

I n t e r o f f i c e M e m o r a n d u m

To: DANIEL SUBSCRIBERS:

Memo: 5297748659DAN78

Date: Fri 17 Jan 1986 8:31 AM EST

From: DANIEL MANAGER

Dept: MIS

Tel: 264-3133

Adr: NPO

RECEIVED

JAN 17 1986

RUSS GULLOTTI

Subject: SECOND QUARTER OPERATING RESULTS

This release went out to the press today. It is being forwarded by Corporate Employee Communication.

DIGITAL EQUIPMENT CORPORATION REPORTS IMPROVED

SECOND QUARTER SALES AND EARNINGS

MAYNARD, MA -- JANUARY 15, 1986

Digital today reported sales and earnings for the second quarter of its fiscal year ending June 28, 1986.

The company showed quarterly revenues of \$1.9 billion compared to \$1.6 billion a year ago up over 14%. Net income from operations for the quarter was \$136 million or \$2.17 per share, compared to net income from operations of \$110 million or \$1.81 per share a year ago. Average common and common equivalent shares outstanding were 64,712,698, versus 63,346,727 shares a year ago.

For six months ending December 28, 1985, Digital reported revenues of \$3.5 billion versus \$3.1 billion in the prior year. Net income for the half was \$208 million or \$3.36 per share against \$254 million or \$4.24 per share a year ago. Last year's first half results also included \$63 million or \$1.07 per share as a one-time benefit from the tax treatment of Domestic International Sales Corporation (DISCS).

Ken Olsen, president said that "demand increased in the quarter, particularly in the United States. This was due in part to the introduction and immediate availability of several significant products over the last twelve months.

"Our unique ability to build fully-integrated high speed computer networks continues to give us an important competitive advantage and has allowed us to broaden our influence in the marketplace. Today we offer networking that I think is commonly agreed to be the only complete set of networking that truly works across a whole organization.

"Our MicroVAX-II/VAXstation II systems are doing extremely well after nine months with over 12,000 shipped to date. Customer reaction to the new VAX 8650, our biggest and most powerful system, has been very enthusiastic in the first few weeks since announcement." (The VAX 8650 was introduced on December 5, 1985.)

Ken also reported that the new high-speed technical workstation introduced by Digital this week for the UNIX market is being very well received. The new VAXstation II/GPX system is very fast and provides a number of advanced capabilities, including high-performance color capabilities.

Jim Osterhoff, vice president, Finance, said that "the company's operating margin improved to 9.7% in the quarter due to improved sales and a continued focus on cost and expense controls. Inventories declined again while our cash position grew. We are encouraged by our improved asset utilization."

OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS

	THREE MONTHS ENDED	
	DECEMBER 28, 1985	DECEMBER 29, 1984
EQUIPMENT SALES	\$1,232,300,000	\$1,109,562,000
SERVICE AND OTHER REVENUES	630,193,000	518,504,000
TOTAL OPERATING REVENUES	1,862,493,000	1,628,066,000
COST OF SALES	1,088,699,000	974,280,000
RESEARCH AND ENGINEERING	199,135,000	169,648,000
SELLING		
GENERAL AND ADMINISTRATIVE	394,310,000	344,700,000
OPERATING INCOME	180,349,000	139,438,000
NET INTEREST (INCOME)/EXPENSE	(3,589,000)	4,495,000
INCOME BEFORE TAXES	183,938,000	134,943,000
PROVISION FOR INCOME TAXES	47,824,000	24,612,000
NET INCOME	136,114,000	110,331,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	64,712,698	63,346,727
NET INCOME PER SHARE	\$2.17	\$1.81

	SIX MONTHS ENDED	
	DECEMBER 28, 1985	DECEMBER 29, 1984
EQUIPMENT SALES	\$2,287,921,000	\$2,145,146,000
SERVICE AND OTHER REVENUES	1,198,499,000	998,183,000
TOTAL OPERATING REVENUES	3,486,420,000	3,143,329,000
COST OF SALES	2,053,100,000	1,891,312,000
RESEARCH AND ENGINEERING	386,972,000	334,672,000
SELLING		
GENERAL AND ADMINISTRATIVE	767,499,000	668,048,000
OPERATING INCOME	278,849,000	249,297,000
NET INTEREST (INCOME)/EXPENSE	(2,825,000)	10,551,000
INCOME BEFORE TAXES	281,674,000	238,746,000
PROVISION FOR INCOME TAXES	73,235,000	(15,801,000)
NET INCOME	208,439,000	254,547,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	64,563,577	61,255,463
NET INCOME PER SHARE	\$3.36	\$4.24

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Internal Office Memorandum

To: TRUMAN SUBSCRIBERS:

Memo: 5306871771TRU88
Date: Fri 18 Apr 1986 2:56 PM EST
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: DIGITAL REPORTS THIRD QUARTER RESULTS

RECEIVED

APR 21 1986

RUSS GULLOTTI

THIS MEMO IS FROM JIM OSTERHOFF,
VICE PRESIDENT, CHIEF FINANCIAL OFFICER

DIGITAL REPORTS THIRD QUARTER GAINS IN SALES AND EARNINGS

Digital today reported higher sales and sharply increased earnings for the third quarter of fiscal year 1986.

For its third quarter ended March 29, Digital reported total operating revenues of \$1.93 billion, up 14 percent from the \$1.69 billion recorded in the comparable period a year ago. Net income for the quarter totaled \$170,348,000, an increase of 86 percent from \$91,688,000 a year ago. Earnings per share for the quarter were \$1.32, compared with \$.76 last year. (All references to per share computations reflect the impact of a one hundred percent stock dividend.)

For the nine months ended March 29, Digital reported total operating revenues of \$5.41 billion, up 12 percent from \$4.83 billion a year ago. Net income for the nine months was \$378,787,000 compared with \$346,235,000 a year ago. Earnings per share were \$3.00 compared with \$2.88 per share a year ago.

"We are encouraged with our performance in a relatively weak market," says Ken Olsen, president. "Digital is benefiting from being able to deliver today the kind of high-speed, integrated networking solutions that customers need. We have also extended the range of compatible systems we offer with several new computer systems announced earlier this year. These factors helped produce solid revenue growth for the quarter and an increase in profit margins.

"We continue to expand our customer support organization through the hiring of additional salespeople. Our recent DECworld exposition, which drew more than 20,000 customers to Boston in February, was effective in presenting our product capabilities to existing and potential customers and has resulted in many new business opportunities for us. We are also hiring additional software specialists to help growing numbers of customers install efficient, cost-effective, networked solutions to their business problems."

According to Jim Osterhoff, vice president, Chief Financial

Officer, the company's cost control and asset management programs continue to yield positive results. "The increasing mix of new products, together with reduced manufacturing costs, combined to yield significant improvements in our gross margin. This contributed to a doubling of our operating income in the third fiscal quarter over a year ago and a return to double-digit operating margins.

"By all reports, the general order rate situation in the computer industry continues to be soft," adds Jim. "And while there's much speculation on the reasons why, there don't seem to be definitive answers.

"Despite the general industry softness, at Digital we're seeing tremendous interest in our products, our services and our networking capabilities. We believe we are doing better than the competition and that we are gaining market share. The feedback from customers is very positive.

"In a financial sense, we have made excellent progress, although our absolute results are still less than satisfactory. We have succeeded, however, in raising outside expectations for the future. This is evidenced by the price of our stock, which has, over the last several quarters, out-performed other companies in the industry.

"We're still recovering from a period of high cost growth and margin deterioration; but thanks to the hard work of many people, it appears we are on the right track," notes Jim. "During the last two quarters we have made significant progress toward our financial objectives. If we continue to plan and execute as we have done recently, we should make substantial progress toward achieving our margins of the pre-1983 period, which we need to sustain our historical growth rate.

"One relationship that is particularly meaningful is that of operating profit margin to revenue growth. During the 1983-85 period, revenues were going up at the rate of 25 percent a year and margins were not improving at all. During the first three quarters of this year, revenues were up 12 percent over a year ago, and operating profit margins improved from 7.3 percent to 9.3 percent. In Q3, our operating profit margin (pre-tax) was 11.6 percent -- the first time in 14 quarters that we have been in double digits. Operating income was \$223 million, up 115 percent over the \$104 million reported in Q3 a year ago.

"In the area of asset management, we continue to make dramatic improvements in manufacturing inventories. And the recent progress has been achieved at a time when we have a lot of new products, which generally causes inventories to go up. Inventory improvements are also evident in Field Service.

"While we strive to reach our financial goals, and take pride in the excellence of our products, we must remember that the best way to ensure continued success is to emphasize customer satisfaction at all levels of the company," concludes Jim. "Customer satisfaction means more than a competitive product advantage. It means being a quality organization in every respect -- including the quality of our products, efficiency and

responsiveness in processing orders, and a genuine interest in solving customers' business problems. We want to make everybody feel good about doing business with Digital."

OPERATING RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER:

	NINE MONTHS ENDED	
	MARCH 29, 1986	MARCH 30, 1985
EQUIPMENT SALES	\$3,557,056,000	\$3,287,969,000
SERVICE AND OTHER REVENUES	1,857,651,000	1,546,487,000
TOTAL OPERATING REVENUES	5,414,707,000	4,834,456,000
COST OF SALES	3,130,161,000	2,923,536,000
RESEARCH AND ENGINEERING	591,115,000	507,739,000
SELLING		
GENERAL AND ADMINISTRATIVE	1,191,855,000	1,050,352,000
NET INTEREST (INCOME)/EXPENSE	(17,310,000)	15,541,000
INCOME BEFORE TAXES	518,886,000	337,288,000
PROVISION FOR INCOME TAXES	140,099,000	(8,947,000)
NET INCOME	378,787,000	346,235,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	130,166,014	123,355,764
NET INCOME PER SHARE	\$3.00	\$2.88

	THREE MONTHS ENDED	
	MARCH 29, 1986	MARCH 30, 1985
EQUIPMENT SALES	\$1,269,135,000	\$1,142,823,000
SERVICE AND OTHER REVENUES	659,152,000	548,304,000
TOTAL OPERATING REVENUES	1,928,287,000	1,691,127,000
COST OF SALES	1,077,061,000	1,032,224,000
RESEARCH AND ENGINEERING	204,143,000	173,067,000
SELLING		
GENERAL AND ADMINISTRATIVE	424,356,000	382,304,000
NET INTEREST (INCOME)/EXPENSE	(14,485,000)	4,990,000
INCOME BEFORE TAXES	237,212,000	98,542,000
PROVISION FOR INCOME TAXES	66,864,000	6,854,000
NET INCOME	170,348,000	91,688,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	130,966,690	126,321,848
NET INCOME PER SHARE	\$1.32	\$.76

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I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5317153110TRU86
Date: Wed 30 Jul 1986 10:46 AM EDT
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

RECEIVED
JUL 30 1986
RUSS GULLOTTI

Subject: DIGITAL REPORTS FOURTH QUARTER RESULTS

***** TO ALL EMPLOYEES *****

Digital announces strong fourth-quarter, year-end results

Digital has reported higher sales and sharply increased earnings for the fourth quarter of its 1986 fiscal year.

For the quarter, the company reported total operating revenues of \$2.176 billion, up 17 percent from the \$1.852 billion of the comparable quarter a year ago. Net income for the quarter rose to \$238.6 million, up 138 percent from last year's fourth-quarter net income of \$100.4 million. Quarterly earnings per share were \$1.81 vs. \$.83 last year.

For the full fiscal year, Digital's total operating revenues rose 14 percent to \$7.590 billion, compared to last year's total of \$6.686 billion; net income reached \$617.4 million, up 38 percent from last year's \$446.7 million, and earnings per share for the year were \$4.81 compared to \$3.71 a year ago.

Ken Olsen, president, attributed the company's strong showing to its ability to "supply a wide variety of simple, cost-effective solutions to our large customer base while at the same time being able to support the many new customers who have been attracted to Digital's simple approach to building elegant computer networks with state-of-the-art products.

"What we're seeing now is the payoff from an enormous investment and disciplined pursuit of a 15-year strategy that has given us a single family of truly compatible products," continues Ken. "Every one of our hundreds of hardware products and thousands of software products has been designed within the same modular architecture. All of them are designed to work together in networks in virtually any combination and to work with products from other major computer vendors. This built-in 'famliness' feature permits the interconnection of personal computers and workstations, mid-range systems and large mainframes into a single network that ties together an entire organization.

"More and more, users are recognizing that this unique offering provides them with tremendous flexibility and cost-effectiveness in implementing their computer strategies; it permits them orderly growth and affords significant protection to the investments they have already made in computing resources and data bases."

Says Jim Osterhoff, vice president and chief financial officer,

"While there is still uncertainty surrounding the economic sluggishness which has impacted the computer industry, we experienced a stronger order rate during the fourth quarter -- in all geographies -- than we've had in the recent past.

"This is an exciting time for Digital. We are clearly outperforming the industry. We're seeing the results of the tremendous flow of new products which we demonstrated to our customers at DECWORLD '86. The strength of our sales and order rates speaks for the wide acceptance of these products in our many markets. While our growth rate is below our historical trend, it is greater than many of our competitors, which suggests that we are gaining market share.

"Our latest customer satisfaction surveys show improvement in nearly every area. From an already commendable performance level, the surveys showed a further improvement of over 10% in the level of customer satisfaction we delivered last year. This is clearly a gratifying result in an area that demands never-ending improvement. It reflects increased customer confidence in all components of our company.

"Our financial position also improved significantly during the year. Long-term debt was reduced by \$500 million and our cash position increased by over \$800 million. Since the end of FY85, our total inventories have been reduced by over \$550 million or 32 percent. When you consider the amount of new product activity that occurred during the year and that our revenue grew by 14 percent, this reduction in inventories is especially impressive. And while it doesn't show clearly in the reported results, we continue to achieve improvements in accounts receivable in most locales around the world.

"It is most encouraging to see the continued improvement of our profit margins over several consecutive quarters. While we have worked hard to attain our present profit position, we cannot afford to be satisfied with it. Still ahead of us lies the real test -- what we do with our competitive position in the marketplace and whether we translate that opportunity into sustained financial excellence. Challenges like these don't come along every day. The fact that these challenges are so positive in nature doesn't make them any easier, but it does make working on them a lot more enjoyable.

"We should all take pride in what this company has accomplished over the past several quarters," Jim concludes. "If we sustain the hard work and attention to basics that have brought us here, we can make these accomplishments last long into the future."

Digital's fiscal-year and fourth-quarter results

	Year ended	
	June 28, 1986	June 29, 1985
Equipment sales	\$4,961,861,000	\$4,534,165,000
Service and other revenues	2,628,496,000	2,152,151,000
Total operating revenues	7,590,357,000	6,686,316,000
Income before taxes	857,529,000	430,822,000
Provision for income taxes	240,109,000	(15,860,000)

Net income	617,420,000	446,682,000
Average number of shares outstanding	130,792,348	124,112,316
Net income per share	\$4.81	\$3.71

	Fourth quarter ended	
	June 28, 1986	June 29, 1985
Equipment sales	\$1,404,805,000	\$1,246,196,000
Service and other revenues	770,845,000	605,664,000
Total operating revenues	2,175,650,000	1,851,860,000
Income before taxes	338,643,000	93,534,000
Provision for income taxes	100,010,000	(6,913,000)
Net income	238,633,000	100,447,000
Average number of shares outstanding	131,807,580	126,381,972
Net income per share	\$1.81	\$.83

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I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5325041952TRU50
Date: Fri 17 Oct 1986 7:40 AM EDT
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: *** FIRST QUARTER OPERATING RESULTS ***

OCT 17 1986
HUSS GULLOTTI

***** TO ALL EMPLOYEES *****

***** This message is from Corporate Employee Communication *****

Digital reports continued strength in first quarter

Digital has reported strong gains in sales and earnings for the first quarter of its 1987 fiscal year.

For the quarter, the company reported total operating revenues of \$2.04 billion, up 26 percent from the \$1.62 billion of the comparable quarter a year ago. Net income for the quarter was \$182,628,000, up 153 percent from last year's first quarter net income of \$72,325,000. Quarterly earnings per share were \$1.37 vs. \$.60 last year, up 128 percent.

According to Ken Olsen, president, continued strong performance in the first quarter reflected "the broad market acceptance of our networked systems solutions. In this year's first quarter we maintained the orderly flow of product introductions from the latest VAX computers to networking products and services which let organizations manage information from desk-top personal computers to data-center computer systems.

"Our performance also reflects Digital's long-standing strategy to work closely with our customers. In the quarter we continued to target and align our products, applications and sales training to key industries. This industry focus is showing good results, particularly in financial services where we have won significant new business."

"By all indications, the U.S. market for computer equipment remains sluggish and some of our competition is beginning to see weakness in overseas markets," adds Jim Osterhoff, vice president, Finance. "Overall, the sales environment is becoming ever more difficult, and while we have done well to date, we must continue to apply a strong customer orientation in every aspect of our business in order to maintain our momentum in the marketplace.

"Our present strong product position is receiving wide recognition in the press -- advertising that money can't buy. And we are supplementing that with substantial financial commitments of our own in sales and marketing resources. The pressure is on us now to capitalize on our competitive advantages and to realize our revenue potential.

"Over the past 3-4 quarters, we have seen a return on the product investments we have made over the past several years and our more

recent incremental investments in sales and services. Our profit margin improvements also reflect productivity gains, particularly in manufacturing operations, product design and in the delivery of services to our customers. We are continuing to make progress toward our more traditional levels of profitability, and this too is contributing to our strong image in the marketplace.

"In our present situation, complacency is our chief enemy. We cannot afford to relax the pressures on costs and asset management. To do so could threaten the momentum we have worked so hard to develop."

OPERATING RESULTS FOR THE FIRST QUARTER ENDING:

	SEPTEMBER 27, 1986	SEPTEMBER 28, 1985
PRODUCT REVENUES	\$1,390,625,000	\$1,119,321,000
SERVICE AND OTHER REVENUES	647,842,000	504,606,000
TOTAL OPERATING REVENUES	2,038,467,000	1,623,927,000
INCOME BEFORE TAXES	294,561,000	97,736,000
NORMAL TAX PROVISION	111,933,000	25,411,000
NET INCOME	182,628,000	72,325,000
AVERAGE NUMBER OF SHARES OUTSTANDING	133,005,213	127,748,204
NET INCOME PER SHARE	\$1.37	\$.60

I n t e r o f f i c e M e m o r a n d u m

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To: TRUMAN SUBSCRIBERS: JAN 19 1987 Memo: 5334444571TRU18
Date: Mon 19 Jan 1987 7:23 AM EST
From: TRUMAN MANAGER
RUSS GULLOTTI Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: *** SECOND QUARTER OPERATING RESULTS ***

TO ALL EMPLOYEES
THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION

DIGITAL REPORTS 22 PERCENT RISE IN SECOND QUARTER REVENUES AND 98 PERCENT SURGE IN NET INCOME

Digital has reported strong gains in sales and earnings for the second quarter ended December 27, 1986.

For the quarter, the company reported total operating revenues of \$2,271,842,000, up 22 percent from the \$1,862,493,000 of the comparable quarter a year ago. Net income for the quarter was \$269,960,000, up 98 percent from last year's second-quarter net income of \$136,114,000. Quarterly earnings per share were \$2.02 versus \$1.08 last year, up 85 percent.

For the six months ended December 27, 1986, the company reported total operating revenues of \$4,310,309,000, up 24 percent from the \$3,486,420,000 of the comparable period a year ago. Net income for the six months was \$452,588,000, up 117 percent from the \$208,439,000 of the comparable period of a year ago. Earnings per share were \$3.39 versus \$1.68 last year, up 102 percent.

Ken Olsen, president, said that the strong operating results for the quarter represent "continued market recognition that Digital delivers the software solutions to solve today's critical business problems. Customers are seeking the ability to spontaneously access, share, and use information on computers, wherever they are located in an organization worldwide. We will continue to be aggressive in introducing significant solutions-oriented products during the coming months.

"During the quarter, we experienced high demand from both international and U.S. customers. Mid-range and larger VAX computers did particularly well," Ken noted. "In addition, Digital has continued to gain market share in computer-intensive markets such as financial services and telecommunications."

Jim Osterhoff, vice president of Finance, explained, "What makes our revenue growth most impressive is our performance in relation to that of the industry as a whole. The computer industry slump appears to be continuing, yet customer demand for Digital solutions keeps growing in all major geographies.

"It's important that we continue to do everything possible to capitalize on our product strengths, and take full advantage of

our window of opportunity," Jim stressed. "We invested heavily in our selling and service capabilities during the second quarter, with the goal of expanding our customer base at a time when demand for our products, especially our networking capabilities, is high. Despite generally soft industry conditions, we believe this investment strategy is right for us because of our unique product position today; we sell solutions that customers can't get elsewhere.

"The strategy is working -- our sales momentum, in combination with better margins and asset management, is providing the means for us to keep the investment cycle going. We are continuing to improve manufacturing productivity, to manage inventories and receivables, and to design products with better reliability and efficiency -- not to mention function and performance leadership.

"Our success is a reflection of all parts of the organization working better together than they ever have before. We're reaping the benefits of teamwork."

Jim continued, "We have achieved quite a lot over the past several quarters, and it is being recognized by the press and the investment community. Being in a leadership position has its satisfaction and rewards, but it is also most difficult to retain. Every one of our competitors aspires to our position, so we cannot afford to relax.

"The importance of product quality and customer satisfaction can't be overstated," Jim concludes. "Our ability to strengthen those areas will determine our chances of solidifying our market-share gains. In any industry, you can usually gain market share by having a hot product. But if we don't have quality in what we deliver and dedication to customer satisfaction, the next time around the customer is likely to hand the business to whatever company has the hot product. Customer satisfaction is the key to building loyalty to Digital."

Operating results for the second quarter and first six months of FY87:

	Three months ended	
	December 27, 1986	December 28, 1985
Product sales	\$ 1,535,760,000	\$ 1,320,100,000
Service and other revenues	736,082,000	542,393,000
Total operating revenues	2,271,842,000	1,862,493,000
Cost of sales	1,095,337,000	1,088,699,000
Research and engineering	233,388,000	199,135,000
Selling,		
general and administrative	538,930,000	394,310,000
Operating income	404,187,000	180,349,000
Net interest (income)/expense	(19,646,000)	(3,589,000)
Income before taxes	423,833,000	183,938,000
Provision for income taxes	153,873,000	47,824,000
Net income	269,960,000	136,114,000
Average number of shares		
outstanding	133,584,116	129,425,396
Net income per share	\$ 2.02	\$ 1.08

	Six months ended	
	December 27, 1986	December 28, 1985
Product sales	\$ 2,926,385,000	\$ 2,439,421,000
Service and other revenues	1,383,924,000	1,046,999,000
Total operating revenues	4,310,309,000	3,486,420,000
Cost of sales	2,121,949,000	2,053,100,000
Research and engineering	471,140,000	386,972,000
Selling,		
general and administrative	1,036,880,000	767,499,000
Operating income	680,340,000	278,849,000
Net interest (income)/expense	(38,054,000)	(2,825,000)
Provision for income taxes	265,806,000	73,235,000
Net income	452,588,000	208,439,000
Average number of shares		
outstanding	133,294,664	129,127,154
Net income per share	\$ 3.39	\$ 1.68

Certain accounts in Fiscal 1986 have been reclassified to conform with the Fiscal 1987 presentation.

I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5343150153TRU05
Date: Thu 16 Apr 1987 9:58 AM EDT
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

RECEIVED

APR 16 1987

RUSS GULLOTTI

Subject: THIRD QUARTER OPERATING RESULTS

*****THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION*****

Digital reports 81% jump in Q3 net income on 25% gain in revenue

Digital reported strong gains in sales and earnings for the third quarter ended March 28, 1987.

For the quarter, the company reported total operating revenue of \$2.4 billion, up 25% from the \$1.93 billion of the comparable period a year ago. Net income for the quarter totaled \$308 million, an increase of 81% from the \$170 million a year ago. Earnings per share for the quarter were \$2.29, compared with \$1.32 a year ago.

For the nine months ended March 28, 1987, Digital reported total operating revenues of \$6.7 billion, up 24% from \$5.4 billion a year ago. Net income for the nine months was \$760 million, compared with \$379 million a year ago. Earnings per share were \$5.69, compared with \$3.00 per share a year ago.

"We are pleased with our performance in the third quarter, and continue to be encouraged by the strong customer acceptance of the integrated networking solutions and wide range of compatible computer systems and application software we offer," says Ken Olsen, president. "Increases in orders and revenues are the result of ongoing investments in selling, marketing, and engineering over the past several years.

"We are seeing a return on this investment, evidenced by several recently published surveys. Digital now ranks among the 50 largest publicly held industrial companies in the U.S. and our reputation for customer satisfaction is among the highest of all computer manufacturers.

"Several other companies have announced computers that they claim will in time compete with the VAX family of computer systems. Departmental computing, however, requires years of extensive software development and networking capabilities in order to tie together effectively a whole organization."

Bob Hughes, vice president, Service Industry Marketing, offers examples of this increased presence in financial services.

"Digital has doubled its market share in the financial services industry for two related reasons. The value of interactive computing is widely recognized by the financial industry. Digital understands the business problems faced by this industry and is successfully working with such customers as Banker's Trust, Citicorp Investment Bank, and Aetna to integrate networked computing into their businesses. Moreover, these customers have the vision to employ technology strategically to compete effectively in their industry. They recognize that Digital delivers the products, software, and services they need now."

Recently announced MicroVAX 2000 and VAXstation 2000 products are finding broad market acceptance with users in many industries. Jeff Kalb, vice president, Low-End Systems, notes, "The MicroVAX 2000 computer offers CPU performance equal to Digital's industry-standard MicroVAX II system. Its compact packaging makes it ideal for many applications in office, engineering, manufacturing, small business, financial, and educational environments in which space and cost considerations previously dictated the use of desktop personal computers. Both new products enhance Digital's ability to deliver the benefits of VAX computing to traditional workstation markets, as well as office, financial and publishing areas -- where our workstations offer customers a low-cost approach to increasing productivity."

"Our third quarter results reflect a continuation of the trend of improvement that began several quarters ago," observes Jim Osterhoff, vice president, Finance. "But it's important for us to remember that we have achieved our profit improvement over the last few years by holding down our rate of growth in costs. And we should keep that clearly in mind as we work on our FY88 budgets."

"There are some areas where we are deliberately making major incremental investments; for example, in sales resources, to take advantage of product strength and capitalize on opportunities to increase market share. But those areas are the exception, not the rule."

"Because of the excellent acceptance of our products and good press the company has had, it's tempting to think that cost constraints are no longer an issue. On the contrary, we have to keep doing the things that have gotten us where we are."

"Basically, we've been on a diet. We've lost some weight and are a lot healthier now as a company. Let's not put the fat back on. Let's stay lean and productive."

"We should all recognize that the numbers don't happen by themselves; rather they reflect the actions, the performance and the cumulative effect of every decision made by every employee in the organization. Some excellent work has been done. One example among many is the MARCOM group. Marketing and

Communications groups from around the company are now working as a team, looking at the individual components of their activity as a single company function. They are getting rid of duplication and waste that came from having had many different, uncoordinated units doing their own literature and advertising. In the process, substantial costs are being eliminated, and we are communicating more clearly with our sales people and our customers. The software business, too, has made great strides because the separate organizations involved with software got together and looked at all software activities from a company standpoint. That theme is being repeated in other parts of the company, as well, with resulting improvements in productivity and important contributions to improved profitability. We must continue to make these kinds of improvements wherever the opportunities exist."

Operating results for the first nine months and third quarter:

	Nine months ended	
	March 28, 1987	March 29, 1986
Product sales	\$4,599,970,000	\$3,810,256,000
Service and other revenues	2,120,410,000	1,604,451,000
Total operating revenues	6,720,380,000	5,414,707,000
Cost of sales	3,271,461,000	3,130,161,000
Research and engineering	726,548,000	591,115,000
Selling		
general and administrative	1,603,269,000	1,191,855,000
Net interest (income)/expense	(59,479,000)	(17,310,000)
Income before income taxes	1,178,581,000	518,886,000
Income taxes	418,396,000	140,099,000
Net income	760,185,000	378,787,000
Average number of shares		
outstanding	133,617,165	130,166,014
Net income per share	\$5.69	\$3.00
	Three months ended	
	March 28, 1987	March 29, 1986
Product sales	\$1,673,585,000	\$1,370,835,000
Service and other revenues	736,486,000	557,452,000
Total operating revenues	2,410,071,000	1,928,287,000
Cost of sales	1,149,512,000	1,077,061,000
Research and engineering	255,408,000	204,143,000
Selling		
general and administrative	566,389,000	424,356,000
Net interest (income)/expense	(21,425,000)	(14,485,000)
Income before income taxes	460,187,000	237,212,000
Income taxes	152,590,000	66,864,000
Net income	307,597,000	170,348,000
Average number of shares		
outstanding	134,262,167	130,966,690
Net income per share	\$2.29	\$1.32

Q3 - FY 87

Product Sales	\$1,673,585,000
Service and Other Revenues	736,486,000
Total Operating Revenues	2,410,071,000
Total Cost of Sales	1,149,512,000
Gross Margin	52.3%
Research & Engineering	\$255,408,000
Selling, General & Administrative	566,389,000
Operating Income	438,762,000
Operating Margin	18.2%
Interest Income	(\$32,231,000)
Interest Expense	10,806,000
Income Before Income Taxes	460,187,000
Pre-tax Margin	19.1%
Taxes (Total Federal and Foreign)	152,590,000
Effective Tax Rate	33.2%
Net Income	\$307,597,000 or 12.8%
Earnings per share	\$2.29
Average Shares Outstanding	134,262,167

BALANCE SHEET - Q3 FY87

Cash & Temporary Cash Investments	\$2,422,526,000
Accounts Receivable (NET)	2,155,316,000
(re: A.R. Days Sales Outstanding)	80 days
Inventories: Raw Materials	387,409,000
Work in Process	511,794,000
Finished Goods	441,371,000
TOTAL	1,340,574,000
Prepaid Expense	132,548,000
Deferred Income Tax Charges	262,000,000
Net Property, Plant & Equipment	\$1,983,161,000
Total Assets	8,319,466,000
Other Current Liabilities	1,716,937,000
Loans Payable to Banks	17,051,000
Long Term Debt	270,043,000
Total Liabilities	2,046,031,000
Stockholders' Equity	6,273,435,000
Book Value Per Share	49.04
Capital Spending (Addition to PP&E)- Quarter	172,765,000
Depreciation - Quarter	107,509,000
Non U.S. Revenues - Quarter	1,143,164,000 or 47%
Total Employee Population Approximately	105,500

I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5361359917TRU17
Date: Thu 15 Oct 1987 12:39 PM EDT
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: *** FIRST QUARTER OPERATING RESULTS ***

*****THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION*****

DIGITAL REPORTS 24% RISE IN Q1 REVENUE, 48% GROWTH IN NET INCOME

Digital announced strong growth in sales and earnings for the first quarter, ended September 26. For the quarter, the company reported total operating revenues of \$2.53 billion, up 24% from the \$2.04 billion of the comparable quarter a year ago. Net income for the quarter rose to \$269.9 million, up 48% from last year's first quarter net income of \$182.6 million. Quarterly earnings per share were \$2.03 versus \$1.37 last year, up 48%.

"We're very pleased with the revenue growth and strong level of orders recorded in the quarter," said Ken Olsen, president. "Overseas business remained firm, while orders from customers in the U.S. accelerated somewhat. This performance is an indication of our customers' confidence in Digital's networking systems, applications, service and solutions.

"During the quarter, nearly 35,000 customers came to DECWORLD '87, to see 'The Network at Work' and to learn about the range of enterprise-wide solutions available for their business challenges," Ken said. "DECWORLD '87 was the largest single-company meeting and exposition ever mounted in the industry, and it generated interest and excitement."

"Initial demand for the newly announced MicroVAX and VAXstation 3000 product families has been strong," according to Jack Smith, senior vice president, Engineering/Manufacturing/Product Marketing. "More than 3,000 application software packages currently available on VAX systems are able to run -- unaltered -- on the new higher-performance systems. As a result, customers using the popular predecessor products -- the MicroVAX II/VAXstation II systems -- will be able to expand their current capabilities. We also expect to see many new applications brought into the VAX environment, as happened when we announced the MicroVAX II."

"For the past several quarters, our growth rate has been increasing, and we have been continually increasing our investments to maintain momentum," added Jim Osterhoff, vice president, Finance. "This is appropriate because we have a competitive advantage in products, the capital resources to make the investments, and a high enough profit margin to achieve an attractive return on increases in revenue. Our product strategy is well-suited to the needs of the marketplace, and excellent progress continues to be made in better serving the customer."

"As we look ahead, growth represents both a major opportunity and a key challenge. The opportunity is obvious. On the other hand, most of us can see examples of where our growth is putting a strain on existing resources. Without question, it creates demands for more facilities, equipment, people and support services. At low profit margins, we can't create enough profits and cash to support these demands. Higher growth requires higher profit margins -- and that has been the character of Digital over most of its history. It may seem incongruent to be restrictive on expenses when profitability has improved, but doing so is an essential element of a continuing high-growth strategy.

"Our recent financial performance has been widely publicized and has enhanced the company's image," Jim emphasized. "Without a doubt, it has been an important factor in our recent sales performance. For this reason, too, continued strong financial results are a key ingredient of our growth strategy."

Operating results for the first quarter ending:

	September 27, 1987	September 28, 1986
Product revenues	\$1,686,072,000	\$1,352,725,000
Service and other revenues	\$843,701,000	\$685,742,000
Total operating revenues	\$2,529,773,000	\$2,038,467,000
Income before taxes	\$369,784,000	\$294,561,000
Tax provision	\$99,842,000	\$111,933,000
Net income	\$269,942,000	\$182,628,000
Average number of shares outstanding	133,245,315	133,005,213
Net income per share	\$2.03	\$1.37

(Certain accounts in Fiscal 1987 have been reclassified to conform with the Fiscal 1988 presentation).

I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5370858206TRU28
Date: Mon 18 Jan 1988 11:13 AM EST
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: *** SECOND QUARTER OPERATING RESULTS ***

***** THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION *****

DIGITAL REPORTS 22% RISE IN SECOND QUARTER REVENUES AND NET INCOME

Digital announced strong growth in sales and earnings for the second quarter ended December 26, 1987. For the quarter, the company reported total operating revenues of \$2.8 billion, up 22% from the \$2.3 billion of the comparable quarter a year ago. Net income for the quarter was \$329,532,000, up 22% from \$269,960,000 of the comparable quarter a year ago. Quarterly earnings per share were \$2.48, versus \$2.02 last year, up 23%.

For the six months ended December 26, 1987, the company reported total operating revenues of \$5.31 billion, up 23% from the \$4.31 billion of the comparable period a year ago. Net income for the six months was \$599,474,000, up 32% from the \$452,588,000 of the comparable period a year ago. Earnings per share were \$4.50 versus \$3.39 last year, up 33%.

"We are gratified that revenues continue to grow at a rate which indicates market share gains," said Ken Olsen, president. "Business overall is firm and our international business remains quite strong. Some of the industry sectors that performed particularly well in the quarter include health care, electronics, aerospace, retail, financial services, and state and local government."

"We entered this fiscal year with an aggressive growth plan and we remain essentially on that plan," added Jim Osterhoff, vice president, Finance. "But while revenues increased during the second quarter, our costs increased by an even greater percentage. As a result, pre-tax operating profits declined. Stated another way, we earned less this year on revenues of \$2.8 billion than we did last year on \$2.3 billion. In light of the uncertainties relative to the economy over the next several months, we must become more cautious regarding new investment commitments for the second half in order to protect profitability. Initial actions were implemented in late October, and we expect to see the effects of those measures beginning in the third quarter."

"Back on the bright side, we should recognize the improvement that was achieved in inventories over the quarter, improving our turn rate to 3.5 from 3.2 in the first quarter."

The company's MicroVAX and VAXstation product lines continue to find broad appeal across many industries and geographies as workstations, servers, and in Local Area VAXclusters. At the same

time, the newly announced MicroVAX and VAXstation 3000 products were greeted enthusiastically by customers and volume shipments will commence in the third quarter. Additionally, the VAX 8250 and 8350 systems continue as popular entry-level VAXcluster products.

Digital's position as the leader in network integration was further extended during the quarter, with the announcement of standard software and services packages for DECnet licenses which will help customers integrate PC's and other products from different vendors.

OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS

	THREE MONTHS ENDED	
	DECEMBER 26, 1987	DECEMBER 27, 1986
PRODUCT SALES	\$1,826,054,000	\$1,494,360,000
SERVICE AND OTHER REVENUES	956,198,000	777,482,000
TOTAL OPERATING REVENUES	2,782,252,000	2,271,842,000
COST OF PRODUCT SALES	728,607,000	614,634,000
SERVICE EXPENSE	594,525,000	480,703,000
TOTAL COST OF SALES	1,323,132,000	1,095,337,000
RESEARCH AND ENGINEERING	301,076,000	233,388,000
SELLING, GENERAL AND ADMIN.	756,650,000	538,930,000
OPERATING INCOME	401,394,000	404,187,000
NET INTEREST (INCOME)/EXPENSE	(28,121,000)	(19,646,000)
INCOME BEFORE TAXES	429,515,000	423,833,000
PROVISION FOR INCOME TAXES	99,983,000	153,873,000
NET INCOME	329,532,000	269,960,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	133,067,064	133,584,116
NET INCOME PER SHARE	\$2.48	\$2.02

	SIX MONTHS ENDED	
	DECEMBER 26, 1987	DECEMBER 27, 1986
PRODUCT SALES	\$3,512,126,000	\$2,847,085,000
SERVICE AND OTHER REVENUES	1,799,899,000	1,463,224,000
TOTAL OPERATING REVENUES	5,312,025,000	4,310,309,000
COST OF PRODUCT SALES	1,399,305,000	1,193,006,000
SERVICE EXPENSE	1,119,667,000	928,943,000
TOTAL COST OF SALES	2,518,972,000	2,121,949,000
RESEARCH AND ENGINEERING	599,440,000	471,140,000
SELLING, GENERAL AND ADMIN.	1,446,162,000	1,036,880,000
OPERATING INCOME	747,451,000	680,340,000
NET INTEREST (INCOME)/EXPENSE	(51,848,000)	(38,054,000)
INCOME BEFORE TAXES	799,299,000	718,394,000
PROVISION FOR INCOME TAXES	199,825,000	265,806,000
NET INCOME	599,474,000	452,588,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	133,156,190	133,294,664
NET INCOME PER SHARE	\$4.50	\$3.39

Certain accounts in Fiscal 1987 have been reclassified to conform with the Fiscal 1988 presentation.

Leave print mode and press RETURN
I n t e r o f f i c e M e m o r a n d u m

To: TRUMAN SUBSCRIBERS:

Memo: 5353360853TRU86
Date: Mon 27 Jul 1987 12:55 PM EDT
From: TRUMAN MANAGER
Dept: DECmail Administration
Tel: 264-4630
Adr: NUO/TRUMAN

Subject: *** FOURTH QUARTER OPERATING RESULTS ***

***** THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION*****

DIGITAL REPORTS STRONG FOURTH QUARTER & YEAR-END RESULTS

Digital reported higher sales and sharply increased earnings for the fourth quarter of its fiscal year, which ended June 27, 1987. For the quarter, the company reported total operating revenues of \$2.669 billion, up 23% from the \$2.176 billion of the comparable quarter a year ago. Net income for the quarter rose to \$377 million up 58% from last year's fourth quarter net income of \$239 million. Quarterly earnings per share were \$2.85 versus \$1.81 last year.

For the full fiscal year just ended, Digital's total operating revenues rose 24% to \$9.389 billion compared with last year's total of \$7.59 billion; net income reached \$1.137 billion, up 84% from last year's \$617 million, and earnings per share for the year were \$8.53 compared with \$4.81 a year ago.

"We're very pleased to announce this latest increase in sales and earnings," said Ken Olsen, president. "The financial results are evidence of an increasing acceptance of our elegantly simple way of tying together parts of an organization with a computer network. For the past twelve years we have invested hundreds of millions of dollars in just one computer architecture and one approach to networking. An enormous amount of discipline, coupled with this large dollar investment, now makes it possible for every person or piece of equipment, be it in an office, factory or laboratory, to work together as a team. Budgets, correspondence, pictures, documents and graphics can then be exchanged instantly between any of the parts of an organization. This can often be done automatically with very little effort on the users' part.

"We expect the demand for this type of capability continuing to grow as organizations see the productivity enhancements and efficiency of quality networks.

"Our low-end computer systems are becoming more powerful and less expensive for both business and individual use," Ken added. "Demand for these systems has been strong. At the same time, demand for our larger computer systems has also been strong, as customers connect computing resources throughout their organizations."

"This company has made a lot of progress over the past couple of years in virtually all areas of operations, and that progress has

been reflected in the reported financial results," noted Jim Osterhoff, vice president, Finance. "Our profit margins are back to where they were before the decline of '83. Outstanding inventory management and improved utilization of manufacturing facilities have reduced our cash requirements, which has strengthened our balance sheet. Our current financial condition is excellent, which represents a valuable resource for our future.

"Our revenues in 1987 grew by 24%, which exceeded overall industry growth by a substantial margin. At the same time, we have been investing heavily for future growth. In FY87 our employee population grew from 94,700 to 110,400 -- an increase of nearly 16,000 people in only 12 months! The job ahead is to assure that we get a return on all of the investments we've been making."

Operating results for the first twelve months and fourth quarter:

	Years ended	
	June 27, 1987	June 28, 1986
Product sales	\$6,254,187,000	\$5,102,961,000
Service and other revenues	3,135,257,000	2,487,396,000
Total operating revenues	9,389,444,000	7,590,357,000
Cost of sales	4,513,894,000	4,282,099,000
Research and engineering	1,010,438,000	814,138,000
Selling		
general and administrative	2,253,105,000	1,665,411,000
Net interest (income)/expense	(76,946,000)	(28,820,000)
Income before income taxes	1,688,953,000	857,529,000
Income taxes	551,518,000	240,109,000
Net income	1,137,435,000	617,420,000
Average number of shares		
outstanding	133,305,018	130,792,348
Net income per share	\$8.53	\$4.81

	Fourth quarter ended	
	June 27, 1987	June 28, 1986
Product sales	\$1,775,617,000	\$1,464,205,000
Service and other revenues	893,447,000	711,445,000
Total operating revenues	2,669,064,000	2,175,650,000
Cost of sales	1,242,433,000	1,151,938,000
Research and engineering	283,890,000	223,023,000
Selling		
general and administrative	649,836,000	473,556,000
Net interest (income)/expense	(17,467,000)	(11,510,000)
Income before income taxes	510,372,000	338,643,000
Income taxes	133,122,000	100,010,000
Net income	377,250,000	238,633,000
Average number of shares		
outstanding	132,368,574	131,807,580
Net income per share	\$2.85	\$1.81

Certain accounts for the periods ended June 28, 1986 have been reclassified to conform with the June 27, 1987 presentations.

I N T E R O F F I C E M E M O R A N D U M

Date: 28-Jul-1988 02:43pm EDT
From: ALL-IN-ONE SYSTEM MANAGER
MANAGER
Dept:
Tel No:

TO: All ALL-IN-1 users on this node (SUBSCRIBERS:)

Subject: *** FY88 FOURTH QUARTER OPERATING RESULTS ***

This message is from Corporate Employee Communication

DIGITAL EQUIPMENT REPORTS STRONG REVENUE GAINS
FOR THE QUARTER AND YEAR

Digital Equipment Corporation (NYSE:DEC) continued to grow faster, with higher profits, than the computer industry. Digital, the world's leading manufacturer of network computer systems and services, today reported higher sales and increased earnings for the fourth quarter of its fiscal year, which ended July 2, 1988.

For the quarter, the company reported total operating revenues of \$3,339,439,000, up 25 percent from the \$2,669,064,000 of the comparable quarter a year ago. Net income for the quarter rose to \$401,013,000, up 6 percent from last year's fourth quarter net income of \$377,250,000. Quarterly earnings per share were \$3.08 versus \$2.85 last year.

For the full fiscal year just ended, Digital's total operating revenues rose 22 percent to \$11,475,446,000 compared with last year's total of \$9,389,444,000; net income reached \$1,305,633,000, up 15 percent from last year's \$1,137,435,000, and earnings per share for the year were \$9.90 compared with \$8.53 a year ago.

"We are pleased by the strong gains as our growth continued to outpace that of the industry," said Ken Olsen, president. "This performance reflects the growing number of large organizations around the world that are implementing Digital's enterprise-wide computing solutions."

"Demand was seen across the whole VAX family," said Ken. "At the low end, we shipped more than 12,000 workstations during the fourth quarter and 30,000 for the year, thus reaching a leadership position in this rapidly growing market. The MicroVAX 3000 series did particularly well, and over 500 VAX 6200 systems were shipped since their introduction three months ago. At the high end, shipment of VAX 8000 Nautilus systems exceeded 3,000 for the year. The introduction of Symmetrical Multi-Processing (SMP), which provides increased complex application performance, has been very well received by our customers."

Jim Osterhoff, vice president, Finance added: "Our product strategy continues to be well-suited to the marketplace, as evidenced by the enthusiasm for DECWORLD '88 in Europe this fall, and the recent positive reaction to the announcement of our transaction processing architecture, DECTp.

"Financially, we continue to perform well and compare favorably with the competition. But we expected to do better, building on our momentum of FY87.

"Our revenue growth is good, and employees should feel proud that their efforts helped maintain our sales momentum during some uncertain economic times. Looking at the last two years, our 22 percent growth in the year just ended followed a 24 percent increase in FY87. Since 1986, our revenues have grown from \$7.6 billion to \$11.5 billion, or over 50 percent.

"The same is true for earnings. In FY87, we improved net income by 84 percent, and in FY88 we added a further net income gain of 15 percent. In absolute terms, we have built on our prior year's achievement. Also, we have made substantial investments in new products, software applications, new manufacturing technologies and a broader customer base. These investments were indeed substantial. What we must do now is concentrate on earning a return on these investments."

"We continued to see international operations flourish, as we have for the past several quarters" said Jack Shields, senior vice president. "Business was good in Europe, as well as in Japan, Canada, and in the Caribbean and Latin American countries. Non-U.S. revenues represented 50 percent of our overall business for the year."

"Our European customers continue to provide substantial growth for Digital," said Pier Carlo Falotti, president, Digital-Europe, "as organizations continued to take advantage of Digital's distributed computing environment of one computer family that stretches from the desktop to the data center."

"Initial reaction to our DECTp introduction, held July 19, has been very enthusiastic," noted Jack Smith, senior vice president. "DECTp is the leading price/performance distributed transaction processing system, and features a completely integrated software, hardware and service package. The major components of DECTp are DECintact, our newest transaction processing monitor; VAX Rdb/VMS Version 3, a high performance relational database monitor; the SA600 storage array, a 9.7 billion-byte thin film disk system of our own design; and expert transaction processing system design, installation and operation services for our customers."

DIGITAL EQUIPMENT CORPORATION
 REPORTS YEAR END RESULTS

OPERATING RESULTS FOR THE TWELVE MONTHS AND FOURTH QUARTER:

	YEARS ENDED	
	JULY 2, 1988	JUNE 27, 1987
PRODUCT SALES	DLRS 7,541,241,000	DLRS 6,254,187,000
SERVICE AND OTHER REVENUES	3,934,205,000	3,135,257,000
TOTAL OPERATING REVENUES	11,475,446,000	9,389,444,000
COST OF PRODUCT SALES	3,042,172,000	2,532,259,000
SERVICE AND OTHER EXPENSES	2,426,176,000	1,981,635,000
TOTAL COST OF SALES	5,468,348,000	4,513,894,000
RESEARCH AND ENGINEERING	1,306,543,000	1,010,438,000
SELLING		
GENERAL AND ADMINISTRATIVE	3,065,555,000	2,253,105,000
NET INTEREST (INCOME)/EXPENSE	(105,845,000)	(76,946,000)
INCOME BEFORE INCOME TAXES	1,740,845,000	1,688,953,000
INCOME TAXES	435,212,000	551,518,000
NET INCOME	1,305,633,000	1,137,435,000
AVERAGE NUMBER OF SHARES OUTSTANDING	131,922,964	133,305,018

NET INCOME PER SHARE DLRS 9.90 DLRS 8.53

FOURTH QUARTER ENDED

	JULY 2, 1988		JUNE 27, 1987	
PRODUCT SALES	DLRS	2,196,121,000	DLRS	1,775,617,000
SERVICE AND OTHER REVENUES		1,143,318,000		893,447,000
TOTAL OPERATING REVENUES		3,339,439,000		2,669,064,000
COST OF PRODUCT SALES		881,199,000		702,913,000
SERVICE AND OTHER EXPENSES		706,700,000		539,520,000
TOTAL COST OF SALES		1,587,899,000		1,242,433,000
RESEARCH AND ENGINEERING		384,335,000		283,890,000
SELLING				
GENERAL AND ADMINISTRATIVE		860,041,000		649,836,000
NET INTEREST (INCOME)/EXPENSE		(27,520,000)		(17,467,000)
INCOME BEFORE INCOME TAXES		534,684,000		510,372,000
INCOME TAXES		133,671,000		133,122,000
NET INCOME		401,013,000		377,250,000
AVERAGE NUMBER OF SHARES				
OUTSTANDING		130,260,782		132,368,574
NET INCOME PER SHARE	DLRS	3.08	DLRS	2.85

DIGITAL EQUIPMENT CORPORATION
REPORTS FOURTH QUARTER EARNINGS

Q4 - FY 88		
Product Sales	DLRS	2,196,121,000
Service and Other Revenues		1,143,318,000
Total Operating Revenues		3,339,439,000
Cost of Product Sales		881,199,000
Service Expense		706,700,000
Total Cost of Sales		1,587,899,000
	Gross Margin	52.5%
Research & Engineering	DLRS	384,335,000
Selling, General & Administrative		860,041,000
Operating Income		507,164,000
	Operating Margin	15.2%
Interest Income	DLRS	(36,849,000)
Interest Expense		9,329,000
Income Before Income Taxes		534,684,000
	Pre-tax Margin	16.0%
Taxes (Total Federal and Foreign)		133,671,000
	Effective Tax Rate	25%
Net Income	DLRS	401,013,000
EPS		3.08
Average Shares Outstanding		130,260,782

BALANCE SHEET - Q4 FY88

Cash & Temporary Cash Investments	DLRS	2,163,580,000
Accounts Receivable (NET)		2,592,160,000

(re: A.R. Days Sales Outstanding)

75

Inventories:	Raw Materials	392,734,000
	Work in Process	651,456,000
	Finished Goods	530,869,000
	TOTAL	1,575,059,000

Total Current Assets		6,929,921,000
Total Assets		10,111,556,000
Net Property, Plant & Equipment	DLRS	3,095,025,000
Loans Payable to Banks and Current Portion of LTD		154,670,000
Total Current Liabilities		2,414,104,000
Deferred income tax credits, net		63,154,000
Long Term Debt		123,924,000

Total Liabilities	2,601,182,000
Stockholders' Equity	7,510,374,000
Book Value Per Share	59.47
Capital Spending (Addition to PP&E) - Quarter	430,969,000
Capital Spending (Addition to PP&E) - Year	1,517,579,000
Depreciation - Quarter	153,524,000
Depreciation - Year	515,507,000
Non U.S. Revenues - Quarter	1,747,038,000/52.3%
Non U.S. Revenues - Year	5,729,879,000/49.9%
Total Employee Population	121,475

I N T E R O F F I C E M E M O R A N D U M

Date: 24-Oct-1988 11:22am EDT
From: ALL-IN-ONE SYSTEM MANAGER
MANAGER
Dept:
Tel No:

TO: All ALL-IN-1 users on this node (SUBSCRIBERS:)

Subject: *** FIRST QUARTER OPERATING RESULTS ***

***** THIS MESSAGE IS FROM CORPORATE EMPLOYEE COMMUNICATION *****

DIGITAL REPORTS 16 PERCENT RISE IN FIRST QUARTER REVENUES

Digital announced strong growth in sales for the first quarter, ended Oct. 1, 1988.

For the quarter, the company reported total operating revenues of \$2.9 billion up 16 percent from the \$2.5 billion of the comparable quarter a year ago. Net income for the quarter was \$223 million versus last year's first quarter net income of \$270 million. Quarterly earnings per share were \$1.71 versus \$2.03 last year.

Operating results for the company's first fiscal quarter matched investment community expectations as the company continues to outpace industry growth. Customer demand overseas continues very strong, particularly in Europe, Japan, and several other Far East markets. In this quarter, non-U.S. revenues accounted for 53% of total revenues, the highest percentage in history. Demand in the U.S., however, continues below that experienced overseas, as it has for several quarters.

Sales of low-end and mid-range systems were strong. Sales of high-end systems, however, were below expectation. This resulted in lower profit than in the comparable quarter a year ago. Net employment levels were essentially flat with the previous quarter. The investment in selling has all been in the high growth international markets. The company continues to make investments in new products and new technologies. Desktop computing, high end systems and transactions processing are areas in which the company is investing heavily.

Dom LaCava, vice president, Low End Systems, noted, "Demand for our low-end products remains strong. Customers have the need to incorporate the desktop into their enterprise-wide computing strategy. Network Application Services, announced by Digital in early 1988, was the first step in supporting multi-vendor desktop environments in our

customers' enterprises. Last year we shipped 30,000 workstation products in support of Network Application Services, and in the quarter just ended we shipped 12,000 units. This puts Digital in the number two position in the workstation market."

The recently announced VAX 6200 series of mid-range products, which can be used in parallel and in clusters to make powerful computing systems, continues to exceed expectations across all markets in the U.S. and abroad. The one-thousandth unit was shipped only five months after the product was announced, a first for a system in this price-performance range.

Ken Olsen, president, said, "Earlier in the quarter we announced DECTp, an extension of the VAX/VMS environment that makes transaction processing systems easier and less expensive to develop, maintain and integrate with other applications across the enterprise. This is a large and important market for us, and we're pleased that customer reaction to our products has been enthusiastic."

OPERATING RESULTS FOR THE FIRST QUARTER ENDING:

	OCTOBER 1, 1988	SEPTEMBER 26, 1987
PRODUCT REVENUES	\$ 1,896,401,000	\$ 1,686,072,000
SERVICE AND OTHER REVENUES	1,045,398,000	843,701,000
TOTAL OPERATING REVENUES	2,941,799,000	2,529,773,000
INCOME BEFORE TAXES	305,992,000	369,784,000
TAX PROVISION	82,618,000	99,842,000
NET INCOME	223,374,000	269,942,000
AVERAGE NUMBER OF SHARES OUTSTANDING	130,961,583	133,245,315
NET INCOME PER SHARE	\$ 1.71	\$ 2.03

I N T E R O F F I C E M E M O R A N D U M

Date: 15-Apr-1988 12:37pm EDT
From: Alison Silveria @NUO
SILVERIA
Dept: IM/Tech Support
Tel No: 264-6534

TO: All ALL-IN-1 users on this node (SUBSCRIBERS:)

Subject: *** THIRD QUARTER OPERATING RESULTS ***

***This message is from Corporate Employee Communication**

DIGITAL REPORTS 17% RISE IN REVENUES

Digital reported strong gains in sales for the third quarter ended March 26, 1988. For the quarter, the company reported total operating revenue of \$2.8 billion, up 17% from the \$2.4 billion of the comparable period a year ago. Net income for the quarter totaled \$305 million compared with \$308 million a year ago. Earnings per share for the quarter were \$2.33 on 131,179,809 average common and common equivalent shares outstanding compared with \$2.29 on 134,262,167 average common and common equivalent shares outstanding a year ago.

For the nine months ended March 26, 1988, Digital reported total operating revenues of \$8.1 billion, up 21% from \$6.7 billion a year ago. Net income for the nine months was \$905 million, up 19%, compared with \$760 million a year ago. Earnings per share were \$6.83 compared with \$5.69 per share a year ago. Average common and common equivalent shares outstanding were 132,497,396, compared with 133,617,165 in the same period last year.

Discussing the quarter's results, Ken Olsen, president, said, "The company's order rate growth, while not what we planned, continues to outpace that of the industry and is particularly robust for workstation products. We have maintained our strong position in the technical markets which has made possible the large increase in orders for workstations and MicroVax 3000 computer systems. Recent data indicates that Digital is again, for the 19th year, the largest seller of UNIX* software and services and UNIX continues to be a significant part of our business. Being the industry leader in the factory floor, the laboratory, the integrated office, and the artificial intelligence markets has provided Digital with a strong business base. All of the applications for these markets, of course, are implemented on our open system network - DECnet/OSI."

Jim Osterhoff, vice president, Finance, noted, " While we are pleased to be experiencing growth above that of the industry through nine months, we are somewhat below our original growth expectation for the year. We entered the fiscal year with an aggressive growth plan and the investments to go along with it. When the financial markets collapsed on Oct. 19, most businesses became more sensitive to the uncertainties in the economic outlook and more cautious in making major investment decisions. We believe this is contributing to the slow-down we have seen in our

SELLING		
GENERAL AND ADMINISTRATIVE	759,352,000	566,389,000
NET INTEREST (INCOME)/EXPENSE	(26,477,000)	(21,425,000)
INCOME BEFORE INCOME TAXES	406,862,000	460,187,000
INCOME TAXES	101,716,000	152,590,000
NET INCOME	305,146,000	307,597,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	131,179,809	134,262,167
NET INCOME PER SHARE	\$2.33	\$2.29

revenue growth compared with earlier expectations.

"We have reacted to these changing conditions in a measured way, but have been careful not to overreact. We haven't changed our fundamental plans, but have moderated investments to a more conservative marketplace. As usually happens when a business slows down from its planned rate of growth, revenue is affected first and cost reaction follows. That is the phase we are in now. It shows up in lower profitability, which, I believe is a major factor in the decline of Digital's stock price.

"On the other hand, assets are being managed carefully. Our cash position and the rest of our balance sheet remain strong.

"It is difficult to predict future revenue trends," continued Jim, "but it is clear that we must manage our costs very carefully over the next several quarters if we are to rebound from recent profit declines and regain the high degree of investor confidence in Digital that existed six months to a year ago.

Jack Shields, senior vice president, said, "Our sales, service and marketing organizations are armed with very competitive, fully compatible product offerings which our customers need to maintain or improve their competitive position. This, coupled with additional new products being introduced later this month and throughout the remainder of the year, should allow us to continue to exceed industry growth." Jack added that, "While our overall growth is strong, demand for some of our larger computer systems has been less than planned. This seems to be due to a combination of factors, such as customers evaluating our new product offerings and customer concern about U.S. and overseas economic conditions."

OPERATING RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER:

	NINE MONTHS ENDED	
	MARCH 26, 1988	MARCH 28, 1987
PRODUCT SALES	\$5,346,359,000	\$4,478,570,000
SERVICE AND OTHER REVENUES	2,789,648,000	2,241,810,000
TOTAL OPERATING REVENUES	8,136,007,000	6,720,380,000
COST OF PRODUCT SALES	2,160,160,000	1,829,346,000
SERVICE EXPENSE	1,720,289,000	1,442,115,000
TOTAL COST OF SALES	3,880,449,000	3,271,461,000
RESEARCH AND ENGINEERING	922,208,000	726,548,000
SELLING		
GENERAL AND ADMINISTRATIVE	2,205,514,000	1,603,269,000
NET INTEREST (INCOME)/EXPENSE	(78,325,000)	(59,479,000)
INCOME BEFORE INCOME TAXES	1,206,161,000	1,178,581,000
INCOME TAXES	301,541,000	418,396,000
NET INCOME	904,620,000	760,185,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	132,497,396	133,617,165
NET INCOME PER SHARE	\$6.83	\$5.69
	THREE MONTHS ENDED	
	MARCH 26, 1988	MARCH 28, 1987
PRODUCT SALES	\$ 1,834,233,000	\$ 1,631,485,000
SERVICE AND OTHER REVENUES	989,749,000	778,586,000
TOTAL OPERATING REVENUES	2,823,982,000	2,410,071,000
COST OF PRODUCT SALES	760,855,000	636,340,000
SERVICE EXPENSE	600,622,000	513,172,000
TOTAL COST OF SALES	1,361,477,000	1,149,512,000
RESEARCH AND ENGINEERING	322,768,000	255,408,000

From: CSS::CSS::VENOM::SUBSCRIBER "A Service of NHAS 01-Aug-1989 1352" 1-AUG
-1989 14:06

To: @DIS:MK1,@DIS:MK2,@DIS:TTB,@DIS:GSF

Subj: Digital Revenues

Digital reports revenue gains for Q4 and year

Digital reported higher sales for the fourth quarter of its fiscal year, which ended July 1, 1989.

For the quarter, the company reported total operating revenues of \$3.5 billion, up five percent from the \$3.3 billion of the comparable quarter a year ago. Net income for the quarter was \$313,215,000, compared with last year's fourth quarter net income of \$401,013,000. Quarterly earnings per share were \$2.51 versus \$3.08 last year.

For the full fiscal year just ended, Digital reported total operating revenues of \$12,741,956,000, up 11% from the \$11.5 billion of a year ago; net income for the year was \$1.1 billion compared with \$1.3 billion a year ago. Earnings per share for the year were \$8.45, compared with \$9.90 a year ago.

"Our overseas markets saw double-digit growth in the quarter as a result of new hardware, software and service product offerings, coupled with a strengthened sales and marketing organization," said Ken Olsen, president. "Business conditions in the U.S. are still somewhat slow, with fourth quarter revenues similar to those of the same period a year ago, but up from the prior quarter. Both discretionary spending and capital spending plans are being adjusted to reflect current market conditions."

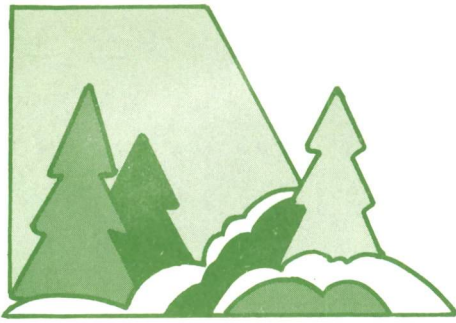
"We remain confident that we have the computing system technology and business solutions that customers want," Ken added. "Nonetheless, with lackluster conditions in the U.S., and the strengthened dollar depressing overseas results when translated into U.S. currency, the company remains cautious entering the traditional low-volume September quarter."

Operating results for the twelve months and fourth quarter

	Years Ended	
	July 1, 1989	July 2, 1988
Product Sales	\$ 8,190,308,000	\$ 7,541,241,000
Service & Other Revenues	4,551,648,000	3,934,205,000
Total Operating Revenues	12,741,956,000	11,475,446,000
Cost of Product Sales	3,468,307,000	3,042,172,000
Service Expenses	2,773,563,000	2,426,176,000
Total Cost of Sales	6,241,870,000	5,468,348,000
Research & Engineering	1,525,129,000	1,306,543,000
Selling		
General & Administrative	3,638,868,000	3,065,555,000
Net Interest (Income)/Expense	(84,586,000)	(105,845,000)
Income Before Income Taxes	1,420,675,000	1,740,845,000
Income Taxes	348,065,000	435,212,000
Net Income	1,072,610,000	1,305,633,000
Average Number of Shares		
Outstanding	127,007,710	131,922,964
Net Income Per Share	\$8.45	\$9.90

Fourth Quarter Ended

	July 1, 1989	July 2, 1988
Product Sales	\$ 2,255,064,000	\$ 2,196,121,000
Service & Other Revenues	1,239,820,000	1,143,318,000
Total Operating Revenues	3,494,884,000	3,339,439,000
Cost of Product Sales	959,160,000	881,199,000
Service Expenses	756,761,000	706,700,000
Total Cost of Sales	1,715,921,000	1,587,899,000
Research & Engineering	401,029,000	384,335,000
Selling		
General & Administrative	998,285,000	860,041,000
Net Interest (Income)/Expense	(21,721,000)	(27,520,000)
Income Before Income Taxes	401,370,000	534,684,000
Income Taxes	88,155,000	133,671,000
Net Income	313,215,000	401,013,000
Average Number of Shares		
Outstanding	124,640,947	130,260,782
Net Income Per Share	\$2.51	\$3.08



New Hampshire View

Special Edition

Digital Reports Year-end Results

Digital today announced results for the fourth quarter and full fiscal year that ended June 30, 1990.

For the quarter, the company reported earnings per share of \$0.68, before a restructuring charge of \$2.79 per share after tax. This charge was primarily for employee reskilling and separations, facility consolidations, and related administrative costs. The company absorbed a \$150 million restructuring charge for employee separations and redeployment in the previous quarter. The net result for the quarter was a loss of \$2.11 a share, compared with a \$2.51 per share profit for the same period a year ago. Net income for the quarter was \$85.3 million before the pretax restructuring charge of \$400 million. The net loss after the restructuring charge was \$256.7 million compared with a \$313.2 million profit a year ago.

For the full fiscal year ended June 30, 1990, after absorbing pre-tax charges of \$550 million or \$3.60 per share after tax, net income was \$74.4 million compared with \$1 billion last year, and earnings per share were \$0.59 compared with \$8.45 per share last year.

For the quarter, the company reported total operating revenues of \$3.4 billion down four percent from the \$3.5 billion of a year ago. For the full fiscal year, total operating revenues were \$12.9 billion, up two percent from \$12.7 billion last year.

"Operating results for our fourth quarter and 1990 fiscal year reflect the continuing economic slowdown that affects both U.S. and several other markets," said Jack Smith, senior vice president of Operations. *"We have seen good customer response to our new products, including the VAX 9000 series. The company has continued to make significant investments in R&D, capital spending, and our sales and sales support organizations, which are the investments upon which long-term growth is based."*

"Increasing profit is the most important challenge the company faces," stated Jack.

"We are not satisfied with our operating results and will continue focusing on revenue growth and reducing our cost structure. One way we are reducing costs is to identify positions that are no longer needed, either because of technology changes or business practice changes. This is reflected in the year-to-year decline in the size of the company's workforce."

"Fourth quarter operating results include a restructuring charge of \$400 million, equal to \$2.79 per share after tax, which reflects both current and future costs, principally for employee reskilling and separations, facility consolidations, and related administrative costs. We expect to begin receiving on-going cost savings from these actions in the current year, and the full impact will be realized by next fiscal year," Jack noted.

"Almost 21,000 customers have visited DECWORLD '90, now underway in Boston, MA. They have seen the extensive set of products and services that have resulted

from many years of R&D investments. In addition, more than 250 applications are being demonstrated," said Ken Olsen, president. *"At this event we announced the VAX 4000 system, which allows Digital to offer the most comprehensive product set for the client/server computing model, far beyond what is offered by any other vendor today. This is Digital's first system designed particularly for heavy I/O intensive workloads, such as desktop server or distributed transaction processing. In the last few weeks of the quarter, customers placed orders for approximately 1,000 of these systems, and shipments by fiscal year-end totaled nearly 500."*

"Customer response to Digital's DECstation 5000 family of UNIX-based workstations has been outstanding," remarked Dom LaCava, vice president, Low End Systems. *"It has the most powerful desktop graphics in the industry, is supported by more than 1,200 applications, and will contribute to Digital's overall market share position in workstation sales."* •

FOURTH QUARTER ENDED:

	JUNE 30, 1990	JULY 1, 1989
PRODUCT SALES	\$2,064,687,000	\$2,255,064,000
SERVICE & OTHER REVENUES	1,300,588,000	1,239,820,000
TOTAL OPERATING REVENUES	3,365,275,000	3,494,884,000
COST OF PRODUCT SALES	1,034,784,000	959,160,000
SERVICE EXPENSE	784,031,000	756,761,000
TOTAL COST OF SALES	1,818,815,000	1,715,921,000
RESEARCH & ENGINEERING	413,356,000	401,029,000
SELLING		
GENERAL & ADMINISTRATIVE	1,056,700,000	998,285,000
RESTRUCTURING CHARGE	400,000,000	
NET INTEREST (INCOME)/EXPENSE	(30,106,000)	(21,721,000)
INCOME BEFORE INCOME TAXES	(293,490,000)	401,370,000
INCOME TAXES	(36,764,000)	88,155,000
NET INCOME	(256,726,000)	313,215,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	121,780,226	124,640,947
NET INCOME PER SHARE	\$(2.11)	\$ 2.51

OPERATING RESULTS FOR THE TWELVE MONTHS ENDED:

	JUNE 30, 1990	JULY 1, 1989
PRODUCT SALES	\$8,145,491,000	\$8,190,308,000
SERVICE & OTHER REVENUES	4,797,032,000	4,551,648,000
TOTAL OPERATING REVENUES	12,942,523,000	12,741,956,000
COST OF PRODUCT SALES	3,825,897,000	3,468,307,000
SERVICE EXPENSE	2,968,529,000	2,773,563,000
TOTAL COST OF SALES	6,794,426,000	6,241,870,000
RESEARCH & ENGINEERING	1,614,423,000	1,525,129,000
SELLING		
GENERAL & ADMINISTRATIVE	3,971,059,000	3,638,868,000
RESTRUCTURING CHARGE	550,000,000	—
NET INTEREST (INCOME)/EXPENSE	(111,374,000)	(84,586,000)
INCOME BEFORE INCOME TAXES	123,989,000	1,420,675,000
INCOME TAXES	49,596,000	348,065,000
NET INCOME	74,393,000	1,072,610,000
AVERAGE NUMBER OF SHARES		
OUTSTANDING	125,221,526	127,007,710
NET INCOME PER SHARE	\$.59	\$ 8.45

More on the Restructuring Charge in FY90 Results

With the year-end financial results, Digital announced that it is taking a \$400 million restructuring charge to cover expenses related to eliminating unnecessary jobs, reskilling, relocation and facility consolidations. The company will continue to assess work force needs on a business-by-business and country-by-country basis.

"In light of the current results, the company will be making a major effort to increase profit — through increasing revenue, increasing customer satisfaction, meeting customer needs and eliminating unnecessary jobs," explains John Sims, vice president, Strategic Resources. *"We will look at additional opportunities to relocate and retrain employees, especially in our Enterprise Integration Services organization. But to reduce costs, we need an overall reduction in the size of the work force."* •