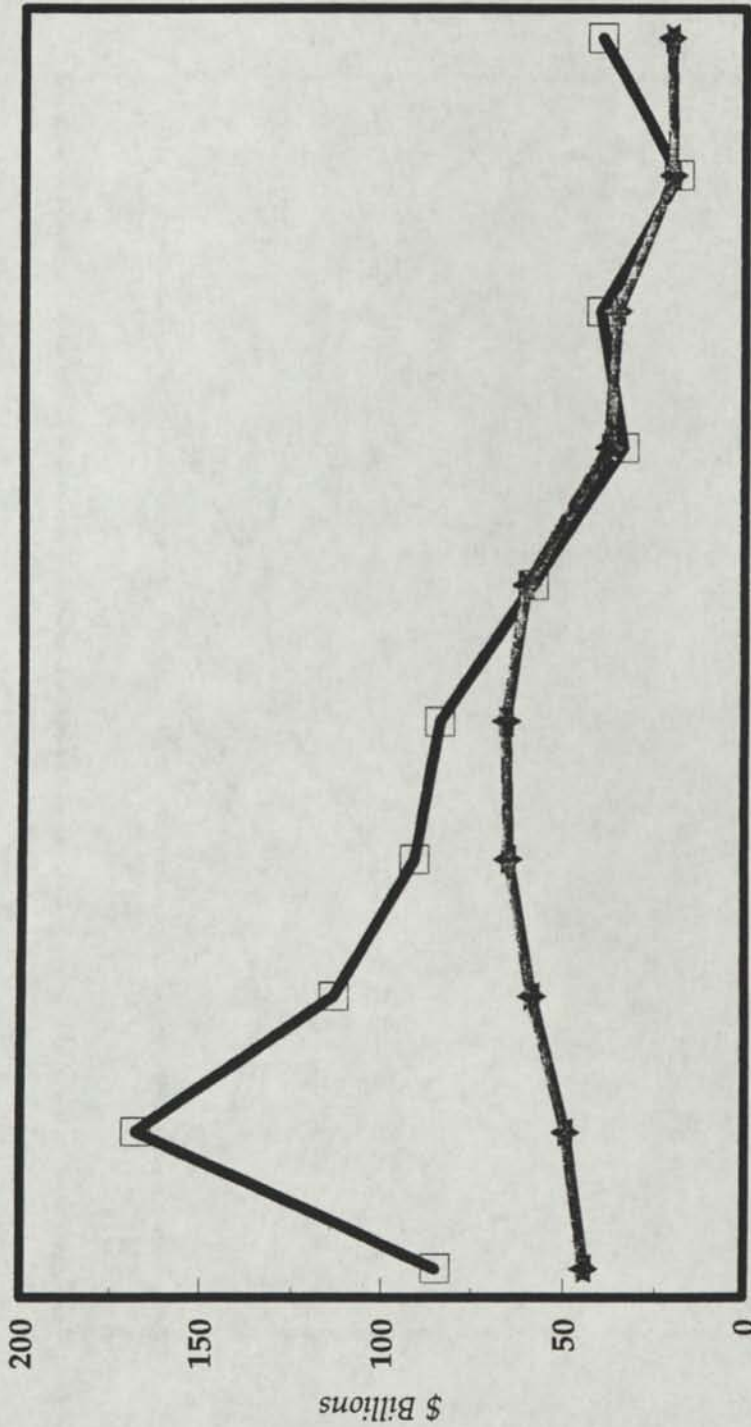
DAYS SALES OUTSTANDING



INVENTORY TURNS



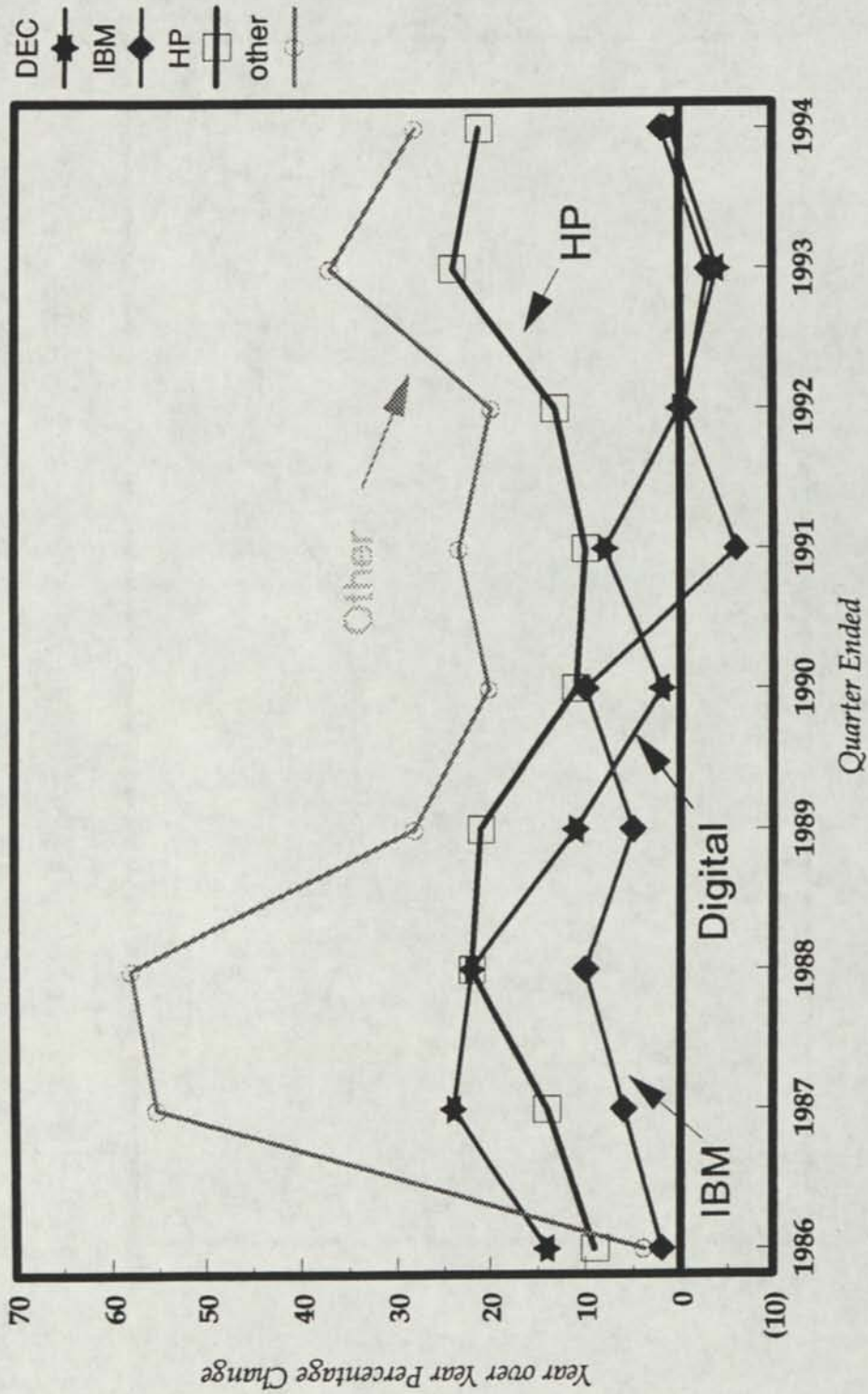
STOCK PRICE AND BOOK VALUE TREND



	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Stock	85.1	167.8	114.1	91.8	85.0	59.5	34.5	40.9	19.0	40.8
Book	44.5	49.9	59.5	66.1	66.8	61.2	38.6	36.2	20.3	20.9

COMPETITIVE HISTORY

Revenue Growth Trends



Other includes Microsoft, Novell, Intel, Dell, Stratus, Sun, Apple, and Compaq.
 Based on calendar year. Dell, HP and Novell through October 1994.

f: Digital

Consolidated Balance Sheets
Digital Equipment Corporation

(in thousands)

	July 2, 1994	July 3, 1993
Assets		
Current Assets		
Cash and cash equivalents (Note A)	\$ 1,180,863	\$ 1,643,195
Accounts receivable, net of allowance of \$111,925 and \$110,764	3,318,854	3,020,252
Inventories (Note A)	2,063,978	1,755,140
Prepaid expenses and deferred income taxes (Note C)	324,676	463,928
Total current assets	6,888,371	6,882,515
Net property, plant and equipment (Note A)	3,129,489	3,178,291
Other assets (Notes A, C, D and J)	561,911	889,537
Total assets	\$10,579,771	\$10,950,343
Liabilities and Stockholders' Equity		
Current Liabilities		
Bank loans and current portion of long-term debt (Note F)	\$ 32,614	\$ 21,335
Accounts payable	1,197,350	822,434
Income taxes payable (Note C)	20,753	57,614
Salaries, wages and related items	619,756	556,151
Deferred revenues and customer advances (Note A)	1,239,792	1,138,323
Accrued restructuring costs (Note E)	1,351,075	738,989
Other current liabilities	594,925	583,868
Total current liabilities	5,056,265	3,918,714
Deferred income taxes (Note C)	4,758	-
Long-term debt (Note F)	1,010,680	1,017,577
Postretirement and other postemployment benefits (Note G)	1,228,269	1,128,653
Total liabilities	7,299,972	6,064,944
Commitments and contingencies (Note H)		
Stockholders' Equity (Notes K and L)		
Preferred stock, \$1.00 par value; authorized 25,000,000 shares; 4,000,000 shares of Series A 8% Cumulative Preferred Stock issued and outstanding	4,000	-
Common stock, \$1.00 par value; authorized 450,000,000 shares; 142,287,078 shares and 135,489,805 shares issued	142,287	135,490
Additional paid-in capital	3,390,040	2,851,960
Retained earnings/(deficit)	(256,528)	1,937,627
Treasury stock at cost; 0 shares and 497,551 shares	-	(39,678)
Total stockholders' equity	3,279,799	4,885,399
Total liabilities and stockholders' equity	\$10,579,771	\$10,950,343

The accompanying notes are an integral part of these financial statements.

$$\frac{6.888}{5.056} = 1.36$$

TABLE 16.4 Income Statement for Husky Company

Net sales	\$900,000
Cost of goods sold	<u>(550,000)</u>
Gross profit	\$350,000
Selling and administrative expenses	<u>(100,000)</u>
Earnings before depreciation, interest, and taxes	\$250,000
Depreciation	<u>(20,000)</u>
Earnings before interest and taxes	\$230,000
Interest on long-term debt	<u>(30,000)</u>
Earnings before taxes	\$200,000
Income taxes (48%)	<u>(96,000)</u>
Net income after taxes	\$104,000
Preferred dividends	<u>(10,000)</u>
Net income for common stock	<u>\$ 94,000</u>
Common shares outstanding (20,000 shares)	
Common dividends (\$2.00 per share)	\$ 40,000
Retained earnings	\$ 54,000
Earnings per share	\$ 4.70
Dividends per share	\$ 2.00

are (1) liquidity ratios, (2) activities ratios, (3) leverage ratios, and (4) profitability ratios.

Liquidity Ratios. Liquidity ratios are designed to measure whether or not a company has the ability to meet its short-term obligations. Bondholders are concerned with the liquidity of a company because low liquidity has a negative impact on the investment value of a company's bonds; that is, the company may find it difficult to meet interest payments and to repay principal. Stockholders, both common and preferred, are also concerned with the liquidity position of the company, because there is the risk that dividends, like interest payments, may be negatively affected. Two common liquidity ratios are the current ratio and the quick ratio.

Current Ratio. The current ratio is calculated by dividing current assets by current liabilities. The current ratio for Husky Company is:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = \frac{\$200,000}{\$100,000} = 2.0$$

Quick Ratio or Acid Test. Some analysts feel that inventories are generally less liquid than other items in current assets. Therefore, in calculating

quick ratios inventory is excluded from current assets and the remainder is divided by current liabilities. The quick ratio for Husky Company is:

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} = \frac{\$100,000}{\$100,000} = 1.0$$

Activity Ratios. Activity ratios, also known as asset management ratios, indicate how effectively the company is utilizing its resources. Analysis of these ratios involves the comparison between the level of sales and the investment in various assets or capital categories. The four activities ratios most widely used by investment analysts are (1) inventory turnover, (2) accounts receivable turnover, (3) assets turnover, and (4) equity turnover. These ratios for Husky Company are calculated as follows:

$$\begin{aligned} \text{Inventory turnover} &= \frac{\text{Sales}}{\text{Average inventory}} \\ &= \frac{\$900,000}{\$100,000} = 9.0 \text{ times} \end{aligned}$$

$$\begin{aligned} \text{Accounts receivable turnover} &= \frac{\text{Sales}}{\text{Average accounts receivable}} \\ &= \frac{\$900,000}{\$85,000} = 10.6 \text{ times} \end{aligned}$$

$$\begin{aligned} \text{Assets turnover} &= \frac{\text{Sales}}{\text{Average total assets}} \\ &= \frac{\$900,000}{\$1,000,000} = 0.9 \text{ times} \end{aligned}$$

$$\begin{aligned} \text{Equity turnover} &= \frac{\text{Sales}}{\text{Average common equity}} \\ &= \frac{\$900,000}{\$500,000} = 1.8 \text{ times} \end{aligned}$$

Leverage Ratios. Leverage deals with different methods of financing business enterprise. It measures the relationship between ownership (equity) financing and creditorship (debt) financing. The extent to which a company utilizes creditor capital in financing business operations has a number of implications to investors. For example, the bondholders prefer a larger equity base to provide a margin of safety for their invested capital, that is, to minimize financial risk. The owners of common stocks, on the other hand, may favor larger financial leverage for two reasons: First, by raising funds through creditor capital, the holders of common stock gain the benefits of maintaining control in the company; second, the financial leverage may enhance the return on their invested capital. Note, however, that financial leverage may also magnify losses. A number of ratios are used to measure the impact of leverage on the financial position of a company. For the purpose of illustration, consider the following: (1) the ratio of total debt to total assets, (2) the ratio of long-term debt to capital structure, and (3) coverage ratios. (Later in this chapter the impact of

CURRENT MARKET VALUE present worth of a client's portfolio at today's market price, as listed in a brokerage statement every month—or more often if stocks are bought on margin or sold short. For listed stocks and bonds the current market value is determined by closing prices; for over-the-counter securities the bid price is used.

CURRENT MATURITY interval between the present time and the maturity date of a bond issue, as distinguished from original maturity, which is the time difference between the issue date and the maturity date. For example, in 1987 a bond issued in 1985 to mature in 2005 would have an original maturity of 20 years and a current maturity of 18 years.

CURRENT PRODUCTION RATE top interest rate allowed on current GOVERNMENT NATIONAL MORTGAGE ASSOCIATION mortgage-backed securities, usually half a percentage point below the current mortgage rate to defray administrative costs of the mortgage servicing company. For instance, when homeowners are paying 13½% on mortgages, an investor in a GNMA pool including those mortgages will get a current production rate of 13%.

CURRENT RATIO current assets divided by current liabilities. The ratio shows a company's ability to pay its current obligations from current assets. For the most part, a company that has a small inventory and readily collectible accounts receivable can operate safely with a lower current ratio than a company whose cash flow is less dependable. *See also* QUICK RATIO.

CURRENT YIELD annual interest on a bond divided by the market price. It is the actual income rate of return as opposed to the coupon rate (the two would be equal if the bond were bought at par) or the yield to maturity. For example, a 10% (coupon rate) bond with a face (or par) value of \$1000 is bought at a market price of \$800. The annual income from the bond is \$100. But since only \$800 was paid for the bond, the current yield is \$100 divided by \$800, or 12½%.

CUSHION

1. interval between the time a bond is issued and the time it can be called. Also termed CALL PROTECTION.
2. margin of safety for a corporation's financial ratios. For instance, if its DEBT-TO-EQUITY RATIO has a cushion of up to 40% debt, anything over that level might be cause for concern.
3. *see* LAST IN, FIRST OUT.

CUSHION BOND callable bond with a coupon above current market interest rates that is selling for a premium. Cushion bonds lose less of their value as rates rise and gain less in value as rates fall, making them suitable for conservative investors interested in high income.

CUSHION THEORY theory that a stock's price must rise if many investors are taking short positions in it, because those positions must be covered by purchases of the stock. Technical analysts consider it particularly bullish if the short positions in a stock are twice as high as the number of shares traded daily. This is because price rises force short sellers to cover their positions, making the stock rise even more.

CUSTODIAL ACCOUNT account that parents create for a minor, usually at a bank or brokerage firm. Minors cannot make securities transactions without the approval of the account trustee. The TAX REFORM ACT OF 1986 taxes earnings

CROWN LOAN demand loan by a high-income individual to a low-income relative, usually a child or elderly parent. This device was named for Chicago industrialist Harry Crown, who first used it. The money would be invested and the income would be taxable at the borrower's lower rates. For years, the crown loan provided a substantial tax benefit for all parties involved, since such loans could be made interest-free. In 1984 the U.S. Supreme Court ruled that such loans had to be made at the market rate of interest or be subject to gift taxes.

CUM DIVIDEND with dividend; said of a stock whose buyer is eligible to receive a declared dividend. Stocks are usually cum dividend for trades made on or before the fifth day preceding the RECORD DATE, when the register of eligible holders is closed for that dividend period. Trades after the fifth day go EX-DIVIDEND.

CUM RIGHTS with rights; said of stocks that entitle the purchaser to buy a specified amount of stock that is yet to be issued. The cut-off date when the stocks go from cum rights to EX-RIGHTS (without rights) is stipulated in the prospectus accompanying the rights distribution.

CUMULATIVE PREFERRED preferred stock whose dividends if omitted because of insufficient earnings or any other reason accumulate until paid out. They have precedence over common dividends, which cannot be paid if a cumulative preferred obligation exists. Most preferred stock issued today is cumulative.

CUMULATIVE VOTING voting method that improves minority shareholders' chances of naming representatives on the board of directors. In regular or statutory voting, stockholders must apportion their votes equally among candidates for director. Cumulative voting allows shareholders to cast all their votes for one candidate. Assuming one vote per share, 100 shares owned, and six directors to be elected, the regular method lets the shareholder cast 100 votes for each of six candidates for director, a total of 600 votes. The cumulative method lets the same 600 votes be cast for one candidate or split as the shareholder wishes. Cumulative voting is a popular cause among advocates of corporate democracy, but it remains the exception rather than the rule.

CURB *see* AMERICAN STOCK EXCHANGE.

CURRENCY FUTURES contracts in the futures markets that are for delivery in a major currency such as U.S. dollars, British pounds, French francs, German marks, Swiss francs, or Japanese yen. Corporations that sell products around the world can hedge their currency risk with these futures.

CURRENCY IN CIRCULATION paper money and coins circulating in the economy, counted as part of the total money in circulation, which includes DEMAND DEPOSITS in banks.

CURRENT ASSETS cash, accounts receivable, inventory, and other assets such as inventory that are likely to be converted into cash, sold, exchanged, or expensed in the normal course of business, usually within a year.

CURRENT COUPON BOND corporate, federal, or municipal bond with a coupon within half a percentage point of current market rates. These bonds are less volatile than similarly rated bonds with lower coupons because the interest they pay is competitive with current market instruments.

CURRENT LIABILITY debt or other obligation coming due within a year.

current ratio

current ratio Measure of liquidity calculated by dividing current assets by current liabilities and used to measure the short-term financial strength of a company. (See Appendix C)

current yield 1. Measurement of investment returns based on the percentage relationship of annual cash income to the investment cost (not acquisition cost). (Annual interest on a bond divided by market price.) 2. Annual amount of income received from an investment compared with that used for common and preferred stocks and frequently that used for bonds as well. (See Appendix C)

curtesy *common law* The right by which a man is entitled to enjoy all or part of his dead wife's estate, regardless of the provisions of her will, during his lifetime. Exists in only a few states.

custodial account Type of account necessary to purchase stock for minors since minors are not permitted to buy or own stock.

custodian 1. Receiver or trustee of any of the property of the debtor, appointed in a case or proceeding. A general term to describe one who has been given legal charge or custody of property, papers, and/or people. 2. Assignee under a general assignment for the benefit of the debtor's creditor. 3. Trustee, receiver, or agent under applicable law or under a contract that is appointed or authorized to take charge of property of the debtor for the purpose of enforcing a lien against such property or for the purpose of its general administration for the benefit of the debtor's creditors.

custody *law* The care and keeping of anything; safekeeping; protection; charge; guardianship.

custom Usage, having the force of law, being established by long use and consent of ancestors.

custom builder *real estate* Builder of residential housing who specializes in building individual residences to the specifications of the client, as opposed to a developer who may build several residences with similar specifications in the same area.

customer In the special sense, natural person to whom consumer credit is offered or to whom it is or will be extended including a co-maker, endorser, guarantor, or surety for such natural person who is or may be obligated to repay the extension of consumer credit.

customs duties *economics* Taxes on imports. They are collected from the importer, who normally would build them into the cost of the goods bought and thus into the price at which the goods would be sold. The ultimate burden of the tax would fall on the consumer.

custos statum haereditis in custodia existentis meliorem, non deteriorem, facere potest *A guardian can improve the estate of an existing heir but cannot make it worse.*

cutoff rate *economics; finance* In capital budgeting, the rate of return at which no capital investments will currently be made.

cyclical balanced budget *economics* The concept of a federal budget which is balanced over the business cycle, with deficits occurring in low periods, and surpluses occurring in peak periods.

cyclical stock Stock from a company whose earnings tend to fluctuate sharply with the business cycle and the level of economic activity. When earnings are good, the price of the stock usually rises sharply, and when the down-cycle is on, the inverse is true. Automobile companies and machine tool companies are good examples of this situation.

cyclical unemployment *economics* Unemployment in the economy which is related to phases of the business cycle.

cy pres *law* As nearly as possible. Doctrine whereby a gift or trust impossible to administer as the testator directed may be used or administered as nearly as possible in accordance with the testator's intentions. This enables the court to carry out the general intention of the donor or settlor of a fund when the particular method of carrying it out indicated by the instrument fails or when the instrument fails to indicate fully the method of fulfilling the general intention.

daily balance Balance for a day in the period for which interest is to be paid. (See average daily balance)

daily trading limit *investing* The maximum amount that many commodities and options markets are allowed to rise or fall in one day. The limits are imposed to prevent panic buying or selling in the markets.

damage Loss, injury, or deterioration caused to a person or a person's property by the negligence, design, or accident of another.

damaged *law* Describes property when the action of a public authority results in diminution of property value, under the constitutional provision that private property shall not be taken or damaged except for public purposes and after just and adequate compensation is paid.

damages *law* Pecuniary compensation or indemnity which may be recovered in the courts by any person who has suffered loss, detriment, or injury whether to his or her person, property, or right, through the unlawful act, omission, or negligence of another.

damnosa haereditas 1. *civil law* *A losing inheritance.* 2. Property which a trustee in bankruptcy disclaims as being a burden to the creditors.

damnum absque injuria *law* An injury without a wrong. A loss without a remedy provided by law.

damnum emergens *law* Loss arising. In a breach of contract, one aspect of damages is the actual loss, as distinguished from the loss of profit.

Danish income tax *economics; political science* The state income tax of Denmark, which is highly progressive. It is levied on total income, with an additional flat tax levied on dividends, and capital gains. There are also local and county income taxes.

data Facts from which to draw a conclusion. Known facts; collected information.

data integrity *computers* The degree to which computer-stored data corresponds to original source data.

data manipulation *marketing* Methods of introducing bias into data for the purpose of making the results appear what the company wants them to be.

data survey form A special form which a financial planner can gather qualitative and quantitative data on prospective client.

Data Universal Numbering A numerical method of identifying businesses designed and maintained by Bradstreet and published as a list of firms, giving information on firms, such as management personnel, size, etc. Also called Dun or Dun's Market Identifier.

date of record *finance* The date which a stockholder must appear on list of stockholders to qualify for participation in the dividend payment.

day *common law* The full twenty-four hours from midnight to midnight.

day book *accounting* A record of which financial transactions of the noted without regard to debits and (Antiquated.)

daylight trade See day trade.

day loan *finance* A loan which is repaid the same day, the proceeds from which are used to buy securities. Usually, the loan will then be secured by the securities purchased.

day order A buy or sell order expires at the end of the day entered.

day rate *accounting* Pay for work hour or by the day, as distinguished from piece work. (Antiquated.)

day trade Purchases and sales made and cover of the same security margin account on the same day, known as a daylight trade.

days of grace The days (usually allowed for payment of a note or bill) its stated due date.

day's sales in cash Cash daily sales per day. Measure of management control of cash balances.

deadheading *transportation* The use of an empty truck or railroad, also the crew, after completing a shipment. While this is still common with trucking has put much emphasis on backhaul to at least make expenses return trip. (Cf. backhaul)

deadweight In shipbuilding the quantity of cargo, expressed in ship will take on board.

current ratio: the relationship between total current assets and total current liabilities. It is calculated by dividing current assets by current liabilities.

current value accounting: an accounting approach that requires the measurement of individual assets (e.g., factories, machines, and supplies) in current prices rather than in terms of the actual dollar costs at which they were acquired in earlier years.

cushion bond: see *bond, cushion*.

cushion checking (credit): a check overdraft plan that is also an instant loan. When a check is issued in excess of the customer's account balance or a request is made to transfer from the customer's cash reserve to his checking account, a loan is made for up to 36 months, with a modest interest charge.

custodial approach to supervision: a paternalistic or "parent knows best" approach to dealing with employees. Cf. *collegial approach to supervision, supportive approach to supervision*.

customer: an individual or organization that makes a purchase.

customer-bank communication terminal (CBCT): the name given to a remote (i.e., not on bank premises) electronic device through which customers may withdraw, deposit, or transfer funds from or to their checking or savings accounts. Cf. *automated teller machine*.

customer departmentation: the grouping of jobs into subunits based on the customers to be served, a common practice in retail organizations.

customer's broker (man): synonymous with *registered representative*.

customer's ledger: a ledger that shows accounts receivable of each customer.

customhouse bond: see *bond, customhouse*.

customs: taxes imposed by a government on the import or export of items. Cf. *duty, tariff*.

customs union: an agreement by two or more trading countries to dissolve trade restrictions such as tariffs and quotas among themselves, and to develop a common external policy or trade (e.g., a trade agreement).

cutback:

(1) **labor relations:** a layoff of employees caused by a reduction in available work. See also *work sharing*.

(2) **manufacturing:** reduction to a former level (e.g., in production).

cuttoff date: a specific day chosen for stopping the flow of cash, goods, or other items for closing or audit reasons. Usually such a date is chosen if an inventory is scheduled when sales or purchases are to take place.

cutting a melon: (slang) making an extra distribution of money or stock to shareholders, usually when preceded by an unusually profitable transaction (e.g., the sale of a subsidiary).

cycle billing: matching of alphabetical breakdowns to specific days to assist in customer billing. Each breakdown is a cycle and occurs on the same day every month.

cycle stock: the amount of inventory expected to be used during a particular cycle.

cyclical demand: variations in demand for a product due to such factors as war, elections, economic conditions, and sociological pressures. The cycles are typically greater than one year and less than five years.

cyclical forecast: changes in market demand that are primarily a result of general economic conditions.

date of record: the date, selected by a firm's board of directors, on which dividend-receiving shareholders are identified.

dating: a technique of extending credit beyond the time it was originally given; often used as an inducement to dealers to place orders far in advance of the coming season.

daylight trading: making a purchase followed by a sale of a security on the same day, to avoid a holding position in the shares traded overnight or longer.

day loan: a one-day loan, granted for the purchase of stock, for the broker's convenience. Upon delivery, securities are pledged as collateral to secure a regular call loan.

day order: an order to buy or sell that, if not executed, expires at the end of the trading day on which it was entered.

days of grace: the reasonable length of time allowed, without suffering a loss or penalty, for postponed payment or for the presentation for payment of certain financial documents. See also *grace period*.

days sales invested in working capital: an alternative measure of the amount of working capital used in sustaining the sales of a period; computed by dividing 365 days by the working capital turnover.

deadbeat: (slang)

(1) **general:** a person who tries to avoid paying for things.

(2) **finance:** a person who pays his or her entire charge every billing period, thus avoiding revolving credit charges.

deadheading:

(1) **transportation:** the movement of empty vehicles or railcars to a destination point.

(2) **transportation:** the practice of providing free transportation for workers of a transportation firm.

cyclical inflation: periodic sudden increases in the general price level. Cf. *secular inflation*.

cyclical stocks: securities that go up and down in value with the trend of business, rising faster in periods of rapidly improving business conditions and sliding very noticeably when business conditions deteriorate.

cyclical unemployment: unemployment caused by fluctuations in the economy due to downward trend in the business cycle. Cyclical unemployment involves many more jobs than seasonal, technological, or frictional unemployment. Cf. *chronic unemployment, hard-core unemployed*; see also *simultaneous inflation and unemployment*.

cyclic duty: work that is performed periodically.



daily effective circulation: in outdoor advertising, the number of people who are expected to observe a message.

daily reports: skeleton copies of insurance policies prepared for the agent and the company, consisting of the declarations page and fill-in endorsements. Cf. *policy register, scratch daily report*.

Daily Treasury Statement: a listing of transactions that clear through the U.S. Treasurer's account. For each business day it reflects cash deposits, cash withdrawals, and the status of the Treasurer's account.

date: the point in time, fixed by the year, month, and day, when an occurrence takes place. See also *effective date*.

Appendix D

Important Ratios Used to Evaluate a Business

acid test

$$\frac{\text{Cash + Marketable + Receivables}}{\text{Current Liabilities}}$$

average collection period

$$\frac{\text{Receivables}}{\text{Sales per Day}}$$

average propensity to consume ratio of consumption to income

$$\text{Average Propensity to Consume} = \frac{\text{Consumption}}{\text{Income}}$$

average propensity to save ratio of savings to income

$$\text{Average Propensity to Save} = \frac{\text{Savings}}{\text{Income}}$$

average revenue

$$\frac{\text{Total Revenue}}{\text{Quantity}} = \frac{(\text{Price}) (\text{Quantity})}{\text{Quantity}} = \text{Price}$$

average tax rate

$$\text{Average Personal Income Tax Rate} = \frac{\text{Total Personal Income Tax}}{\text{Total Taxable Income}}$$

cost depletion

$$\text{Depletion Allowance} = \frac{\text{Basis}}{\text{Total Estimated Units}} \times \text{Units Sold}$$

current ratio

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

debt to equity

$$\frac{\text{Debt}}{\text{Total Assets}}$$

earnings per common share

$$\frac{\text{Earnings Minus Preferred Dividends}}{\text{Number of Common Shares Outstanding}}$$

fixed asset turnover

$$\frac{\text{Annual Sales}}{\text{Fixed Assets}}$$

inventory turnover

$$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$

or

$$\frac{\text{Sales}}{\text{Inventory}}$$

marginal utility

$$\text{Marginal Utility} = \frac{\text{Change in Total Utility}}{\text{Change in Quantity Consumed}}$$

net profit margin

$$\frac{\text{Earnings after Taxes}}{\text{Sales}}$$

operating profit margin

$$\frac{\text{Earnings before Interest \& Taxes}}{\text{Annual Interest Expense}}$$

payout ratio

$$\frac{\text{Dividends}}{\text{Earnings}}$$

P/E ratio

$$\frac{\text{Price of Stock}}{\text{Earnings per Share}}$$

receivables turnover

$$\frac{\text{Annual Credit Sales}}{\text{Accounts Receivable}}$$

or

$$\frac{\text{Annual Sales}}{\text{Accounts Receivable}}$$

return on assets

$$\frac{\text{Earnings after Taxes}}{\text{Total Assets}}$$

return on equity

$$\frac{\text{Earnings after Taxes}}{\text{Equity}}$$

times-interest earned

$$\frac{\text{Earnings before Interest \& Taxes}}{\text{Annual Interest Expense}}$$

conclusion The analyzing of a business is not easy, and these ratios may make it appear that it is. Firms change over time, as do accounting methods and all changes may slant a specific ratio. However, if one is a seasoned investor, or wishes to be, then some kind of analysis should be made of a company before investing in it.

Over time, however, academicians have learned that no type of analysis is foolproof. As with the old-time airplane pilots, flying by the seat of your pants probably plays some role in most investing.