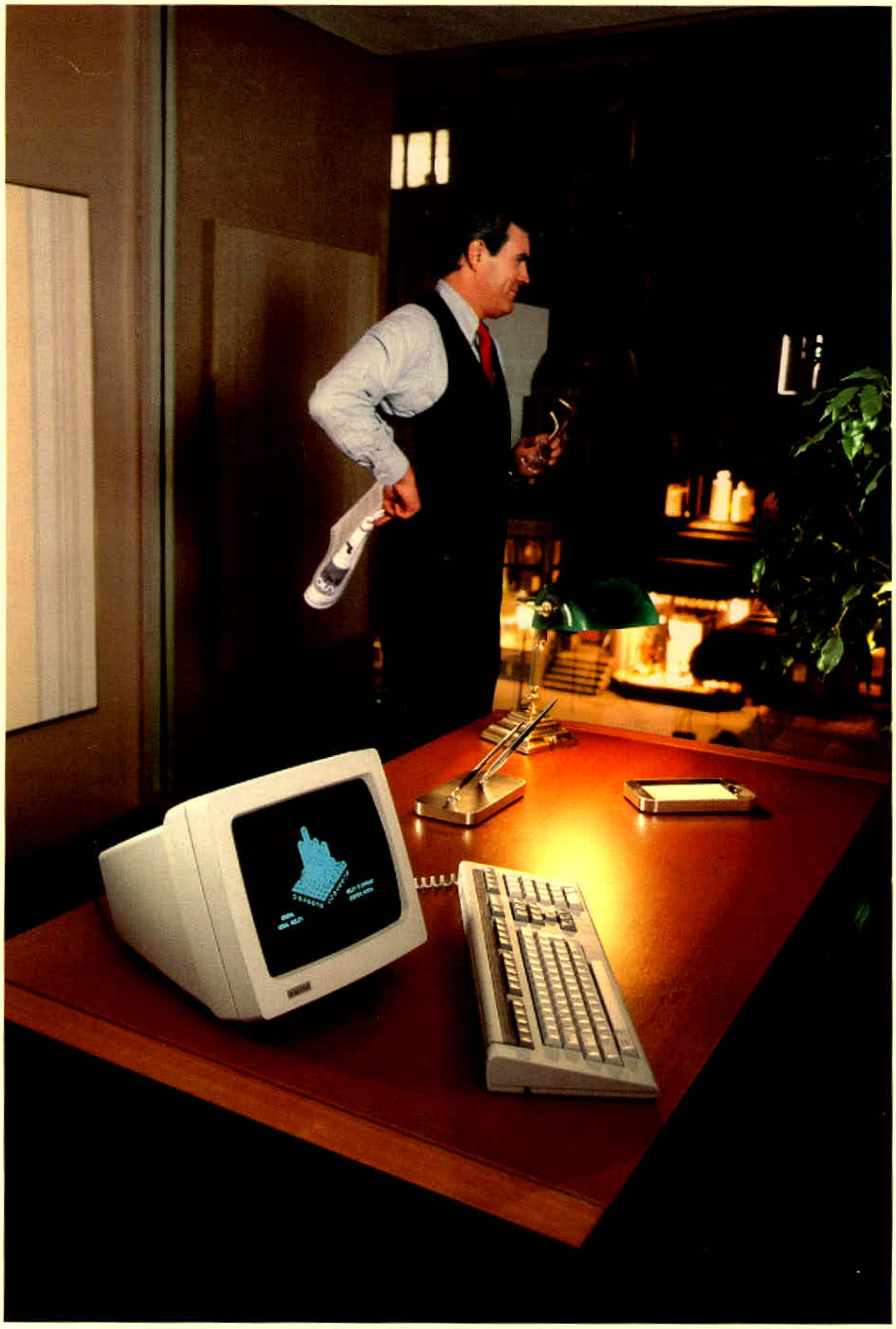

DIGITAL EQUIPMENT CORPORATION ANNUAL REPORT 1982

CORPORATE PROFILE

Digital Equipment Corporation designs, manufactures, sells and services computers and associated peripheral equipment, and related software and supplies. The company's products are used worldwide in a wide variety of applications and programs, including scientific research, computation, communications, education, data analysis, industrial control, timesharing, commercial data processing, graphic arts, word processing, health care, instrumentation, engineering and simulation.

FINANCIAL HIGHLIGHTS

Fiscal Year	1982	1981	% Change
Total operating revenues	$3,880,771,000	$3,198,099,000	+21.3
Net income	$ 417,155,000	$ 343,297,000	+21.5
Net income per share	$7.53	$6.70	+12.4
Total stockholders' equity	$3,164,464,000	$2,679,689,000	+18.1
Stockholders' equity per share	$57.30	$49.31	+16.2

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders will be held at 11:00A.M., Thursday, November 4, 1982, in the Ballroom, The Copley Plaza Hotel, Copley Square, Boston, Massachusetts. Stockholders of record on September 10, 1982 will be entitled to vote at this meeting.

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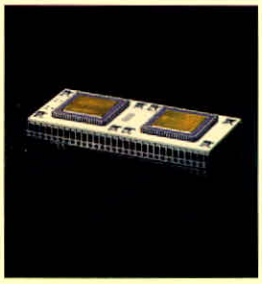
On the Cover: Digital's New Professional Personal Computer.

TO OUR SHAREHOLDERS, EMPLOYEES AND FRIENDS



Powerful J-11 Microprocessor (top); Compact VAX-11/730.

Fiscal 1982 marked the 25th year of operations for Digital Equipment Corporation. It was one of the most challenging and, in many ways, the most satisfying. We are pleased to report to you on our progress.

Total operating revenues grew 21 percent to $3.88 billion, net income increased 22 percent to $417 million and earnings per share were $7.53. Net income was 10.7 percent of revenues, equalled last year's percentage, and is our highest since 1968. We are especially proud of these results since they were achieved in the midst of a worldwide recession.

The recession has provided the opportunity to visibly demonstrate the vigor and flexibility of our worldwide organization. All parts of the organization are working more efficiently and effectively and our people have never been more responsive and enthusiastic.

Spending for Research and Engineering increased by 39 percent to $350 million or nine percent of revenues. We will continue to invest heavily in new products to enhance our strong competitive position and ensure our long-term success, particularly in such major growth areas as professional personal computing, office automation and small business systems.

Investments in new plants, property and equipment increased by 28 percent to $511 million. With the addition of 4 million square feet of manufacturing and administrative space during the year, the company now has more than 21 million square feet of facilities around the world.

Digital's position in the office automation market was strengthened significantly with the introduction of Office Plus, an integrated set of products designed to solve a multitude of office-related information handling problems through a single workstation terminal. Office Plus includes word processing, electronic mail, data processing, electronic filing, automated typesetting, database management and communications. Digital has been a leader in the office market for several years, providing office automation features which others are just now promising, and plans are underway to make office automation a major market for Digital.

In May 1982, we introduced a new series of elegant, desk-top computers which support a wide range of personal computing activities including industry-standard software, word processing, high-resolution color graphics, multiple task management and communications with other Digital computers. We believe these products set new standards for professional personal computing, and are making major investments in design, software and distribution programs to make Digital a major supplier of personal computers.

We introduced two high-performance data storage disks which employ advanced technology developed by Digital. The results of a major investment and an intensive multi-year development effort, these compact disks offer the lowest storage cost per unit of data in the industry.

A new VAX computer, the 11/730, was introduced. Its compact size, functionality and low cost make it, we feel, an ideal computer for Original Equipment Manufacturers (OEMs) and for small and medium size businesses.

Three powerful new PDP-11's were offered for OEMs: T-11, Digital's first chip-level microprocessor; Falcon, a microcomputer on a single board; and J-11, which packages the power of the large PDP-11/70 computer in two microprocessor chips.

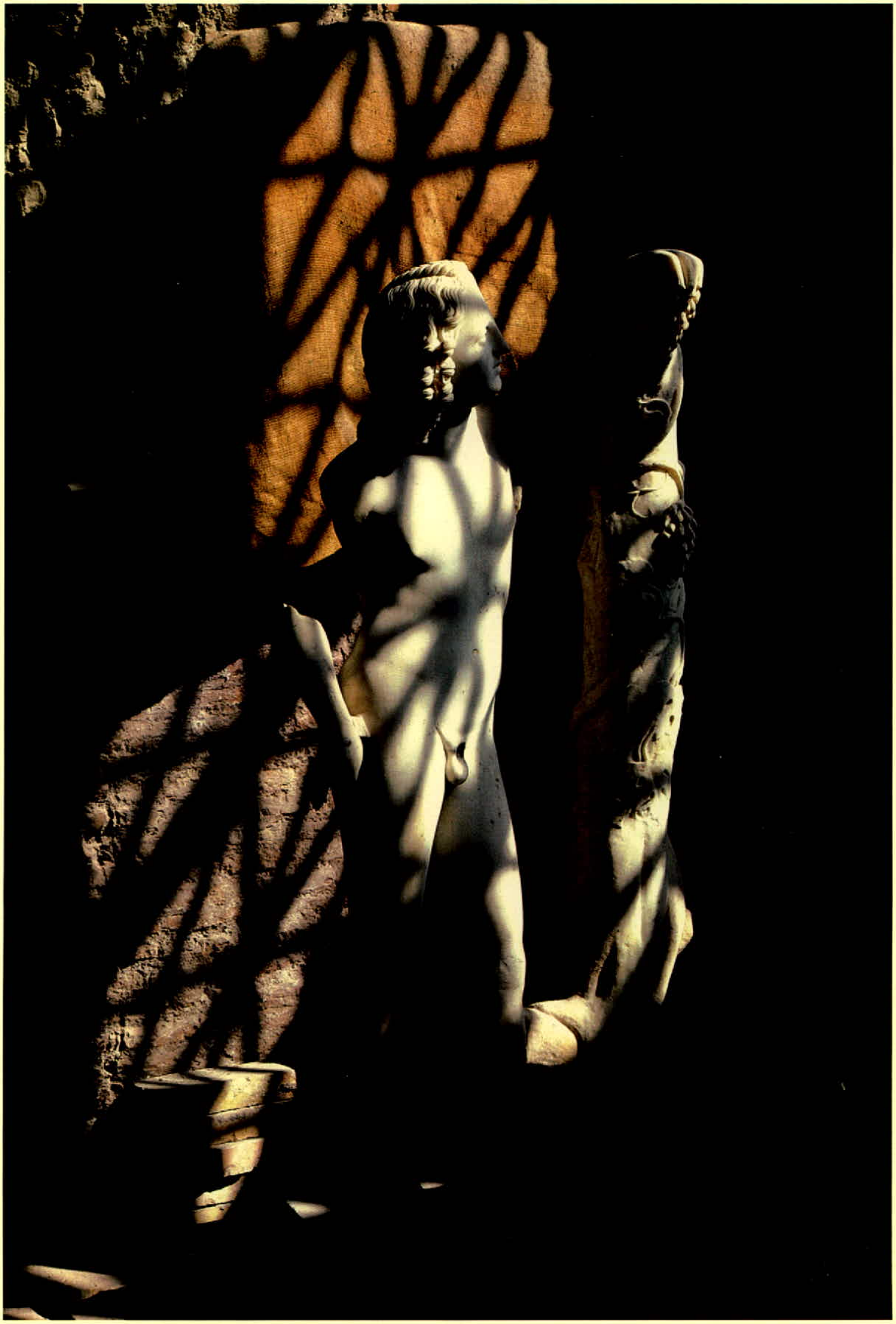
Shortly after the end of Fiscal 1982, Digital became the first company in the industry to offer a written guarantee of operational uptime for its computers. This new program covers VAX, DECsystem-10 and DECSYSTEM-20 computer systems. Digital's worldwide customer service capabilities represent a formidable competitive strength, particularly in the small computer markets, and we will continue to develop innovative programs and service technologies to ensure that Digital maintains the most responsive customer support organization in the computer industry.

We view the next few quarters with caution, based upon expectations of continued economic uncertainty. We will continue to limit hiring and emphasize expense controls. However, we will continue to spend heavily to develop new products that will ensure Digital's long-term success.

Rapid and pervasive change, together with increasing competition, some of it from abroad, will continue to present challenges. We are confident that Digital's management and technology skills, manufacturing capacity, customer service capabilities and financial resources position the company well to take full advantage of opportunities in the worldwide marketplace.

Kenneth H. Olsen

Kenneth H. Olsen, *President*
September 17, 1982



A PERSPECTIVE ON THE FIRST 25 YEARS

Digital Equipment Corporation began in 1957, at a time when computers were large, expensive, mysterious and virtually inaccessible to all but a chosen few. The company was founded on the belief that computers should be, and could be, small, affordable, easy-to-use and available to anyone. Digital has spent its first 25 years in pursuit of those beliefs.

Along the way, the company has made significant contributions to the way the world uses computers: personal computing, interactive timesharing, the minicomputer, distributed processing. Much has been written about the company's explosive growth. However, the company's primary goal is not growth but *quality*: quality in its products and its people; in its relationships with customers and suppliers.

The story of Digital's first 25 years is not just about growth and products. It is really about people. People with bold ideas, willing to work hard and take risks. People eager to accept responsibility for what they do. People who pursue quality in their jobs and in their dealings with colleagues and customers so that they can be proud of their work, and the company they have helped build, for years to come. This continuing commitment to quality by thousands of Digital men and women around the world will ensure the company's progress in the future.

That progress will be measured in terms of the company's ability to sustain its record of designing, making, selling and servicing high quality products which meet the growing and constantly changing needs of customers. Products that represent good value to the user, that are easy to use and that serve as effective professional tools for individuals or can be integrated at any level of an organization into a cohesive and efficient information management system.

Digital enters its second quarter-century more committed than ever to its primary goal of quality and believing more strongly than ever that computers should be affordable, accessible and easy-to-use.

The traffic control system of the Rome subway's second line has been implemented with a PDP-11 computer by Ansaldo, one of Digital's first customers in Italy and a leader in automated systems for plants, energy and traffic control. The new subway, which tunnels through sites of the ancient Roman metropolis, involved a unique meeting of the computer age and antiquity. A young Bacchus (First Century A.D.) discovered during construction is now being restored at the Museo Nazionale di Roma.

NEW PROGRAMS, PRODUCTS, AND CAPABILITIES

During Fiscal 1982, Digital announced a number of new programs and introduced key products developed under long-range programs that were already in place.

For example, back in 1974, Digital instituted a program to make the company a leading manufacturer of printers and video terminals. The objective was not just to increase horizontal integration by manufacturing Digital terminals for a captive systems market, but to build a line of terminals that could be sold on their own merits. Today Digital is a leading terminal manufacturer selling to a broad market through established terminal distributors.

At Japan's Shikoku Electric Power Company, scientists conduct pollution control research on thermal discharge from a nuclear power plant in a large tank model of the Shikoku shoreline. A PDP-11 collects temperature distribution readings of exhaust water and also controls wave simulation used to provide data for safe, effective harbor design.

A similar program is underway to establish Digital as a leader in the design and manufacture of mass storage products. During the past year Digital introduced a new storage architecture and a number of new storage products that implement this architecture. Digital's disk drives and controllers are key components in a line of new packaged systems. At the same time, these highly competitive storage products should enable Digital to capture a significant share of the market where customers add additional storage to existing systems.

Another major product announcement involved Digital's semiconductor program. During the year, the company marketed its first microcomputer chip, the T-11. It also introduced the J-11, which contains the power and functionality of the large PDP-11/70 computer packaged on two microprocessor chips. As processor power becomes available in smaller and smaller packages that can be manufactured in very high volumes with high reliability, the market for these processors expands dramatically.

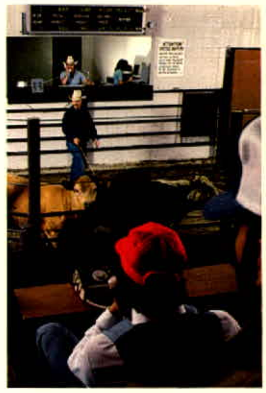
Other new programs reflect the growing importance of communications, applications-oriented software and customer services. During Fiscal 1982, Digital announced an ambitious local-area-networking program, a classified software program and a number of innovative service programs designed to support users of personal computers and office systems.

This program orientation brings engineering, manufacturing, and marketing together. New product development is geared to the identification of customer needs, the design of systems to meet those needs, and the translation of those designs into competitively priced, quality products that can be produced in volume.


SASKATCHEWAN
POOL

The emphasis on quality is reflected in the reliability of Digital's products. This reliability enabled the company to offer the industry's first written guarantee of total system uptime availability, up to 99 percent, as selected by the customer. This program covers users of VAX, DECsystem-10 and DECSYSTEM-20 computers.

A substantial investment was made to develop new tools for computer-aided-design and computer-aided-manufacturing (CAD/CAM) applications. These tools, designed for Digital's engineering and manufacturing organizations, significantly shorten the product development cycle and ensure a high level of integration that is reflected in higher manufacturing productivity and lower costs, greater product reliability and lower system prices for customers.



Three years ago the Saskatchewan Wheat Pool began a pilot program to automate inventory control and administrative functions in its 500 grain elevators throughout the Province. The plan calls for each elevator to be equipped with a PDP-11/23-PLUS, VT100 terminals and LA34 printers. A PDP-11/70 at Regina headquarters gathers daily reports from each site. The Pool also operates eleven livestock auction yards, with transactions automated by PDP-11s.

PERSONAL COMPUTING

The challenge facing every computer manufacturer is to make technology usable, to build systems that are easier to use so they can be used by more people to do more things.

The idea of small, easy-to-use computers that could provide immediate answers to problems, or control on-going scientific, technical or industrial processes, was born in 1965 with the introduction by Digital of the PDP-8, the first minicomputer.

Over the years, through dramatic improvements in semiconductor technology, minicomputers have become smaller and less expensive. This has been accomplished without sacrificing capabilities. As a result, it is now possible to provide minicomputer capabilities in a personal computer that is compatible with larger departmental systems. These new personal computers can run minicomputer software and have the power needed for serious business, engineering, and scientific computing.

During 1982 Digital introduced a number of new products designed for individuals who work alone and for individuals who have to work with other people and who need to access existing departmental and organizational computer systems. In September Digital introduced the Falcon single-board computer and MicroPower/Pascal software for use by Original Equipment Manufacturers (OEMs) in a wide range of scientific and technical applications. In January Digital introduced an option module that makes personal computing capabilities available on more than a quarter of a million Digital VT100 terminals. And, in May, Digital introduced a new series of personal computers.

The Maryland Institute for Emergency Medical Services Systems, a national model for critical care, treats accident victims in what is often considered the best trauma center in the world. From the moment shock trauma victims arrive, vital information and laboratory test results are communicated instantly to medical staff and trauma teams via a VAX-11/780, which also tracks patients' progress in the Critical Care Recovery Unit.

The design of these new personal computers started with a careful analysis of immediate and long-range customer needs. The applications currently being run on personal computers were examined in detail to find ways to make those applications easier to learn and easier to use. At the same time future needs were studied in detail.

It became obvious that it would be impossible to capture all the current and future applications for personal computers into a system built around a single processor chip using an operating system designed to run existing personal software. So Digital developed three personal computers using different processors but sharing the same modular components.

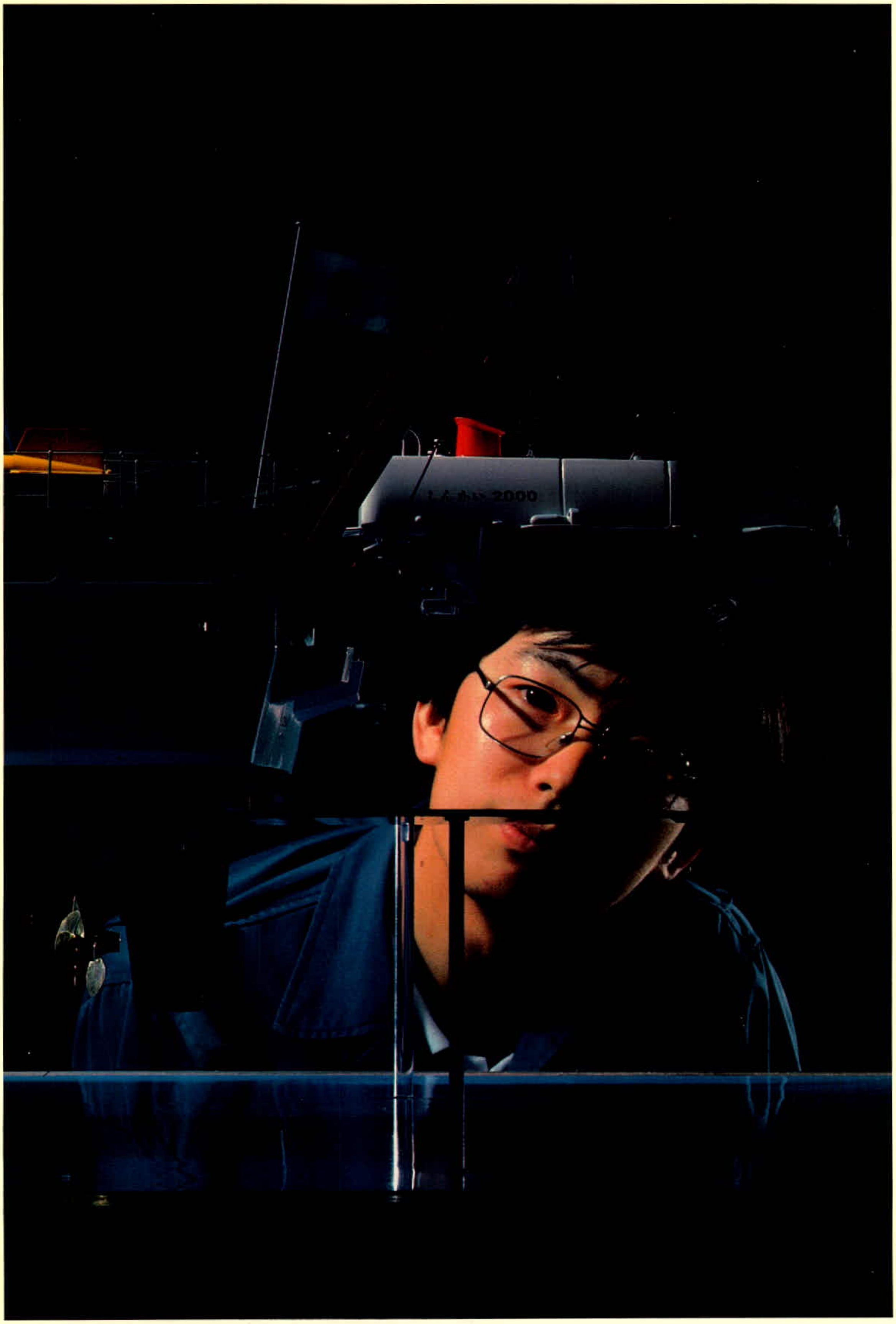
One personal computer was designed to run existing industry-standard software. But by using two processors rather than one, Digital was able to build a system that would run both eight- and sixteen-bit personal computer programs. At the same time the dual processor design gives Digital one of the fastest and most powerful personal computers on the market.

There was also a need for personal computers that would be architecturally compatible with larger departmental systems. This compatibility is critical to users who want to connect personal computers and departmental systems in networks. By building a personal computer around a powerful PDP-11 processor, Digital was able to provide this compatibility.

The third in the series of Digital personal computers was designed to be a basic building block in a total office system. This requires very specialized software for word processing and executive office management.

All three personal computers share the same ergonomic packaging. All feature a system box that can be placed vertically beside a desk or tucked into a bookcase. All use the same low profile keyboard and the same compact video display. All support a five-million-byte Winchester disk. All will be manufactured in volume. All will be sold direct to large customers and through retail or industrial distributions channels.

A wide range of options and features redefine the capabilities of personal computers. These include: A floating point processor for scientific applications. Bit-map graphics with four times the resolution of conventional video displays. Color graphics. And a special Telephone Manage-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ment Option with automatic dial that will make it possible, with the appropriate software, to use a personal computer as a telephone answering machine, a hands-free telephone, a dictating machine, or as a voice-mail terminal.

Finally, in conjunction with the personal computer introduction, Digital announced its *Classified Software Program* to support the development of applications to run on Digital Personal Computers. To date, more than 20 software developers are committed to developing over 70 programs for Digital's Personal Computers and many more are expected. Digital will help these developers market this new software through the Classified Software Program. The key to this program is the Digital Software Seal. This Seal will be placed on software that has been classified as Digital-Tested, Digital-Serviced, or Digital-Developed.

At the Japan Marine Science and Technology Center facilities in Yokosuka, a VAX-11/780 performs color-image analysis of sea surface temperatures and other phenomena from data gathered by space satellites. The system also processes information collected from deep sea biological and mineral research carried out by the "Shinkai 2000," a sophisticated underwater research vessel.

THE OFFICE AND OTHER APPLICATIONS

There are many applications, such as word processing and spreadsheet calculations, that lend themselves to a personal computer. But it is important to understand that most executives, professionals, engineers, scientists, secretaries, and teachers do not work alone.

Typically, people who work in an office, laboratory or drafting room spend about half their time interacting with other people, gathering, organizing, analyzing and distributing information. Since people do not work alone, neither should computers. So Digital developed personal computers that work with departmental systems. Much of this work can be characterized as "office automation" which, in reality, is considerably simpler, less threatening and more practical than it sounds.

Digital's *Office Plus* program includes a broad range of proven software products for personal, departmental, and organizational computers. This software provides a bridge between the individual working at a terminal or personal computer and other information workers. The objective is not to eliminate paperwork, only to eliminate unnecessary paperwork. It is not to eliminate telephone calls, only to eliminate unnecessary or uncompleted calls. Not to replace written memos with electronic mail, only to speed the delivery of messages.

The most important new product developed as a part of the Office Plus program is the *ALL-IN-1 Office Menu.* This lets the individual choose from a complete range of office applications, including word processing and electronic mail, from a menu displayed on the user's terminal or personal computer.

ALL-IN-1 also allows the user to access databases on VAX systems distributed throughout the organization. With VAX Information Architecture it is not necessary for the user to know which VAX computer has the needed information or how that information is organized.

But ALL-IN-1 and VAX Information Architecture are only two of the new product developments that are part of the Office Plus program. And Office Plus is only one of the programs Digital has in place to make departmental computing capabilities available to the individual information worker. During the past year Digital entered into co-operative marketing agreements with six independent software suppliers to offer computer-aided design and computer-aided manufacturing (CAD/CAM) application programs. These applications join a growing list of programs in Digital's External Application Library. Although many of the programs are designed for traditional data processing applications, such as payroll and accounting, the majority provide the individual worker with computer tools needed to improve both personal and departmental productivity.

The Telecommunication Systems Division of Philips, The Netherlands, uses several DECSYSTEM-20s for software development and a VAX-11/780 to assist in the design of integrated circuits and printed circuit boards. In the Vessel Traffic Management System developed by Philips subsidiary HSA for Rotterdam Harbor, 26 radar stations will be connected to three major centers, each equipped with dual VAX-11/780s linked in a network to a central harbor control point.

DEPARTMENTAL COMPUTING

Two very different types of computers are required for departmental data processing. On one hand, there is a need for low-cost processors that can be dedicated to specific commercial and technical applications. On the other hand, there's a need for small systems with large program capacity that can handle a large number of different, and possibly complex, applications simultaneously. Digital offers products that fill both needs.

The PDP-11 family offers superior price/performance in dedicated applications. This has made the PDP-11 the largest selling series of OEM computers in the world. There are generally two types of OEMs. The first builds test equipment, brain scanners, oil rigs, machine tools and other systems where a computer is integrated into the product. The second group adds specialized software to standard systems to meet the application requirements of wholesale grocers, lawyers, machine shops, retail fuel oil dealers, medical offices, and other industries and professions.


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The VAX family provides the program capacity and performance needed for general purpose commercial and scientific computing.

Digital introduced packaged "departmental" systems in both the VAX and PDP-11 families which are of particular interest to the OEM and end-user markets.

The Micro/PDP-11. Shortly after the close of the fiscal year, Digital formally introduced the Micro/PDP-11, a highly integrated PDP-11/23-based system that features a new ten-million-byte, five-and-a-quarter inch Winchester disk drive designed and manufactured by Digital.

The Micro/PDP-11 demonstrates the continuing evolution of the PDP-11 concept into new application areas. Only a few years ago, the typical PDP-11 system was housed in two or more large cabinets. Today, a complete powerful PDP-11 system fits into a single small cabinet that can be rack-mounted or placed unobtrusively beside a desk. This high level of integration is reflected in lower price which opens new markets and new applications for the PDP-11 family.

The VAX-11/730. One of the things that inhibited the growth of departmental computing was the need for small computers with large program capacities. Many departments need a computer that will perform a wide variety of different applications. They cannot justify a departmental computer that, because of limited program capacity, has to be dedicated to just one or two applications. With the introduction of the VAX-11/730, Digital filled this market need. The VAX-11/730 provides up to 24 departmental users with the same program capacity found in a large VAX system. This means it is now possible to offer a small department the same data processing power and capabilities that formerly were available only in large organizations. They include all the data management tools that have been developed as a part of VAX information architecture, as well as Office Plus and all the other commercial, engineering, scientific, and graphics applications that have been developed for large VAX systems.

Other VAX and PDP-11 announcements made during Fiscal 1982 included a floating point processor for the popular VAX-11/750, a new version of the VAX/VMS operating system, and a new high-end VAX—the VAX-11/782. Digital also introduced a new floating-point processor for smaller PDP-11s, new PDP-11 networking software, and a number of

A prototype Bakery Management System developed at Haydel's Bakery, Jefferson, Louisiana, with the help of Professional Datasystems, runs on a PDP-11/23. The small business system tracks inventory for raw materials and retail goods, prints out a daily production schedule, price book, cost figures for each item, keeps payroll and general ledger accounts, and offers word processing capabilities.

new storage devices including a 205-million-byte removable disk drive and a 456-million-byte Winchester disk for the VAX series and larger PDP-11 computers.

In Boulder, Colorado, the National Oceanic and Atmospheric Administration conducts experiments in weather observation and forecasting. A PDP-11 at each of three radar monitoring stations collects reflectivity data related to the severity of storms and communicates it via DECnet to a VAX-11/780 for processing. The processed data moves to a VAX-11/750 for the creation of color graphic displays, which provide meteorologists with realtime information for easy interpretation.

LOCAL AND WIDE AREA NETWORKING

During the past year Digital announced its DECnet Phase IV program, an SNA Gateway, and its first Ethernet products.

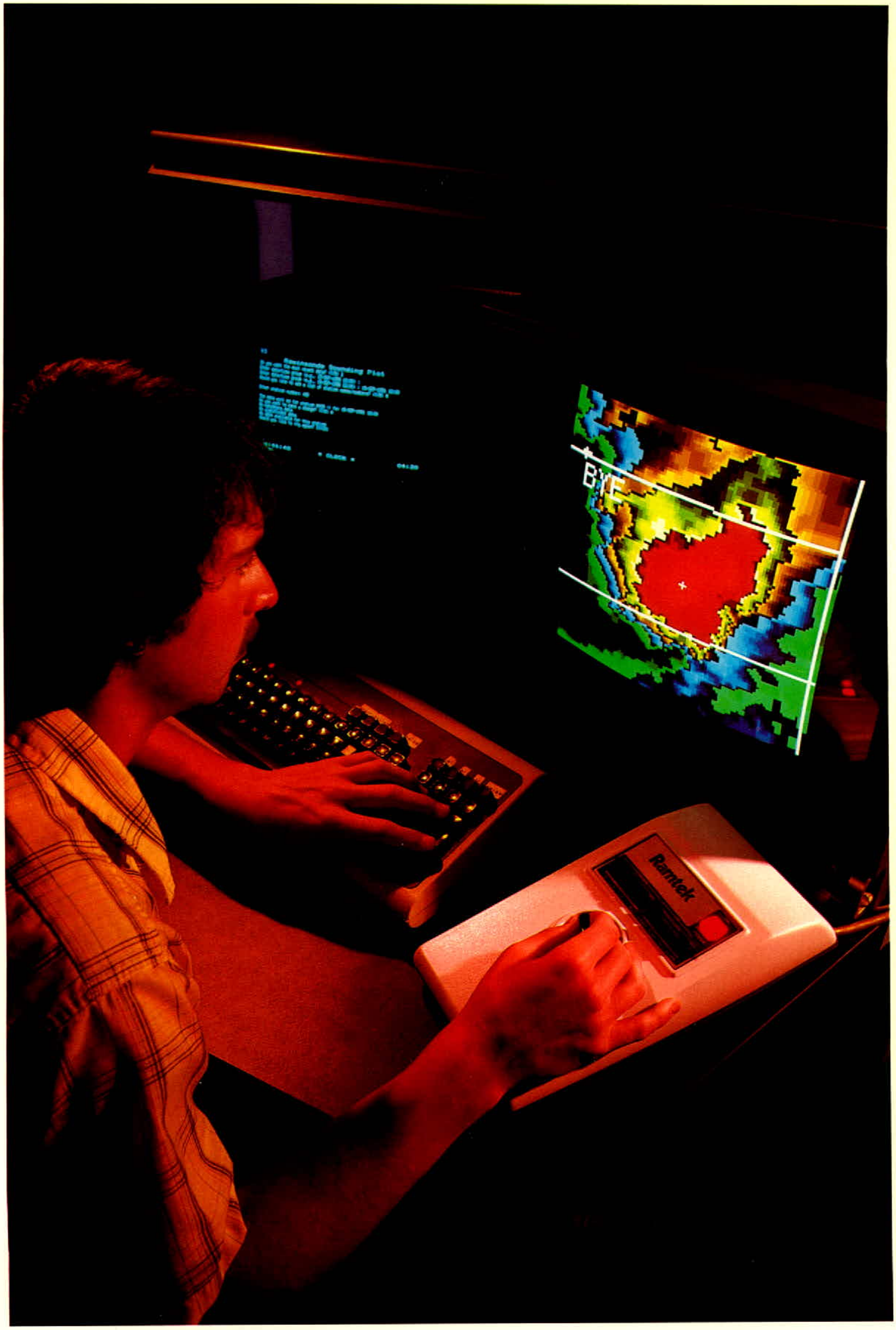
There are essentially two complementary approaches to networking. A customer can build a hierarchical network around a mainframe to support large data processing applications or a corporate database. Or they can build a distributed data processing network to support departmental systems, office applications, realtime applications, and distributed databases. These very different networks serve different purposes. During Fiscal 1982 Digital introduced a DECnet/SNA gateway that allows these two very different kinds of networks to work together.

The SNA Gateway links Digital and IBM network environments. The development of this Gateway marked a milestone in Digital's networking program. During Fiscal 1982 Digital announced the DECnet Phase IV program for integrating DECnet, Ethernet, and X.25 protocols within Digital Network Architecture and introduced its first Ethernet products to support the connection of Digital systems to local area networks.

ORGANIZATIONAL COMPUTING

Digital's family of large mainframe computers, DECsystem-10 and DECSYSTEM-20, were developed to support large numbers of simultaneous users in interactive timesharing environments. They are also used for the processing of large batches of data. These interactive mainframe systems span the performance and capacity range of traditional mainframes in terms of speed, throughput and processing power, capabilities which have made them popular for large-scale educational, administrative and commercial applications.

During Fiscal 1982, Digital introduced a number of enhancements including advanced networking, electronic mail and communications capabilities. Development work is continuing on future additions to this important family of Digital products.


Ramtek

CUSTOMER SUPPORT: A KEY TO SUCCESS

The mission of Digital's customer support organization is to maximize computer availability to customers and minimize their cost of ownership. This means helping customers to reduce programming and training costs and helping them solve business problems while delivering the highest possible level of system utilization. To achieve this, Digital has integrated its maintenance, software support and training services into a unified worldwide organization which last year grew to almost 18,000 support personnel in 39 countries on five continents.

Recognizing that different customers have different needs, Digital has developed a comprehensive array of support services from which customers can choose the services which best suit their particular needs.

In addition to its first-in-the-industry written guarantee of computer uptime, Digital offers automated telephone diagnosis of hardware and software products. We believe this remote diagnosis capability to be the most advanced in the industry. Digital also provides a family of software support services complemented by call-in software support centers where customers can receive consultation by telephone.

The company has established carry-in service centers for owners of terminals and small systems, whose needs are also served by a fleet of fully-equipped mobile units based in major cities in the United States, Canada and Western Europe.

For customers whose needs are not met by Digital's standard computer systems, the company maintains Computer Special Systems facilities around the world to provide customized services in hardware and software design, applications programming, systems engineering, project management and computer networking.

Digital provides extensive educational service to customers through 24 training centers around the world. The company's training curriculum encompasses more than 300 courses offered in 17 languages. Self-paced courses, interactive computer-based instruction and classes at customer sites are also offered, as are newly developed training services for first-time users of computers.

Digital's customer support capabilities give the company an important competitive advantage, and we remain committed to ensuring that Digital's support personnel and the services they provide continue to be the most effective and responsive in the computer industry.

A major American automobile manufacturer has developed a versatile "Manufacturing Monitoring System" with the help of VAX-11/750, VAX-11/780 and PDP-11 computers. The system gathers data on a multitude of factory operations such as production rates, parts inventory, quality analysis and maintenance management—and helps to produce reports for management analyses.

DIGITAL'S OBLIGATIONS TO PEOPLE

Digital recognizes that it has important obligations to many people whose reasonable expectations the company must strive to meet. Customers expect Digital to be a reliable supplier of quality products. Shareholders expect the company to work hard to make their investments grow.

Digital also feels a deep sense of responsibility to its employees. The company is very proud of the dedication of its people around the world and strives to recognize their accomplishments by providing programs to promote their personal and professional growth.

These programs include continuing education, personal skills workshops, job enlargement training, management development, tuition refunds, scholarships and university courses at company facilities. All of these programs were expanded during the year to accommodate the steadily growing number of employees at all levels of the organization who seek to learn and grow, and we will continue to encourage their initiatives.

Digital remains seriously committed to programs which ensure that all employees have equal opportunities for hiring and advancement and has continued to aggressively pursue affirmative actions programs to attract and develop minority and female employees. One of several such programs involves a partnership between Digital and a consortium of minority universities in which the company provides computer equipment and other resources to aid in developing state-of-the-art science and technology curricula.

The company increased its involvement with the outside community through support of educational, health care, civic, social and cultural programs at the national, regional and local levels. During the year, the company made gifts of cash and equipment valued at more than $52 million, which included more than 850 equipment grants to colleges and universities in the United States and abroad. More than 200 students received scholarships, including college-bound students in Digital communities, women and minorities pursuing careers in science and engineering. Digital also encourages employee involvement by matching dollar-for-dollar their individual gifts to schools, non-profit organizations and United Way programs.

As Digital grows, it remains strongly committed to meet its obligations as responsive employer, thoughtful neighbor and responsible corporate citizen.

DIGITAL EQUIPMENT CORPORATION
FINANCIAL STATEMENTS

ELEVEN YEAR FINANCIAL SUMMARY

Operations (In Millions except per share data)	1982	1981	1980
Revenues			
Equipment sales	$2,793.7	$2,384.2	$1,779.4
Service and other revenues	1,087.1	813.9	588.6
Total operating revenues	3,880.8	3,198.1	2,368.0
Costs and Expenses			
Cost of equipment sales, service and other revenues	2,187.6	1,778.7	1,319.9
Research and engineering expenses	349.8	251.2	186.4
Selling, general and administrative expenses	758.6	632.2	478.9
Operating income	584.8	536.0	382.8
Interest expense	14.8	29.2	27.0
Interest income	(102.8)	(60.6)	(53.8)
Income before income taxes	672.8	567.4	409.6
Provision for income taxes	255.6	224.1	159.7
Net income	$ 417.2	$ 343.3	$ 249.9
Net income per share[1]	$ 7.53	$ 6.70	$ 5.45
Average shares outstanding	55.4	52.6	47.2
Financial Position (In Millions except per share data)			
Inventories	1,137.4	1,102.2	819.9
Accounts receivable, net of allowances	807.6	758.1	629.1
Working capital	2,181.2	2,029.8	1,658.2
Property, plant and equipment, at cost	1,605.4	1,128.4	772.3
Total assets	4,024.0	3,456.1	2,666.1
Long-term debt	92.4	88.4	489.7
Stockholders' equity	3,164.5	2,679.7	1,651.7
Stockholders' equity per share	$ 57.30	$ 49.31	$ 36.25
General Information and Ratios (Dollars in Millions)			
Current ratio	4.1:1	4.2:1	4.5:1
Additions to property, plant and equipment	$ 511.2	$ 398.5	$ 209.9
Depreciation	$ 152.6	$ 102.1	$ 69.8
Debt to debt plus equity ratio	2.8%	3.2%	22.9%
Operating income as a percentage of total operating revenues	15.1%	16.8%	16.2%
Income before income taxes as a percentage of total operating revenues	17.3%	17.7%	17.3%
Net income as a percentage of total operating revenues	10.7%	10.7%	10.6%
Net income as a percentage of average stockholders' equity	14.3%	15.9%	18.0%
Net income as a percentage of average total assets	11.2%	11.2%	11.0%
Number of days sales of accounts receivable outstanding	73	73	81
Number of employees at year-end	67,100	63,000	55,500
Revenues per average number of employees (in thousands)	$ 59.7	$ 54.0	$ 47.5
Common shares outstanding (in thousands)	55,227	54,348	45,568
Shareholders at year-end	44,706	39,948	35,144

[1]See Note E of Notes to Consolidated Financial Statements.

1979	1978	1977	1976	1975	1974	1973	1972
$1,381.8	$1,128.1	$ 847.5	$ 586.7	$ 433.2	$ 360.8	$ 229.1	$ 166.3
422.3	308.5	211.1	149.6	100.6	61.1	36.4	21.3
1,804.1	1,436.6	1,058.6	736.3	533.8	421.9	265.5	187.6
1,012.3	802.3	595.1	424.3	301.2	233.6	146.8	101.3
138.3	115.7	79.7	58.4	48.5	36.6	25.0	20.1
370.1	281.0	205.9	136.1	109.3	83.8	55.6	40.5
283.4	237.6	177.9	117.5	74.8	67.9	38.1	25.7
24.3	22.4	11.7	9.9	4.8	2.1	.7	.6
(35.8)	(12.3)	(10.2)	(11.8)	(3.6)	(3.1)	(1.2)	(.7)
294.9	227.5	176.4	119.4	73.6	68.9	38.6	25.8
116.5	85.3	67.9	46.0	27.6	24.5	15.1	10.5
$ 178.4	$ 142.2	$ 108.5	$ 73.4	$ 46.0	$ 44.4	$ 23.5	$ 15.3
$ 4.10	$ 3.40	$ 2.78	$ 1.98	$ 1.28	$ 1.27	$ .72	$ .50
44.9	43.2	39.0	37.1	35.9	35.1	32.6	30.8
513.5	428.1	375.0	218.8	174.8	137.4	102.7	62.1
475.1	375.2	323.1	219.3	165.0	144.6	107.2	68.4
1,076.9	887.0	574.2	499.0	333.2	238.6	152.7	87.2
582.1	507.8	352.4	215.8	167.6	127.4	83.9	58.9
1,863.2	1,501.4	1,070.4	856.0	565.1	440.3	287.4	192.4
340.7	341.6	90.6	91.4	85.2	10.6	—	—
1,120.2	904.8	735.5	606.0	394.4	339.6	223.5	144.8
$ 27.59	$ 22.69	$ 18.73	$ 15.61	$ 10.94	$ 9.49	$ 6.73	$ 4.67
3.8:1	4.7:1	3.5:1	4.3:1	5.2:1	3.8:1	3.4:1	2.8:1
$ 93.9	$ 167.0	$ 143.2	$ 54.5	$ 45.9	$ 50.1	$ 31.8	$ 27.7
$ 57.7	$ 50.2	$ 28.5	$ 22.0	$ 16.9	$ 12.4	$ 8.0	$ 5.1
23.3%	27.4%	11.0%	13.1%	17.8%	3.0%	—	—
15.7%	16.5%	16.8%	16.0%	14.0%	16.1%	14.4%	13.7%
16.4%	15.8%	16.7%	16.2%	13.8%	16.3%	14.5%	13.8%
9.9%	9.9%	10.3%	10.0%	8.6%	10.5%	8.9%	8.2%
17.6%	17.3%	16.2%	14.7%	12.5%	15.8%	12.8%	11.3%
10.6%	11.1%	11.3%	10.3%	9.2%	12.2%	9.8%	8.9%
82	82	88	85	92	96	112	109
44,200	39,000	36,700	25,700	19,000	17,600	13,000	7,800
$ 43.4	$ 38.0	$ 33.9	$ 32.9	$ 29.2	$ 27.6	$ 25.5	$ 26.8
40,606	39,873	39,259	12,944	12,022	11,932	11,079	10,343
28,835	25,868	22,738	15,442	15,033	14,393	14,226	15,430

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

As an aid to understanding the Company's operating results, the following tables indicate the percentage relationships of income and expense items included in the Consolidated Statements of Income for the three fiscal years ended July 3, 1982 and the percentage changes in those items for such years.

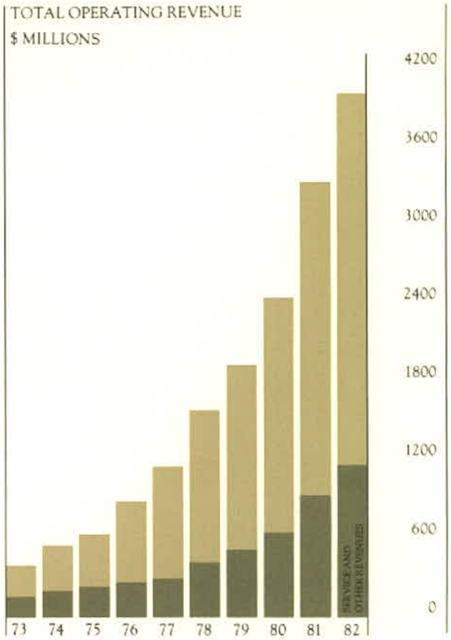
Income and Expense Items as a Percentage of Total Operating Revenues				Percentage Increase		
1980	1981	1982	Income and Expense Items	1981 to 1982	1980 to 1981	1979 to 1980
75.1%	74.6%	72.0%	Equipment sales	17%	34%	29%
24.9%	25.4%	28.0%	Service and other revenues	34%	38%	39%
100.0%	100.0%	100.0%	Total operating revenues	21%	35%	31%
55.7%	55.6%	56.4%	Cost of sales, service and other revenues	23%	35%	30%
7.9%	7.9%	9.0%	Research and engineering expenses	39%	35%	35%
20.2%	19.8%	19.5%	Selling, general and administrative expenses	20%	32%	29%
16.2%	16.7%	15.1%	Operating income	9%	40%	35%
1.1%	0.9%	0.4%	Interest expense	(50%)	8%	11%
(2.2%)	(1.9%)	(2.6%)	Interest income	70%	13%	51%
17.3%	17.7%	17.3%	Income before income taxes	19%	39%	39%
6.7%	7.0%	6.6%	Income taxes	14%	40%	37%
10.6%	10.7%	10.7%	Net income	22%	37%	40%

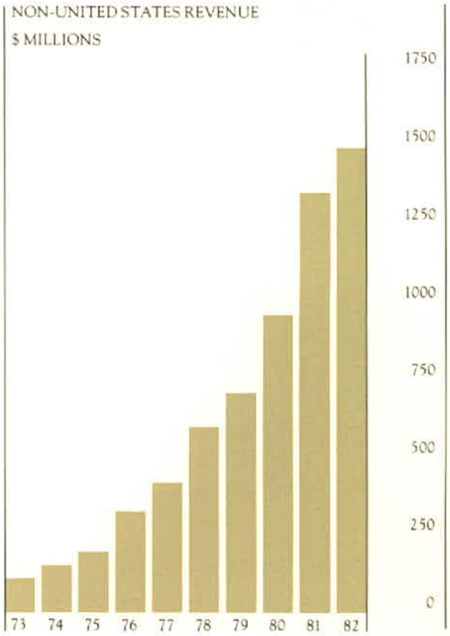
REVENUES

During fiscal year 1982, the Company's total operating revenues increased by 21% compared to increases of 35% and 31% in the two preceding fiscal years. While customer reaction and acceptance of new and existing products remains positive, the moderation in customer demand for products is attributed to an uncertain economic climate. The Company anticipates that customer demand will accelerate as economic conditions become more favorable. This confidence is based on past trends that indicate the growth of new computer applications as computer price performance, functionality, ease of use and maintenance improve. Growing acceptance of distributed data processing and continued emphasis on employee productivity should also add to renewed customer demand. In addition investment in research and development in fiscal 1982 and the preceding year resulted in many exciting new product announcements over the course of the past year. Several of the products announced complement product families which experienced particularly strong customer demand. These include the VAX family of computers, hard copy and video display terminals and disk storage products.

The Company announced its intention to pursue major new business opportunities in fiscal 1982. In doing so it has made a substantial investment in several new products, such as a series of small business computers called Rainbow, DECmate II and Professional and a set of office automation products known as Office Plus. The Company feels it is well positioned to take advantage of these, opportunities having strengthened its selling and marketing efforts.

Service and other revenues, which principally include maintenance service, customer training, software revenues and the sale of replacement parts, comprise an increasing share of the Company's total revenues. During the fiscal 1980-1982 periods, service and other revenues increased from 25% to 28% of total revenues. This increase in service and other revenues reflects the growth in the base of installed computer systems and the growing diversity and utility to the customer of such services.



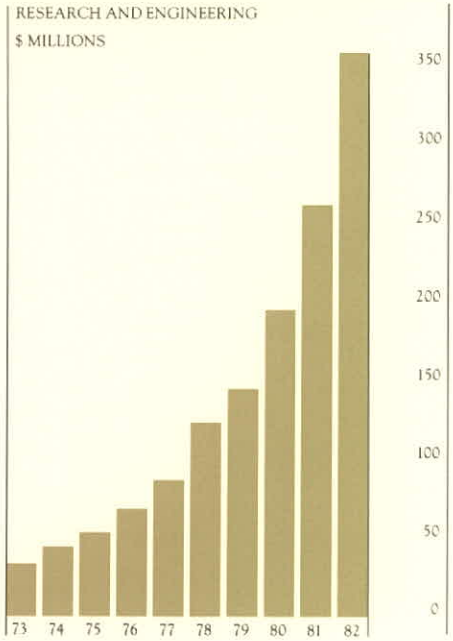


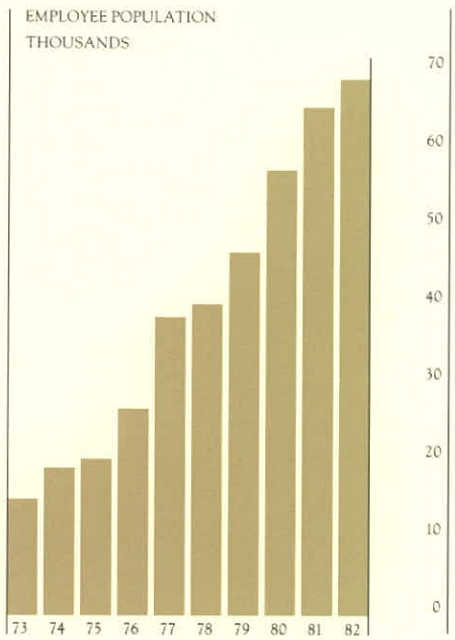
EXPENSES AND PROFIT MARGINS

Cost of sales increased to 56.4% of total operating revenues in fiscal 1982 compared to 55.6% in fiscal 1981 and 55.7% in fiscal 1980. This small increase was principally a result of certain price reductions and significant investments in new plant and new product start-up costs. As in prior years, the Company has passed on the benefits of reduced product costs to its customers either in the form of selected price reductions or through the introduction of products with improved price performance characteristics. This was true in fiscal 1982, particularly in the pricing of disk mass storage products and add-on memory products. For the most part technology improvements, design and production automation, reduced component costs, high production volumes and related increases in manufacturing productivity allowed this trend to continue.

The Company continued its substantial commitment to research and development in fiscal 1982. The Company believes that a heavy emphasis on research and development spending is imperative as the computer industry becomes increasingly competitive. The Company anticipates that research and development spending, which was 9% of revenues in fiscal 1982 versus 7.9% in fiscal 1981 and 1980, will continue as a significant percentage of revenues in the years ahead.

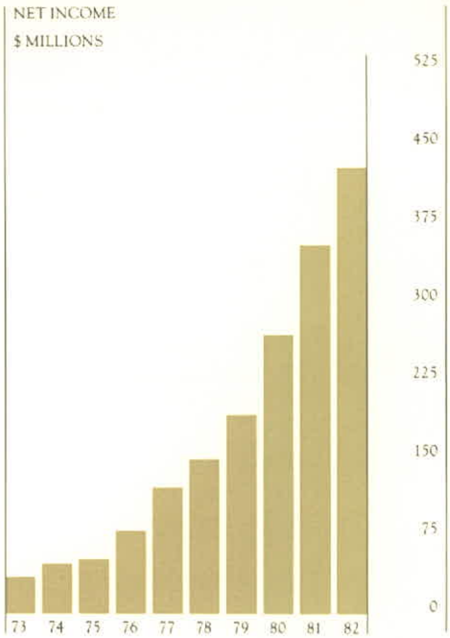
Selling, general and administrative expenses, however, declined to 19.5% of total operating revenues in fiscal 1982 compared to 19.8% and 20.2% in fiscal 1981 and fiscal 1980, respectively. The percentage decrease in these expenses occurred despite moderating growth in revenue, and resulted from a major expense control program. This program emphasized increased control of discretionary expenditures while continuing the important strategic investments in research and engineering, as described above, marketing and other key areas.





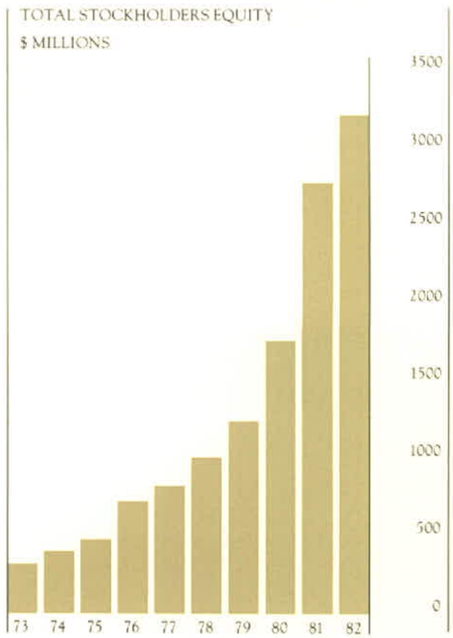
EXPENSES AND PROFIT MARGINS (Continued)

Net income per share for fiscal 1982 was $7.53, a 12% improvement over the $6.70 in fiscal 1981, which constituted a 23% increase over fiscal 1980 net income per share of $5.45. Net income per share increased less rapidly than income before income taxes in both fiscal 1982 and 1981, primarily due to increases in common shares and common share equivalents.



INFLATION AND CHANGING PRICES

The preceding discussion and analysis is based on the Company's financial statements presented in historical dollars. See pages 44 through 47 for supplementary information on the Company's historical financial data adjusted for the effects of inflation and changing prices.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AVAILABILITY OF FUNDS TO SUPPORT CURRENT AND FUTURE OPERATIONS

The need for funds to support the Company's rapid growth has historically caused it to use external financing to supplement internally-generated funds, and to refrain from paying dividends. Over the longer term, the Company foresees the need to continue to use external financing.

During the fiscal 1980-1982 periods, funds used to support operations and future growth exceeded funds generated from operations by $401 million. External financing during this period consisted primarily of the issuance of $400 million of 8⅞% Convertible Subordinated Debentures in fiscal 1980 and the $241 million proceeds from the sale of 2.5 million shares of common stock in fiscal 1981.

At the end of fiscal 1982, the Company's short- and long-term debt totaled $106 million, up from $98 million at the end of fiscal 1981. Cash and temporary cash investments were $765 million at the end of fiscal 1982, compared to $666 million at the end of fiscal 1981. Unused lines of credit at the end of fiscal 1982 were $243 million, including revolving credit agreements totaling $150 million.

The Company believes its financial performance over the years, its low debt to debt-plus-equity ratio and its high credit rating, leave it positioned to obtain the financing required to support its future growth.

COMMON STOCK INFORMATION

The Company's common stock is listed and traded on the New York Stock Exchange and the Pacific Stock Exchange. There were 44,264 stockholders of record as at July 30, 1982. The high and low quarterly sales prices for the past two fiscal years are presented below.

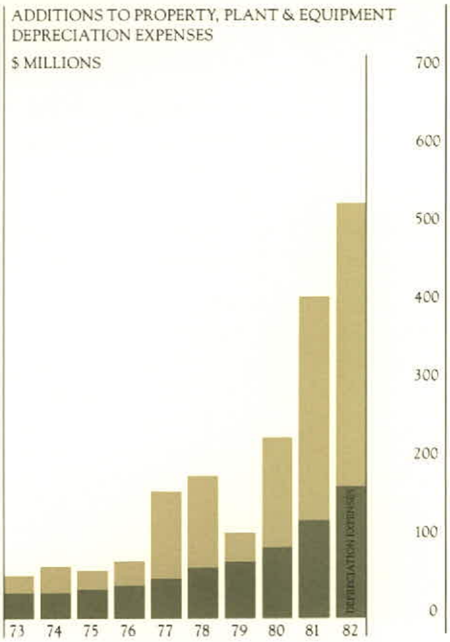
Fiscal Quarter	1982		1981	
	High	Low	High	Low
First	$101.625	$83.250	$96.250	$67.000
Second	102.500	84.125	98.750	82.375
Third	90.250	71.375	97.000	80.250
Fourth	84.500	65.750	113.250	88.125

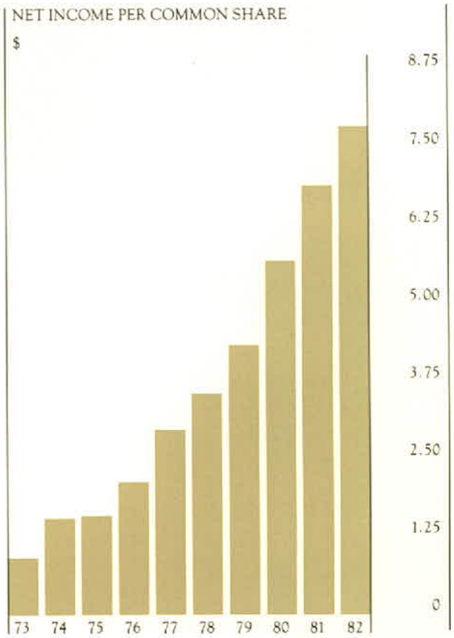
The Company has never declared any cash dividends. It has been the policy of the Company to use its earnings to finance expansion and growth. While the payment of future dividends will rest with the discretion of the Board of Directors and will depend, among other things, upon the Company's earnings, capital requirements and financial condition, the Company expects to retain all of its earnings for use in the business and has no present plans to pay cash dividends.

SPENDING FOR OPERATIONS

Continued emphasis on improved asset utilization yielded positive results in fiscal 1982. Inventories grew only 3% while accounts receivable grew 7%, compared to a 21% increase in total operating revenues. The average number of days sales in accounts receivable outstanding remained at 73 days, the same as of the end of fiscal 1981. The ratio of net income to average total assets was 11.2% in 1982, 11.2% in 1981, and 11.0% in 1980.

Demonstrating confidence in its future market prospects the Company continued its investment in the future with capital spending of $511 million in fiscal 1982, an increase of 28% over the Company's 1981 capital spending of $398 million. The 1982 capital expenditures consisted of land and building additions of $221 million, leasehold improvements of $29 million and equipment additions of $261 million. During fiscal 1982 the Company added 4 million square feet of new space, bringing the total amount of space to 21 million square feet, up from 17 million square feet in fiscal 1981 and 14.4 million square feet in fiscal 1980. Of the 21 million square feet at the end of fiscal 1982, 10.1 million square feet was for manufacturing purposes. In fiscal 1982, facilities were under construction or completed in Colorado, Massachusetts, New Hampshire and South Carolina in the United States; Kanata in Canada; Clonmel in Ireland, Nijmegen in the Netherlands and Reading, England. It is anticipated that the Company will continue to invest significant amounts in capital expenditures in future years to support the growth of its operations. While the actual spending level will be dependent on economic conditions and the growth in demand for its products and services, the Company presently anticipates capital expenditures of approximately $350-$450 million in fiscal 1983.





REPORT OF MANAGEMENT

The Company's management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles and for the integrity of all the financial data included in this Annual Report. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions that are currently being reported.

Management maintains a system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with management's policies for conducting its business. This system includes policies which require adherence to ethical business standards and compliance with all laws to which the Company is subject. The internal controls process is continuously monitored by direct management review and an internal audit program under which periodic independent reviews are made.

The Board of Directors, through its Audit Committee, is responsible for determining that management fulfills its responsibility with respect to the Company's financial statements and the system of internal accounting controls. The Audit Committee meets periodically with representatives of management, the independent accountants and the Company's internal auditors to review audits, financial reporting, and internal control matters. The independent accountants and the internal auditors have full and free access to the Audit Committee and periodically meet privately with the Audit Committee.

Coopers & Lybrand, independent Certified Public Accountants, have been engaged by the Board of Directors, with the approval of the stockholders, to examine the Company's financial statements. Their report appears below.

Kenneth H. Olsen
President

Alfred M. Bertocchi
Vice President, Finance and Administration

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Stockholders and Directors,
Digital Equipment Corporation

We have examined the consolidated balance sheets of Digital Equipment Corporation as at July 3, 1982 and June 27, 1981 and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three fiscal years in the period ended July 3, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Digital Equipment Corporation as at July 3, 1982 and June 27, 1981, and the consolidated results of its operations and the consolidated changes in its financial position for each of the three fiscal years in the period ended July 3, 1982 in conformity with generally accepted accounting principles applied on a consistent basis.

Boston, Massachusetts
August 10, 1982

Coopers & Lybrand

COOPERS & LYBRAND

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands except per share data)	Year Ended July 3, 1982	June 27, 1981	June 28, 1980
Revenues (Notes A and B)			
Equipment sales	$2,793,701	$2,384,236	$1,779,466
Service and other revenues	1,087,070	813,863	588,579
Total operating revenues	3,880,771	3,198,099	2,368,045
Costs and Expenses (Notes A and I)			
Cost of equipment sales, service and other revenues	2,187,620	1,778,663	1,319,912
Research and engineering expenses	349,778	251,186	186,392
Selling, general and administrative expenses	758,607	632,190	478,967
Operating income	584,766	536,060	382,774
Interest expense	14,746	29,265	26,996
Interest income	(102,811)	(60,638)	(53,829)
Income before income taxes	672,831	567,433	409,607
Provision for income taxes (Notes A and C)			
Federal	188,780	156,636	116,784
Foreign	41,375	55,157	34,733
State	25,521	12,343	8,229
Total provision for income taxes	255,676	224,136	159,746
Net income	$ 417,155	$ 343,297	$ 249,861
Net income per share (Note E)	$ 7.53	$ 6.70	$ 5.45
Average shares outstanding (Note E)	55,429	52,567	47,171

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

CONSOLIDATED BALANCE SHEETS

Assets (In Thousands)	July 3, 1982	June 27, 1981
Current Assets		
Cash and temporary cash investments (Note D)	$ 764,647	$ 665,582
Accounts receivable, net of allowances of $26,651 and $25,528	807,559	758,109
Inventories (Note A):		
Raw materials	232,794	221,311
Work-in-process	381,806	346,817
Finished goods	522,838	534,120
Total Inventories	1,137,438	1,102,248
Prepaid expenses	38,392	40,844
Net deferred Federal and foreign income tax charges	131,503	89,790
Total Current Assets	2,879,539	2,656,573
Property, Plant and Equipment, at cost (Note A)		
Land	83,286	55,998
Buildings	567,082	378,461
Leasehold improvements	91,721	64,764
Machinery and equipment	863,305	629,220
Gross Property, Plant and Equipment	1,605,394	1,128,443
Less accumulated depreciation	460,920	328,944
Net Property, Plant and Equipment	1,144,474	799,499
Total Assets	$4,024,013	$3,456,072
Liabilities and Stockholders' Equity		
Current Liabilities		
Loans payable to banks (Note F)	$ 12,341	$ 8,229
Accounts payable	142,049	113,135
Federal, foreign and state income taxes	244,207	276,422
Salaries, wages and related items	152,712	102,663
Deferred revenues and customer advances (Note A)	82,984	79,148
Current portion of long-term debt	1,352	1,091
Other current liabilities	62,706	46,114
Total Current Liabilities	698,351	626,802
Net deferred Federal and foreign income tax credits	68,798	61,149
Long-term debt (Note G)	92,400	88,432
Total Liabilities	859,549	776,383
Stockholders' Equity (Note J)		
Common stock, $1.00 par value; authorized 225,000,000 shares; issued and outstanding 55,227,370 and 54,347,814 shares	55,227	54,348
Additional paid-in capital	1,417,715	1,350,974
Retained earnings	1,691,522	1,274,367
Total Stockholders' Equity	3,164,464	2,679,689
Total Liabilities and Stockholders' Equity	$4,024,013	$3,456,072

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
June 30, 1979	$40,606	$398,421	$681,209	$1,120,236
Shares issued upon conversion of 4½% Convertible Subordinated Debentures	4,384	241,506		245,890
Shares issued under stock option and purchase plans (Note J)	579	21,287		21,866
Restricted stock plans, charge to operations (Note J)		9,306		9,306
Stock option and purchase plans—excess Federal income tax benefits (Note J)		4,590		4,590
Net income—1980			249,861	249,861
June 28, 1980	45,569	675,110	931,070	1,651,749
Sale of common stock	2,500	238,178		240,678
Shares issued upon conversion of 8⅞% Convertible Subordinated Debentures	5,551	387,287		392,838
Shares issued under stock option and purchase plans (Note J)	728	31,890		32,618
Restricted stock plans, charge to operations (Note J)		9,751		9,751
Stock option and purchase plans—excess Federal income tax benefits (Note J)		8,758		8,758
Net income—1981			343,297	343,297
June 29, 1981	54,348	1,350,974	1,274,367	2,679,689
Shares issued under stock option and purchase plans (Note J)	879	45,384		46,263
Restricted stock plans, charge to operations (Note J)		13,891		13,891
Stock option and purchase plans—excess Federal income tax benefits (Note J)		7,466		7,466
Net income—1982			417,155	417,155
July 3, 1982	$55,227	$1,417,715	$1,691,522	$3,164,464

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

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(In Thousands)	Year Ended		
	July 3, 1982	June 27, 1981	June 28, 1980
Funds from Operations			
Net income	**$417,155**	$343,297	$249,861
Add—expenses not requiring funds in current period:			
Depreciation (Note A)	**152,629**	102,139	69,809
Disposal of property, plant and equipment	**13,636**	26,300	9,841
Restricted stock plans—charge to operations (Note J)	**13,891**	9,751	9,306
Deferred income tax provision (Note C)	**(26,598)**	(25,391)	18,468
Total funds from operations	**570,713**	456,096	357,285
Funds Used to Support Operations			
Increase (decrease) in working capital:			
Accounts receivable	**49,450**	129,046	153,996
Inventories	**35,190**	282,324	306,394
Prepaid expenses	**(2,452)**	10,198	11,775
Accounts payable	**(28,914)**	(10,031)	(16,265)
Income taxes	**32,215**	(122,904)	(23,897)
Other current liabilities	**(70,738)**	(14,797)	(55,551)
	14,751	273,836	376,452
Additions to property, plant and equipment	**511,240**	398,482	209,897
Total funds used to support operations	**525,991**	672,318	586,349
Net increase (decrease) in funds from operations	**44,722**	(216,222)	(229,064)
Funds provided by Financing Sources			
Sale of common stock	**—**	240,678	—
Increase (decrease) in:			
Loans payable to banks (Note F)	**4,112**	674	(4,437)
Long-term debt			
4½% Convertible Subordinated Debentures	**—**	—	(249,995)
8⅞% Convertible Subordinated Debentures	**—**	(400,000)	400,000
Other	**3,968**	(1,290)	(997)
Net increase in stockholders' equity upon conversion of:			
4½% Convertible Subordinated Debentures	**—**	—	245,890
8⅞% Convertible Subordinated Debentures	**—**	392,838	—
Common stock issued under stock option and purchase plans (Note J)	**46,263**	32,618	21,866
Total funds from financing sources	**54,343**	265,518	412,327
Net increase in cash and temporary cash investments	**99,065**	49,296	183,263
Cash and temporary cash investments at beginning of year	**665,582**	616,286	433,023
Cash and temporary cash investments at end of year	**$764,647**	$665,582	$616,286

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements of the Company include the financial statements of the parent and its domestic and foreign subsidiaries, all of which are wholly-owned. All significant intercompany accounts and profits have been eliminated.

Translation of Foreign Currencies Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates, except that inventories and property, plant and equipment are translated at historical rates. Income and expense items are translated at average rates of exchange prevailing during the year, except that cost of sales and depreciation are translated at historical rates. Exchange gains and losses arising from translation are included in income currently.

The Company enters into forward exchange contracts to reduce the impact of foreign currency fluctuations on certain sales transactions and the asset and liability positions of foreign subsidiaries. The gains or losses on these contracts are included in income when the revenue from the sales is recognized and for assets and liabilities in the period in which the exchange rates change.

Revenue Recognition Revenues from equipment sales are recognized at the time the equipment is shipped. Service and other revenues are recognized ratably over the contractual period or as the services are performed.

Research and Engineering and Warranty Costs Research and engineering and warranty costs are expensed as incurred. The Company's accounting policies with respect to warranty costs result in approximately the same charge to expense as would accrual of such warranty costs at the time of sale.

Taxes In general, the Company's practice is to reinvest the earnings of its foreign subsidiaries in those operations and repatriation of retained earnings is done only when it is advantageous to do so. Applicable taxes are provided only on amounts planned to be remitted. The Company has elected to provide for taxes on the entire income of its Domestic International Sales Corporation (DISC). Investment tax credits are treated as reductions of income taxes in the year in which the credits arise.

Inventories Inventories are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment Depreciation expense is computed principally on the following basis:

Classification	Depreciation Lives and Methods
Buildings	33 years (straight-line)
Leasehold improvements	Life of assets or term of lease, whichever is shorter (straight-line)
Machinery and equipment	8 and 10 years (sum-of-years), 4 and 5 years (double declining-balance)

NOTE B—INTERNATIONAL OPERATIONS

Industry The Company's business consists of the design, manufacture, sale and service of computers and associated peripheral equipment, and related software and supplies.

International Operations Sales and marketing operations outside the United States are conducted principally through sales subsidiaries in Canada, Europe, Central and South America and the Far East; by direct sales from the parent corporation and, to a minor extent, through various representative and distributorship arrangements. A substantial portion of these sales consists of products manufactured domestically. The Company's international manufacturing operations include plants in Canada, the Far East and Western Europe. The products of these manufacturing plants are sold to the Company's international sales subsidiaries, the parent corporation or other international manufacturing plants for further processing.

Intercompany transfers between geographic areas are accounted for at prices which are designed to be representative of unaffiliated party transactions.

Sales to unaffiliated customers outside of the United States, including U.S. export sales, were $1,438,884,000 for the year ended July 3, 1982, $1,301,465,000 for the year ended June 27, 1981, and $928,285,000 for the year ended June 28, 1980, which represented 37%, 41%, and 39%, respectively, of total operating revenues.

The retained earnings of substantially all of the Company's international subsidiaries have been reinvested to support their operations. These accumulated retained earnings, before elimination of intercompany transactions, aggregated $605,900,000 at July 3, 1982, $508,948,000 at June 27, 1981, and $303,132,000 at June 28, 1980.

	Fiscal Year		
Sales (In Thousands)	1982	1981	1980
United States customers	$2,497,584	$1,945,655	$1,474,529
Intercompany	722,866	685,138	453,814
	3,220,450	2,630,793	1,928,343
Europe customers	1,006,052	934,663	678,153
Intercompany	—	—	—
	1,006,052	934,663	678,153
Canada, Far East, Americas customers	377,135	317,781	215,363
Intercompany	274,998	362,314	187,179
	652,133	680,095	402,542
Eliminations	(997,864)	(1,047,452)	(640,993)
Net sales	$3,880,771	$3,198,099	$2,368,045
Profits			
United States	$ 380,483	$ 306,787	$ 267,809
Europe	127,214	146,951	79,095
Canada, Far East, Americas	88,260	124,684	71,889
Eliminations	(11,191)	(42,362)	(36,019)
Profit from operations	584,766	536,060	382,774
Interest income	102,811	60,638	53,829
Interest expense	(14,746)	(29,265)	(26,996)
Income before income taxes	$ 672,831	$ 567,433	$ 409,607
Assets			
United States	$2,730,160	$2,469,853	$1,759,039
Europe	758,655	744,292	500,888
Canada, Far East, Americas	359,685	424,329	266,743
Corporate assets (temporary cash investments)	751,676	651,093	598,733
Eliminations	(576,163)	(833,495)	(459,335)
Total assets	$4,024,013	$3,456,072	$2,666,068

NOTE C—INCOME TAXES

Income before income taxes for domestic and foreign operations was as follows:

	Year Ended		
(In Thousands)	July 3, 1982	June 27, 1981	June 28, 1980
Domestic	$535,184	$376,683	$305,893
Foreign	137,647	190,750	103,714
Total	$672,831	$567,433	$409,607

The total provisions for income taxes were at rates less than the U.S. Federal statutory tax rate for the following reasons:

	1982	1981	1980
U.S. Federal statutory tax rate	46.0%	46.0%	46.0%
Tax benefit of manufacturing operations in (a):			
Puerto Rico	(3.3)	(2.2)	(3.7)
Ireland	(3.6)	(1.7)	(1.8)
Investment tax credits	(2.9)	(1.8)	(1.4)
Other	1.8	(.8)	(.1)
	38.0%	39.5%	39.0%

(a) Consolidated net income includes income of a domestic manufacturing subsidiary operating in Puerto Rico and of a foreign manufacturing subsidiary operating in Ireland. Under Puerto Rican law, the subsidiary is subject to tax at a rate of approximately 9% on its manufacturing earnings through fiscal 1995. Remitted earnings are not subject to U.S. Federal income taxes, but are subject to Puerto Rican withholding taxes at rates not in excess of 10%, less a partial credit for taxes paid to Puerto Rico. Under Irish law, the income from products manufactured for export is exempt from Irish taxes through April 1990. The income tax benefits per common share attributable to the tax status of these subsidiaries for the years ended July 3, 1982, June 27, 1981, and June 28, 1980 were $.83, $.42 and $.48, respectively.

NOTE C—INCOME TAXES (Continued)

The components of the provisions for U.S. Federal and foreign income taxes were as follows:

(In Thousands)	Year Ended July 3, 1982	June 27, 1981	June 28, 1980
U.S. Federal:			
Currently payable	$137,813	$167,740	$ 97,832
Deferred	50,967	(11,104)	18,952
Total	$188,780	$156,636	$116,784
Foreign:			
Currently payable	$ 50,658	$ 69,444	$ 35,217
Deferred	(9,283)	(14,287)	(484)
Total	$ 41,375	$ 55,157	$ 34,733

Deferred tax expense results from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these timing differences in the years ended July 3, 1982, June 27, 1981 and June 28, 1980, and the tax effect of each were as follows:

(In Thousands)	Year Ended July 3, 1982	June 27, 1981	June 28, 1980
Inventory related transactions	$(27,854)	$(72,911)	$(28,774)
Installment sales, principally intercompany, and financing leases	(20,312)	10,754	12,468
Domestic International Sales Corporation profits	27,624	14,893	11,964
Depreciation	2,374	10,720	10,455
Tax benefit transfers	68,282	—	—
Other	(8,430)	11,153	12,355
Total	$ 41,684	$(25,391)	$ 18,468

In connection with its normal examinations of the Company's 1976 through 1979 tax returns, the Internal Revenue Service has proposed certain adjustments. The Company believes its judgments in these matters have been appropriate and intends to contest certain of the adjustments proposed by the IRS. In addition, the Company believes any adjustments which might result would not have a material effect on the financial statements.

See Note A of Notes to Consolidated Financial Statements for further explanation of the Company's income tax accounting policies.

During 1982, the Company entered into "Safe Harbor" leases and made an investment under the Economic Recovery Tax Act of 1981 in the tax credits and Accelerated Cost Recovery System (ACRS) deductions related to the assets purchased by other companies. In accordance with the provisions of the agreements, the Company made payments of $103,954,000. The payments have been recorded as an investment in tax benefits and the portion of these payments not directly recovered through tax credits and the tax benefit of deductions will be charged to income in those periods when the agreements provide net positive cash flows for the Company. There was no significant impact on 1982 net income.

NOTE D—CASH AND TEMPORARY CASH INVESTMENTS

The Company's policy is to invest cash in income producing temporary cash investments. Accordingly, uninvested cash balances are kept at minimum levels. Temporary cash investments are valued at cost, which approximates market, and principally include certificates of deposit and time deposits.

NOTE E—NET INCOME PER SHARE AND DIVIDENDS

Net income per share is based on the weighted average number of common shares and, if their aggregate dilutive effect is material, common share equivalents outstanding during the year. In fiscal 1982 common share equivalents were attributable to stock options. In fiscal 1981 and 1980 common share equivalents were attributable principally to Convertible Subordinated Debentures and to a minor extent, stock options.

No cash dividends have ever been paid by the Company.

NOTE F—SHORT-TERM DEBT

Short-term debt and related interest rates were as follows:

(In Thousands)	July 3, 1982	Average Interest Rate	June 27, 1981	Average Interest Rate
Loans payable to banks . .	$12,341	21.1%	$8,229	30.3%

The maximum aggregate short-term debt outstanding at any month-end was $28,328,000 during fiscal 1982, and $20,080,000 during fiscal 1981. Average short-term borrowings during these years, computed on a month-end basis, were $15,260,000 and $13,145,000 respectively. The average interest rate based on a weighted average of the stated month-end rates was 26.5% in fiscal 1982 and 20.4% in fiscal 1981. Short-term debt was principally denominated in foreign currencies. The short-term debt interest rates for fiscal 1982 and fiscal 1981 were significantly impacted by the high interest rate on Brazilian short-term debt.

Unused lines of credit for short-term financing were $92,758,000 at July 3, 1982 and $76,352,000 at June 27, 1981. At July 3, 1982, lines of credit of $21,000,000 required either the maintenance of compensating balances or the payment of facility fees, both of which approximate 5% compensating balances.

After considering "float" none of the cash reflected in the balance sheets at July 3, 1982 and June 27, 1981 was required as compensating balances.

In March, 1980, the Company entered into revolving credit agreements totaling $150,000,000. These commitments are available on a revolving basis until March, 1983, converting at such time to term loans with final maturities in March, 1987. Borrowing rates under these commitments vary with the prime rate or the London Interbank Offer Rate. Although there are no compensating balances requirements under these agreements, commitment fees on the unused portion of the commitment approximate 3% compensating balance. These credit arrangements were unused at July 3, 1982.

NOTE G—LONG-TERM DEBT

Long-term debt, exclusive of current maturities, consisted of the following:

(In Thousands)	July 3, 1982	June 27, 1981
Lease obligations payable 1983-2000 (7.5%-12.1%) (a)	$ 9,389	$ 5,832
Collateralized obligations maturing serially to 1993 (5.4%) (b)	7,080	7,600
Sinking Fund Debentures due March 15, 2000 (9⅜%) (c)	75,000	75,000
Other	931	—
	$92,400	$88,432

Principal payments required during the next five fiscal years are as follows: 1983—$1,352,000; 1984—$1,428,000; 1985—$5,437,000; 1986—$5,484,000; and 1987—$5,333,000.

(a) Weighted average interest rate at July 3, 1982 of 8.1%.

(b) Interest rate shown is the weighted average rate at July 3, 1982.

(c) Sinking Fund Debentures were issued by the Company in March 1975. Sinking fund payments of $4,000,000 are required in each of the fiscal years 1985-1999. The Company at its option may increase the sinking fund payments up to an additional $4,000,000 in each such year. The Debentures are redeemable at the option of the Company at any time, as a whole or in part, at 109⅜% of the principal amount during the year beginning March 15, 1975, and at declining percentages each year thereafter. However, prior to March 15, 1985, the Company may not redeem any of the Debentures from the proceeds of funds borrowed at an interest rate less than 9⅜% per annum. The Indenture for the Debentures also contains certain restrictions on future borrowings and dividend distributions.

NOTE H—LEASES

Minimum annual rentals under noncancelable leases (which are principally for leased regional sales offices and manufacturing space) for the fiscal years listed are as follows:

Fiscal year (In Thousands)	
1983	$ 79,508
1984	69,496
1985	54,013
1986	38,819
1987	28,653
Later years	191,032
Total minimum lease payments	$461,521

Total rental expense for the fiscal years ended July 3, 1982, June 27, 1981 and June 30, 1979 amounted to $120,751,000, $91,119,000 and $62,466,000, respectively.

NOTE I—PENSION PLANS

The Company and its subsidiaries have pension plans covering substantially all of their employees. Total pension expense was $61,801,000 in fiscal 1982, $46,896,000 in fiscal 1981, and $34,784,000 in fiscal 1980. Annual contributions are made to the plans equal to the amounts accrued for pension expense. There was no unfunded past service liability as of July 3, 1982.

A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans and for those foreign subsidiaries with defined benefit plans, determined as of the beginning of each respective fiscal year is presented in the accompanying table. Foreign subsidiaries with insured plans, rather than defined benefit plans, have been excluded from this information.

(In Thousands)	July 3, 1982	June 27, 1981
Actuarial present value of accumulated plan benefits:		
Vested	$ 45,889	$ 34,063
Nonvested	32,888	23,375
	$ 78,777	$ 57,438
Net assets available for benefits	$172,853	$117,323

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for both 1982 and 1981.

NOTE J—STOCK OPTIONS

Restricted Stock Options Under its Restricted Stock Option and Purchase Plans, the Company has granted certain officers and key employees options, which are exercisable upon grant, to purchase common stock at a price determined by the Board of Directors. Shares purchased under the plans are generally subject to repurchase options and restrictions on sales which lapse over an extended time period not exceeding 10 years.

Information concerning activity during fiscal 1982 follows:

	Shares Reserved For Future Grants	Options Outstanding: Shares	Options Outstanding: Average Price Per Share
June 27, 1981	1,016,130	3,358,414	$24.62
Additional shares authorized to be issued	5,000,000		
Options granted	(924,110)	924,110	49.43
Options exercised		(306,279)	17.98
Options cancelled	135,988	(135,988)	26.42
Options terminated	(23,612)		
July 3, 1982	**5,204,396**	**3,840,257**	**$31.05**

At the time these options are exercised, the common stock account is increased by the par value ($1 per share) of the shares sold and the remaining portion of the proceeds is credited to additional paid-in capital. The excess of the fair market value of the shares on the grant date over the option price is charged to operations each year as the restrictions lapse. Such charges to operations amounted to $13,891,000 in fiscal 1982, $9,751,000 in fiscal 1981 and $9,306,000 in fiscal 1980. The amount deductible for Federal income taxes exceeds the amount charged to income for book purposes; the Federal income tax benefits relating to this difference have been credited to additional paid-in capital.

Employee Stock Purchase Plans Under the Company's Employee Stock Purchase Plans, all United States and certain international employees may be granted options to purchase common stock at 85% of market value on the first or last business day of the six month payment period, whichever is lower. Common stock reserved for future grants aggregated 3,598,655 at July 3, 1982 and 982,532 shares at June 27, 1981. There were 583,937 shares issued at an average price of $70.15 in fiscal 1982 and 429,249 shares at $65.70 in fiscal 1981. There have been no charges to income in connection with the options other than incidental expenses related to the issuance of the shares. Federal income tax benefits relating to such options have been credited to additional paid-in capital.

SUPPLEMENTARY FINANCIAL INFORMATION

QUARTERLY FINANCIAL DATA (Unaudited)

Selected quarterly financial data for fiscal 1982 and fiscal 1981 is set forth below:

(In Millions except per share data)	Total Operating Revenues	Gross Profit	Income Before Income Taxes	Net Income	Net Income Per Share
1982					
First Quarter	**$ 839.4**	**$ 359.9**	**$148.0**	**$ 88.8**	**$1.60**
Second Quarter	**965.8**	**422.0**	**165.1**	**99.1**	**1.79**
Third Quarter	**999.3**	**437.6**	**171.1**	**107.6**	**1.94**
Fourth Quarter	**1,076.3**	**473.7**	**188.6**	**121.7**	**2.20**
Total Year	**$3,880.8**	**$1,693.2**	**$672.8**	**$417.2**	**$7.53**
1981					
First Quarter	$ 654.4	$ 283.7	$ 92.9	$ 56.2	$1.17
Second Quarter	762.3	330.3	115.7	70.0	1.43
Third Quarter	843.4	384.5	165.7	100.2	1.89
Fourth Quarter	938.0	420.9	193.1	116.9	2.19
Total Year	$3,198.1	$1,419.4	$567.4	$343.3	$6.70

INFORMATION ON THE EFFECTS OF INFLATION (Unaudited)

General Background To provide readers of financial statements with information on the estimated effects of inflation, the Financial Accounting Standards Board issued Statement No. 33, Financial Reporting and Changing Prices, which requires disclosure of certain experimental information on the effects of inflation on business enterprises. The two different methods ("constant dollar" and "current cost") for estimating the effects of inflation are described below.

Constant Dollar This method provides data adjusted for the rate of general inflation using the Consumer Price Index for all Urban Consumers as the measure of the general inflation rate. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars), so that revenues for each year are matched with expenses expressed in units of corresponding value.

Current Cost This method is intended to measure the effect of changes in specific prices by substituting the current cost of resources for the actual acquisition costs. Changes in specific prices were principally based on external price indexes closely related to the resources being measured, internally developed indexes and recent production cost experience.

Consolidated Statement of Income Adjusted for the Effects of Inflation The amounts reported in the statement of income have only been adjusted for depreciation expense and the inventory component of cost of sales in arriving at the net income amounts adjusted for constant dollars and current costs since these are the costs most affected by inflation. Revenues and all other operating expenses are considered to reflect the average price levels for the year, and accordingly have not been adjusted.

Although the adjustments for depreciation expense and the inventory component of cost of sales affect the pretax income amounts, no adjustments have been made to the respective provisions for income taxes.

The adjustments to depreciation and cost of sales included in the adjusted net income amounts were as follows:

(In Millions)	Adjustment for General Inflation (constant dollars)	Adjustment for Changes in Specific Prices (current costs)
Depreciation expense	$ 4.3	$ 1.5
Cost of sales, exclusive of depreciation	$ 95.9	$ 53.6
Total reduction in net income	$100.2	$ 55.1

The depreciation adjustments reduce net income in both cases, since the Company's property, plant and equipment under both methods has been adjusted upwards reflecting the replacement of historical costs by costs adjusted for the general inflation rate and in the case of current costs, adjusted for the specific estimated current costs.

Cost of sales adjusted for the general inflation rate is higher than cost of sales as reported, because the higher costs measured by the general inflation rate are substituted for the lower historical costs included in cost of sales as reported in the income statement. Cost of sales is also higher under the current cost method because the Company's first-in, first-out method of valuing inventories results in historical inventory costs being included in cost of sales reported in the income statement, whereas under the current cost method, the corresponding cost of sales element reflects higher current manufacturing costs.

The Company believes that the current cost method is more representative of its actual cost trends, and therefore the more relevant indicator of the effects of inflation on the Company's costs.

Purchasing Power of Net Monetary Assets Net monetary assets are cash and temporary cash investments and fixed dollar claims to money. The purchasing power of the Company's net monetary assets declined because of inflation by $60.7 million in fiscal 1982, as measured by the change in the Consumer Price Index.

Current Cost of Inventories and Property, Plant and Equipment The current cost of inventories and property, plant and equipment, net of accumulated depreciation, and the corresponding historical cost amounts at July 3, 1982 were as follows:

(In Millions)	Inventories	Property, Plant and Equipment, Net
Current Cost	$1,112.4	$1,300.5
Historical Cost	1,137.4	1,144.5
Difference	$ (25.0)	$ 156.0

The current cost of inventories is approximately 2% lower than the corresponding historical cost, which is reflective of the lower costs which would be incurred if the fiscal 1982 year-end inventories were to be replaced at the expected current costs. This is not necessarily a fair measure of the expected inflation effect on fiscal 1983 cost of sales, since the 1983 cost of sales will include the higher historical costs in inventory at the end of fiscal 1982, as well as the cost of products manufactured and sold in fiscal 1983 which are different and have different costs from those in inventory at the end of fiscal 1982.

Net property, plant and equipment at current costs exceeded the corresponding historical cost by $156.0 million. The current cost method assumes replacement of all the Company's property, plant and equipment as at July 3, 1982. However, the Company's property, plant and equipment is relatively new, with 86% of it having been acquired in the last 5 fiscal years. Consequently, the Company's future capital expenditures will be to principally expand, rather than replace, existing capacity.

The decrease in the current cost of inventories held during fiscal 1982 was $29.1 million and in property, plant and equipment was $4.7 million. The decreases during fiscal 1982, measured by the general inflation rate, were $78.6 million for inventories and $76.5 million for property, plant and equipment.

CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN STOCKHOLDERS' EQUITY ADJUSTED FOR THE EFFECTS OF INFLATION

For the Year Ended July 3, 1982

(In Millions except per share data)		Adjusted for Inflation	
	As Reported	Constant Dollars	Current Costs
Total operating revenues	$3,880.8	$3,880.8	$3,880.8
Cost of equipment sales, service and other revenues (a)	2,105.3	2,201.2	2,158.9
Depreciation expense	152.6	156.9	154.1
Other expenses (a)	950.0	950.0	950.0
Provision for income taxes	255.7	255.7	255.7
Net income	$ 417.2	$ 317.0	$ 362.1
Net income per share	$ 7.53	$ 5.72	$ 6.53
Stockholders' equity at June 27, 1981	$2,679.7	$2,990.6	$3,014.9
Net income as reported above	417.2	317.0	362.1
Decline in purchasing power of net monetary assets		(60.7)	(60.7)
Excess of general price level increase over specific price level increase of inventories and property, plant and equipment			(188.9)
Increase in common stock and additional paid-in capital	67.6	67.6	67.6
Stockholders' equity at July 3, 1982	$3,164.5	$3,314.5	$3,195.0

(a) Excludes depreciation expense

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION

The inflation adjusted data shown below has been expressed in average fiscal 1982 dollars (based on the average Consumer Price Index for each fiscal year), to provide comparability between years in terms of dollars of equivalent purchasing power. Corresponding historical cost amounts, as reported, are also shown to allow their comparison to the inflation adjusted data.

(In Millions except per share data)	1982	1981	1980	1979	1978
Total operating revenues					
As reported	**$3,880.8**	$3,198.1	$2,368.0	$1,804.1	$1,436.6
In constant dollars	**3,880.8**	3,476.3	2,870.0	2,478.8	2,159.2
Net income					
As reported	**417.2**	343.3	249.9		
In constant dollars	**317.0**	258.3	203.7		
In current costs	**362.1**	338.5	291.0		
Net income per share					
As reported	**7.53**	6.70	5.45		
In constant dollars	**5.72**	5.10	4.51		
In current costs	**6.53**	6.62	6.36		
Net assets at year end					
As reported	**3,164.5**	2,679.7	1,651.7		
In constant dollars	**3,314.5**	2,990.6	2,079.4		
In current costs	**3,195.0**	3,014.9	2,112.6		
Decline in purchasing power of net monetary assets	**(60.7)**	(57.7)	(48.2)		
Excess of general price level increase over specific price level increase of inventories and property, plant and equipment	**(188.9)**	(126.4)	(85.7)		
Market price per common share					
As reported at year end	**66.00**	101.19	67.12	55.75	46.62
In constant dollars	**64.02**	105.14	76.42	72.56	67.29
Average Consumer Price Index (1967 = 100.0)	**281.9**	259.4	232.6	205.2	187.6

Adjusted data on dividends per common share is not presented, because no cash dividends have ever been paid by the Company.

OFFICERS

Kenneth H. Olsen
President and Director

C. Gordon Bell
Vice President, Engineering

Alfred M. Bertocchi
Vice President, Finance and Administration

Roger C. Cady
Vice President, Manufacturing,
Distribution & Control Product Group

George A. Chamberlain, 3d
Vice President and Treasurer

Richard J. Clayton
Vice President, Manufacturing Technology

Henry J. Crouse
Vice President, External Resources

James G. Cudmore
Vice President, Manufacturing Group Manager

Sheldon A. Davis
Vice President, European Personnel

William R. Demmer
Vice President, 32-Bit Systems

Ulf O. Fagerquist
Vice President, Large Systems Engineering

Pier-Carlo Falotti
Vice President, European Field Service

William C. Hanson
Vice President, Systems Manufacturing

Winston R. Hindle, Jr.
Vice President, Corporate Operations

Theodore G. Johnson
Vice President, Corporate Marketing

William R. Johnson, Jr.
Vice President,
Systems Communications Engineering

Andrew C. Knowles, III
Vice President, Group Manager

Edward A. Kramer
Vice President, United States Area Sales

William H. Long
Vice President,
Laboratory Data Products Group

Ward D. MacKenzie
Vice President, Group Manager

Julius L. Marcus
Vice President, Group Manager

Gerald T. Moore
Vice President,
General International Area Sales

Albert E. Mullin, Jr.
Vice President, Corporate Relations

Jean-Claude Peterschmitt
Vice President, Europe

Lawrence J. Portner
Vice President, Corporate Planning

Richard Poulsen
Vice President, Field Service

Robert W. Puffer, III
Vice President, Storage Systems Manufacturing

F. Grant Saviers
Vice President, Storage Systems Development

Edward A. Schwartz
Vice President, General Counsel and Secretary

Joel Schwartz
Vice President, Professional Computer Group

John J. Shields
Vice President, Group Manager

Godfrey S. Shingles
Vice President, European Marketing

John F. Smith
Vice President, Manufacturing

William R. Thompson
Vice President and Controller

William G. Witmore
Vice President, General International Area

DIRECTORS

Vernon R. Alden
Chairman, Massachusetts Business Development Council (A group chartered to attract business to the state)

Philip Caldwell
Chairman of the Board and Chief Executive Officer, Ford Motor Company (Manufacturers)

Arnaud de Vitry
Chairman of the Board, Dunlop, S.A. France (Manufacturers)
Chairman of the Board, Eureka SICAV, (French Investment Company)

Georges F. Doriot
Director of several corporations

William H. McLean
Engineering consultant and Director of several corporations

Kenneth H. Olsen
President, Digital Equipment Corporation

Dorothy E. Rowe
Trustee, Boston Five Cents Savings Bank
Trustee, School Street Mutual Fund

HEADQUARTERS

Corporate Headquarters

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Canadian Headquarters

Digital Equipment of
Canada, Ltd.
100 Herzberg Road
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Telephone: (613) 592-5111
TWX: 610-562-8732

The Company's common stock is listed and traded on the:

New York Stock Exchange
Pacific Stock Exchange
(Ticker Symbol "DEC")

Unlisted trading privileges have been granted by the:

Boston Stock Exchange
Cincinnati Stock Exchange
Midwest Stock Exchange
Philadelphia Stock Exchange

The Company maintains an Investor Relations office to assist shareholders. Investors' inquiries are welcome, by telephone or letter.

Inquiries relating to investment in Digital Equipment Corporation should be directed to:

Albert E. Mullin, Jr.
Vice President, Corporate Relations
Digital Equipment Corporation
111 Powdermill Road (F5)
Maynard, MA 01754
(617) 493-5350

Digital Equipment Corporation's Annual Report on Form 10-K for the fiscal year ended July 3, 1982, including schedules thereto, which is filed with the Securities and Exchange Commission, will be sent without charge upon written request. The Company's annual report, filings with the Securities and Exchange Commission, interim reports and additional information about the Company and its products can be obtained by addressing:

Digital Equipment Corporation
Inquiry Section
10 Forbes Road NRO3-1/MO3
Northboro, MA 01532
(617) 351-4401

Financial community information and requests to be placed on the Company's mailing list should be directed to:

Digital Equipment Corporation
Investor Relations—ML
111 Powdermill Road (F5)
Maynard, MA 01754
(617) 493-7182

Inquiries of an administrative nature relating to shareholder accounting records, stock transfer, change of address, and employee purchases should be directed to:

Digital Equipment Corporation
Investor Services
111 Powdermill Road (L2)
Maynard, MA 01754
(617) 493-5213

Digital Equipment Corporation customers who have questions and/or problems relating to their account should contact the Customer Assistance Department at (617) 493-7161.

Transfer Agent and Registrar for Common Stock

Morgan Guaranty Trust Company is the principal stock transfer agent and registrar, and maintains the shareholder accounting records. The agent will respond to questions on change of ownership, lost stock certificates, consolidation of accounts and change of address.

A change of address should be reported promptly by sending a signed and dated note or postcard to Morgan Guaranty Trust Company. Shareholders should state the name in which the stock is registered, account number, as well as the old and new addresses.

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

Trustees and Registrars

For 9 3/8% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

Auditors

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Legal Counsel

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