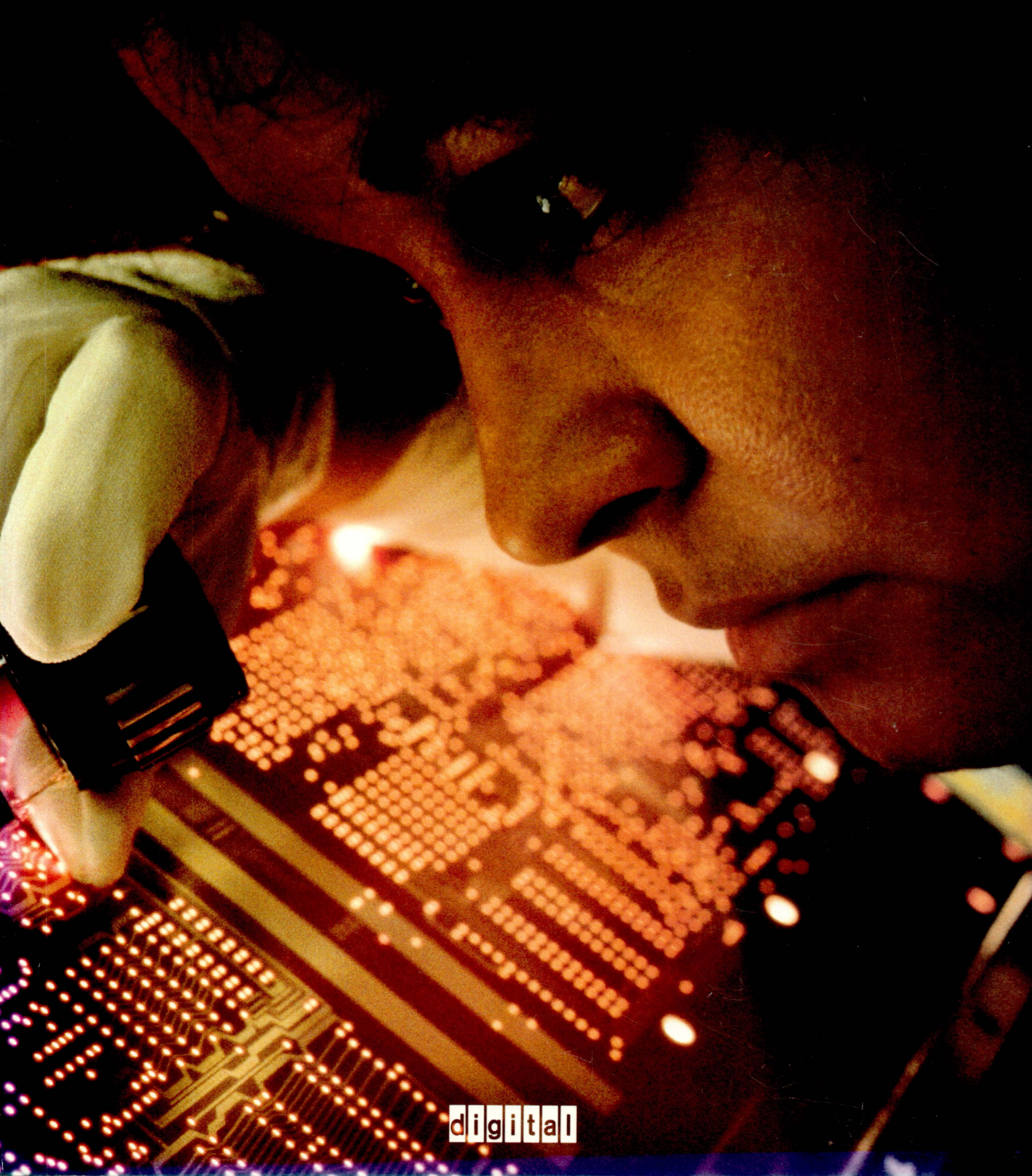


DIGITAL EQUIPMENT CORPORATION  
1979 ANNUAL REPORT



digital

# Corporate Profile

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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

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	1979	1978
Total operating revenues	<b>\$1,804,092,000</b>	\$1,436,562,000
Net income	<b>\$ 178,434,000</b>	\$ 142,189,000
Net income per share	<b>\$4.10</b>	\$3.40
Total stockholders' equity	<b>\$1,120,236,000</b>	\$ 904,758,000
Stockholders' equity per share	<b>\$27.59</b>	\$22.69

## Annual meeting of stockholders

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The Annual Meeting of Stockholders will be held at 11:00 A.M., Tuesday, October 30, 1979 in the Dorothy Quincy Suite, John Hancock Building, 180 Berkeley Street, Boston, Massachusetts. Stockholders of record on September 7, 1979 will be entitled to vote at this meeting.

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*ON THE COVER: Quality is built into Digital's products at every step of the manufacturing process. At the company's Printed Circuit Board production facility in Phoenix, Arizona, a Quality Control Inspector subjects a board to one of the 12 exacting quality tests it must pass on its way to becoming a finished module.*

# President's Letter

## To Our Shareholders, Employees and Friends:

With the close of Fiscal 1979, Digital Equipment Corporation completed its 22nd year of operations and we are pleased to report to you on our progress.

Total revenues for the year grew 26 percent to \$1.8 billion with a corresponding increase in net income. Earnings per share increased to \$4.10 and return on average shareholders' equity continued its positive trend.

This past year was marked by a further acceleration in the trend among computer users toward distributed processing, that is, the use of many decentralized computers dispersed throughout an organization and interconnected to permit communications among the individual "local" computers or with a larger central computer.

Digital's many years of experience with distributed processing have allowed us to press our advantage of having the industry's most comprehensive array of products to handle the wide variety of uses to which distributed processing techniques are being applied.

Our large and powerful VAX-11/780 computer did very well in Fiscal 1979, its second year on the market, and has become the standard for scientific computers costing less than \$250,000.

We made significant enhancements to DECnet, Digital's set of software tools for computer networking which permit easy interconnectability not only among all the computers in the Digital families but with computers made by others as well.

The VT-100 video terminal which we introduced at the beginning of the year found enthusiastic acceptance in the marketplace and we have moved manufacturing of this product from Phoenix, Arizona to larger production space in our Albuquerque, New Mexico plant.

The planned expansion of our manufacturing capabilities continued during the year. Construction was begun on a large plant in Augusta, Maine; a major addition was completed at Ayr, Scotland and a new plant at Clonmel, Ireland went into operation. A factory in Boston is nearing completion and will open during the second quarter of Fiscal 1980.

We acquired a site in Greenville, South Carolina where we will build a plant to produce printed circuit boards. We began construction of a building in Nashua, New Hampshire to house expanded Software Engineering activities. Both buildings will be completed during Fiscal 1981.

Also scheduled to open during the second quarter of Fiscal 1980 is a semiconductor engineering facility in Hudson, Massachusetts, which will replace Worcester, Mass. for the design of complex custom microcomputers and large integrated circuits which will also be produced there in relatively low volume. We will continue to rely on outside sources for most of our high-volume needs.

This past year saw the continued aggressive build-up of Digital's customer support organization, with significant additions to our sales, maintenance, software services and training organizations. In total, Digital now has more than 13,000 customer support personnel deployed in 40 countries on five continents to serve our growing worldwide customer base. Additions to these key groups accounted for most of the increase in our worldwide employee population, which at year end totaled more than 44,000.

We continued to invest heavily in research and engineering with Fiscal 1979 spending of \$138 million, up 20 percent over the previous year. A significant portion of this investment went to the development of new software products, with the remainder going to video terminals, printers and mass storage devices. Development work is continuing on new computer central processors as well that will enable us to satisfy our customers through the 1980s. Under

development are new 16-bit PDP-11 microcomputers and minicomputers, additions to the 32-bit VAX family and new 36-bit DECSYSTEM computers for those customers who require large mainframe machines for interactive timesharing applications. We have three versatile proven architectures on which to build new generations of computers that will enable Digital to maintain its position for many years to come.

The office environment is an area of growing importance for computers and Digital has made good progress in establishing itself as a supplier to this market. We provide distributed and stand-alone capabilities for word processing which can be integrated with data processing, and we offer communications and networking capabilities in this area so that customers who use our products for current levels of office needs can grow easily into advanced information handling techniques such as electronic mail as their needs for this kind of capability grow in the future.

Encouraged by the initial success of our first retail store which opened in July, 1978 in Manchester, New Hampshire, we have opened additional retail outlets in major cities around the country to serve the burgeoning needs of small businesses for low-cost, easy-to-use computers to help control their operations.

All told, Digital is in an advantageous position to achieve continued gains in sales and earnings, growing at a rate which we feel we can manage effectively. And while economic uncertainties make us cautious for the near term, still we view the future with confidence, having tried to plan our business so that we should do well whatever the economy brings.



Kenneth H. Olsen  
President  
September 17, 1979



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## Digital's Goal: Quality

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*"Growth is not our primary goal. Our goal is to be a quality organization and do a quality job, which means that we will be proud of our work and our products for years to come. As we achieve quality, growth comes as a result. The product we are selling includes the engineering, the software, the manufacturing, and the services ..."* (from "Digital Equipment Corporation Corporate Philosophies").

Since its founding in 1957 Digital's chief objective has been quality. We have always believed that if we achieve this primary goal, we could confidently meet our other goals. We strive to make products that offer the best possible price/performance and functionality and to provide support services that assure the highest levels of customer satisfaction. We strive to meet our responsibilities to the people who make up our Company and to the community and society of which Digital is a part. It is also Digital's goal to fulfill its obligations to its shareholders through growth and profits.

The continuing trend in distributed processing has made quality the overriding concern of computer users as well. Each year has brought more widespread use of smaller, more powerful computers in new and different ways. With this increased usage has come a stronger focus by customers on the overall quality of the products and services they use and of the company that provides them.

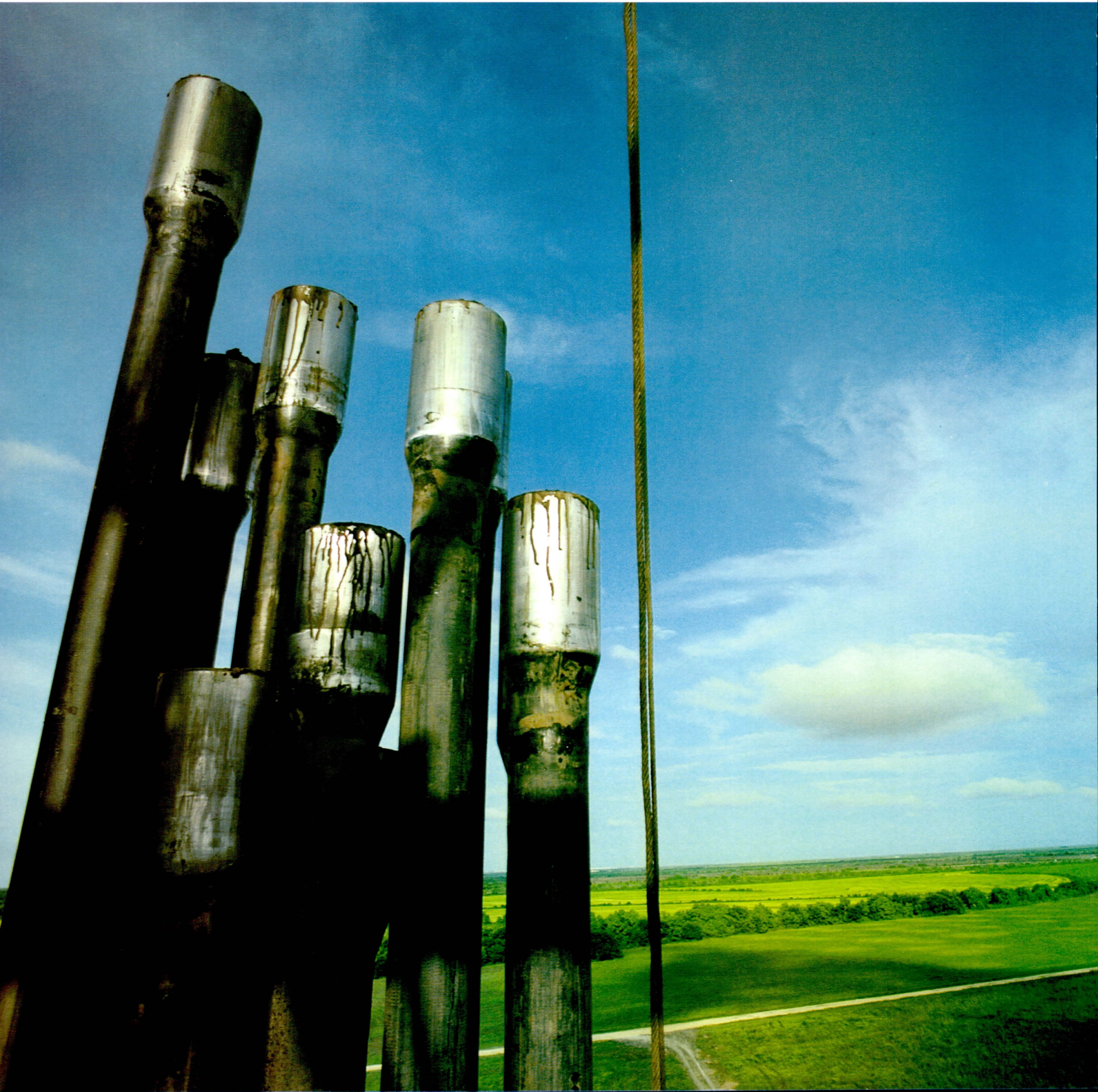
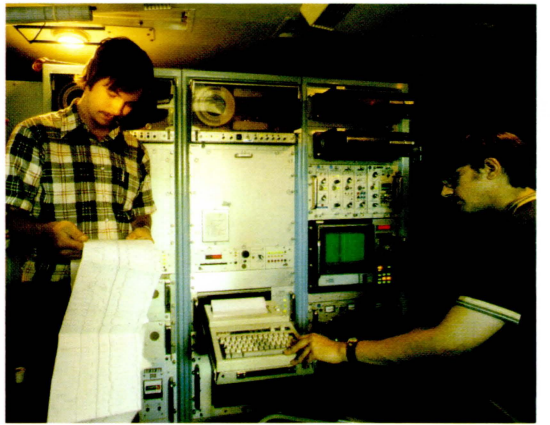
As computers become more and more integrated throughout the everyday operations of businesses and institutions of every size, it becomes increasingly important that those computers be reliable and cost effective, easy to use and maintain. And the services required to support them must be the quickest and best we can provide, not in our judgment, but in the judgment of our customers.

As programming costs escalate, customers require that the software to run their computers be easy to develop and simple to use. They look for computers that can be operated and maintained by the fewest number of people and that total cost of ownership be optimized.

As the benefits of computer usage become ever greater, customers need to be able to expand their use of computers easily, predictably and affordably while protecting their earlier investments, in hardware, certainly, but more importantly in the software.

In short, today's computer users need and demand the best total value available. They require reliable computer products and services from a dependable supplier. It is this need that Digital strives to meet through our continuing pursuit of quality as a goal.

*Man's ability to protect the Earth's ocean environments and to benefit from ocean resources is being enhanced by scientists at the Woods Hole Oceanographic Institution on Cape Cod, Massachusetts. Using a VAX-11/780 computer, they are able to analyze masses of physical and geophysical data gathered by ocean-going ships and by instruments moored deep in the ocean. Formerly they had to use much less powerful computers locally, or remote batch services 2,000 miles away in Colorado.*





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## Products

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*"... we will be proud of our product and our work for years to come."*

Digital makes general purpose computer systems whose architectures give them the versatility and flexibility to be optimized for a wide variety of applications. These architectures have allowed us to create broad families of computers whose software compatibility is virtually unmatched.

Digital today offers the broadest product line in the industry. Its processors range from the LSI-11/2 microcomputer for under \$500 in quantity to DECsystem-10 and -20 mainframes for over \$400,000. Systems built around these processors sell for a few thousand to more than a million dollars. The company also offers a complete line of printing terminals, video display terminals, mass storage and memory devices and a range of special options. Digital also offers a full line of software, encompassing operating systems, language compilers, utilities, development tools, and applications software for certain selected markets such as word processing.

These products are available in a wide variety of configurations, including complete packaged systems designed to be especially cost-effective for many standardized uses.

### Hardware Design Considerations.

Digital designs and builds its products for the long term. Equal to meeting the objective of delivering the

best price-performance is the objective keeping that performance cost-effective for many years.

Reliability and ease of maintenance become important design objectives, and service specialists are important members of the Digital product design team. Features like self-diagnostics, remote diagnostic capability, special heavy duty power supplies are examples of this concern.

Every new product must also undergo a comprehensive battery of Design Maturity Tests and Process Maturity Tests to ensure that performance parameters will be consistently met in volume production. These tests, combined with thorough testing during and after manufacturing, make up one of the most exacting quality control programs in the industry.

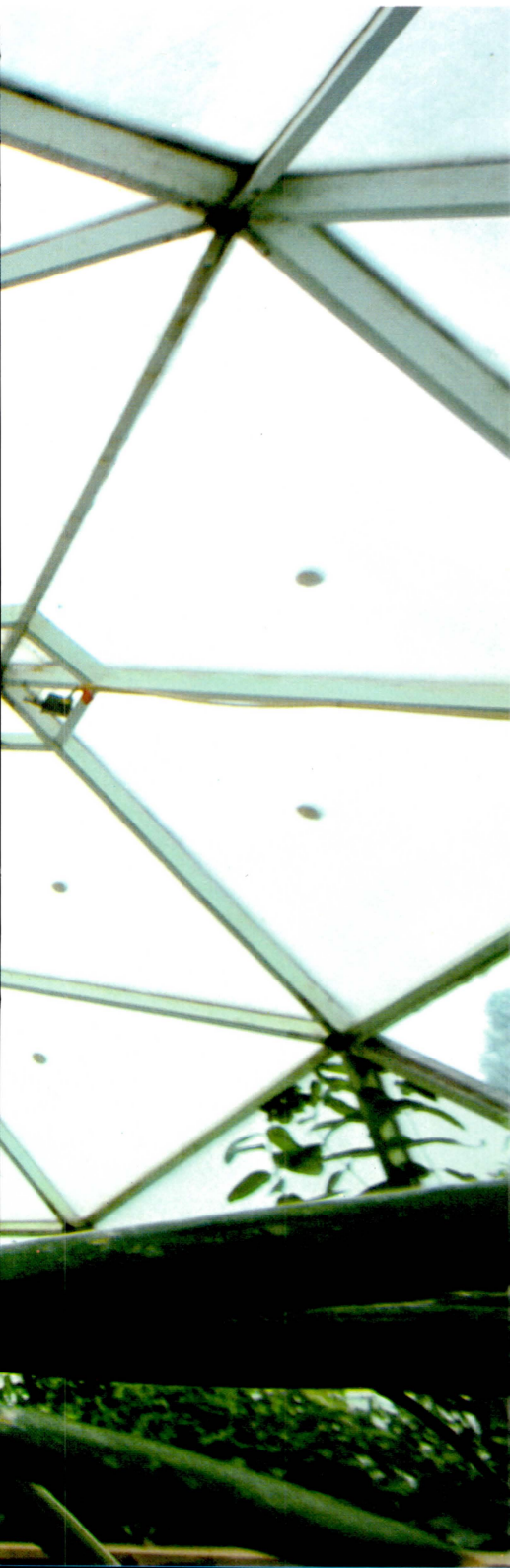
In addition to reliability and maintainability considerations, long-term design thinking is applied to other important areas such as present and future safety standards, the differing requirements of different countries, human engineering, and features that will make the product easier for original equipment manufacturers (OEMs) to work with.

### Software Development.

A significant portion of the company's total research and engineering resources is devoted to the development of software products. A prime objective here is software compatibility within Digital's computer families. Programs developed on a small PDP-11 microcomputer will run on any PDP-11, and on the large VAX-11/780 as well. And programs developed on the smallest member of the DECsystem-10 or DECSYSTEM-20 family will run on the larger systems in those families.

*To aid the continuing search for new supplies of oil and gas, Schlumberger Limited, a multinational company, has developed a mobile field laboratory to perform on-site analysis of a well's commercial potential. In Houston, Texas, Schlumberger's Cyber Service Unit (CSU) truck lowers a probe into the well and the on-board PDP-11/34 computer gathers data, for immediate evaluation by geologists. The CSU has improved operating efficiency by giving clients on-site computer analysis and by reducing time on the job thus saving expensive rig time.*





This compatibility is true, not only system to system, but across generations. Programs written on Digital systems made in 1965 will still run on appropriate modern Digital systems. In other words, software investments on Digital systems are protected and can be built upon, an increasingly important benefit as the costs of software development continue to rise.

Another important objective in software development is ease of use. Key to meeting this objective is the design of the operating system software, the basic programs that run computers. Digital pioneered in the development of interactive operating systems that made computers easier to use, so that more people could take advantage of them without the need to be supported by huge operating staffs. Digital continues to lead in this area, with software that has become easy to use in every respect. It is easy to develop, easy to implement, easy to convert, and easy to operate.

Versatility in operating systems has also been a major concern. Software that can perform multi-user interactive jobs at the same time it handles multistream batch processing is very popular on our larger systems.

Digital has also made advancements in system software optimized for specific user environments, such as transaction processing and integrated networks.

DECnet networking software permits communication among virtually all of Digital's computer systems, irrespective of the software operating systems under which they run. It permits the sharing of resources and capabilities between systems under a range of control options.

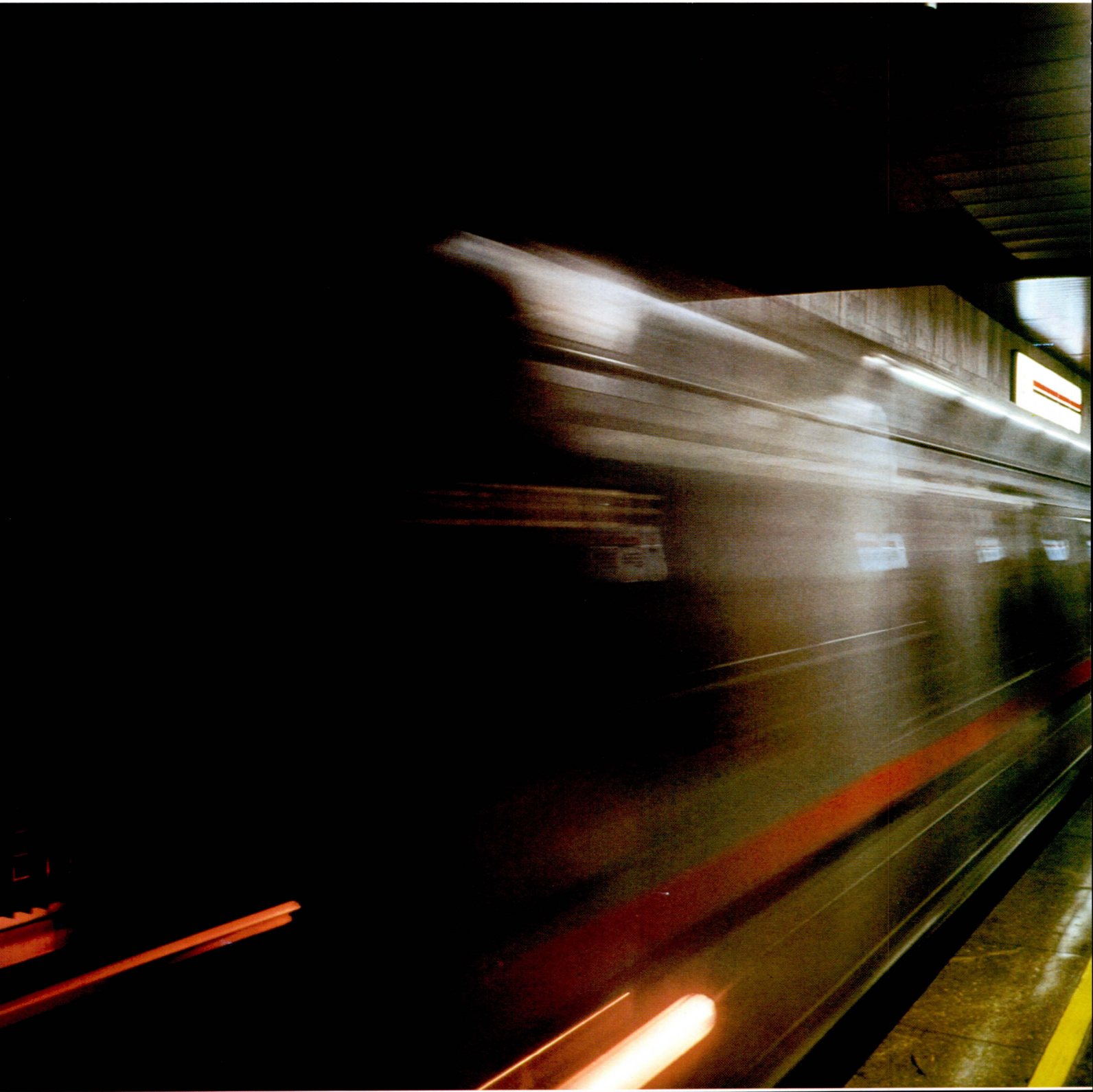
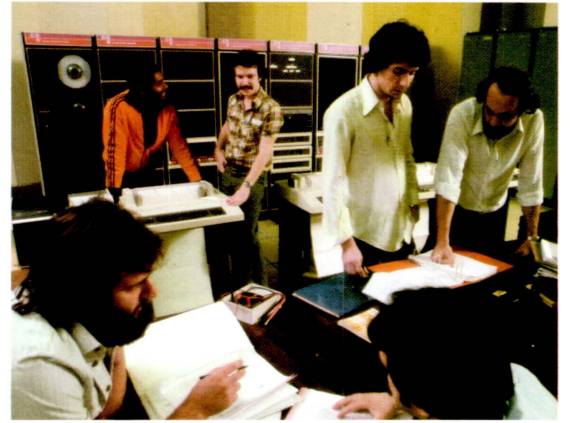
*The New Alchemy Institute is a living experiment in alternative forms of farming, energy and shelter within the natural ecosystem. The wind and sun provide the energy for biological gardening, small scale aquaculture and agricultural forestry experiments. A PDP-11V03 microcomputer carefully analyzes the results. Their high-intensity programs have drawn attention from educators and scientists around the world, and attract more than 7,000 visitors each year to the Cape Cod, Massachusetts farm.*

Digital Network Architecture (DNA) includes a set of protocols for controlling communications that allow interconnection to computers of other manufacture and to third party carrier services. Several organizations use these DECnet protocols for linking computers made by others. With two years of field experience behind it and more than 1,000 customers, DECnet is now one of the most proven and most advanced networking software systems available.

## Product Review.

*Microcomputer products.* This year, Digital's product offering in microcomputers was expanded into a family with the introduction of the 16-bit LSI-11/23. It joins the entry level LSI-11/2, the first microcomputer to offer the performance and comprehensive software of a minicomputer in a micro-sized package. Both the LSI-11/2 and LSI-11/23 modules measure just 5.2" x 8.9" (13.2 cm x 22.8 cm). With processor speeds approaching those of a mid-range minicomputer, plus the ability to run the PDP-11's powerful multi-user RSX-11M operating system, the LSI-11/23 brings a new level of overall functionality to the microcomputer market.

Both LSI-11 processors are supported by a complete family of memory and interface modules, peripherals, terminals, and software development systems. With this product range, the LSI-11 family enables a complete systems approach to microcomputers.



Initial customer reaction to the 11/23 has been very favorable and it should be a pivotal product in the OEM market. The software compatibility found across the PDP-11 family permits a customer to start with an 11/23, then migrate downward to the smaller, less expensive LSI-11/2 or upward through the entire family of PDP-11 minicomputers all the way to the 32-bit VAX-11/780.

Performance and software enhancements were added to other members of the family, including cache memory for the PDP-11/34, now recognized as a mid-range standard, and an improved COBOL compiler for our large and powerful PDP-11/70 computer. With an installed base of over 100,000 PDP-11's, development work continues on the entire range of processors.

VAX-11/780. During Fiscal 1979, its second year on the market, the 32-bit VAX-11/780 became established as a standard in scientific computing systems selling for less than \$250,000.

With its very large addressing capability, VAX has found widespread use in engineering computation, computer-aided design, large laboratory data acquisition systems, seismic data processing and flight simulation. The VAX-11/780 is also being used in some manufacturing, distribution, networking and data service applications. And while most VAX systems were put into use by customers who were already using other models of Digital's computers, a significant number were bought by customers doing business with Digital for the first time.

The 32-bit VAX-11/780 is capable of running the entire library of 16-bit PDP-11 family software. Yet it represents an entirely new approach to computer architecture, which has two distinctive features.

First, VAX's 32-bit word length and Virtual Address Extension give it an extremely large address space of four billion bytes. This not only permits the machine to run very large applications but also increases programmer productivity, thereby reducing software development costs. With such large address space available to the user, programs can be developed far more easily and quickly than with computers of smaller capacity.

Secondly, VAX/VMS operating system software was designed as an integral part of the system, with much of the software functionality resident in the hardware. This means that VAX's rich instruction set can be implemented over a wide range of system sizes, both larger and smaller than the present 11/780. The VAX-11/780 is the first computer system in which the hardware and software were developed simultaneously, and the benefit is a versatile architecture that can be extended to meet a wide variety of current and future customer needs.

*DECsystem-10 and DECSYSTEM-20 Families.* Supported by over 15 years of software development, Digital's 36-bit mainframes continued to increase their market share in high-end general purpose and timesharing applications involving large numbers of users. Both families now run both TOPS-10 and TOPS-20 operating systems, extending software compatibility benefits even further. During fiscal 1979, the Company shipped its 1,000th mainframe system.



*Brazil's new Metro subway system, nearing completion in Rio de Janeiro, has trains departing every 90 seconds and more than 80,000 riders per hour using the system — all being monitored by eight PDP-11/70 computers in a central control room. When completed, the 20-mile Metro system will be one of the most sophisticated public transportation networks in the world.*





*Terminals.* Following the success of the DECwriter II which established a new industry standard for teleprinters, Digital's new VT100 video terminal has gained strong acceptance in the marketplace since its introduction in June 1978. The PDT-11 family of intelligent terminals, which use LSI-11 processors running PDP-11 software, expanded into the systems area with the introduction of the DEC Datasystem 150, a small system designed for distributed processing applications in the commercial marketplace. The Datasystem 150 is offered complete with software and hard copy printer.

*MINC.* During the year, Digital added to its selection of hardware/software systems designed to serve as tools in specific applications areas with the introduction of MINC (for Modular Instrument Computer). Compact and low-cost, this roll-around system simplifies applications development and connection to scientific instruments by laboratory researchers who are not computer experts.

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## Customer Services

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*"Our goal is to be a quality organization and do a quality job..."*

Digital looks at Customer Service as something that begins long before a new product comes to market. In the design stage of new products and throughout the continuing development of existing ones, we seek to engineer in features that will make hardware inherently more reliable as well as easier and less costly to maintain. Software products as well are constantly being developed to make them easier to implement and maintain.

*Compagnie Generale de Distribution (CGD), the largest distributor of Perrier water in France, operates 22 distribution plants, 12 of which have their own DEC Datasystem business computer. In addition, CGD distributes more than 600 other beverages throughout France. Their datasystems provide management with information on inventory, loading and shipping, customer accounts, cash flow, and other operational data. In the Caen, France plant, for example, the customer invoice is prepared before the driver leaves the plant. Philippe Pobe, the administrative manager for CGD in Caen displays some of the products distributed by his company.*

We also feel that Customer Service begins even before a prospect becomes a customer. Our field sales organization is therefore structured into account teams, headed by an Account Manager and backed by specialists in hardware, software, maintenance, installation and training. Pre-sale support has become increasingly important as more and more customers look at comprehensive distributed processing strategies requiring comprehensive, cost-effective solutions.

These services can be purchased in a wide variety of ways. Because our customers are in many different kinds of applications with widely varying needs, we offer everything from per-call service to around-the-clock contracts with on-site support. The range extends to mobile and maritime agreements, a module mailer program to minimize customers' inventories of spares, and 24-hour turn-around on parts and supplies ordered from a catalog through a toll-free telephone number.

At the close of the fiscal year, there were over 11,000 people engaged in Customer Service activities in more than 400 locations worldwide.

*Customer Satisfaction Survey.* The most important measure of the quality of Digital's services is made by the customers themselves. Each year for the past ten years, we have sent out our Comprehensive Customer Satisfaction Survey to all customers with service contracts, and to most of our per-call customers as well.





Collectively, the survey results provide an important benchmark overall. Each individual questionnaire helps us to maintain service at a consistently high level for each individual customer.

For Fiscal 1979 Digital's scores in this customer survey increased over those of the previous year; our goal here is to make them even higher.

*New Customer Services Group.* In November 1978, Digital consolidated its service capabilities into a single Customer Services Group whose Vice President joined the Operations Committee, Digital's senior management group. Corporate-wide in scope, this new Service organization supports all major product lines and market groups within the company and enables hardware and software support personnel to more readily provide a fully integrated approach to systems applications.

*Continued Leadership in Remote Diagnostics.* In its second year of operation, Digital's Remote Diagnostic Center in Colorado Springs continued to exceed performance expectations. Remote diagnosis capability is available to all customers using PDP-11/70 and VAX-11/780 computers. With Remote Diagnosis, Digital contractually guarantees response time of 15 minutes from receiving notification by the customer to initiation of the diagnosis at the Center. The Center is equipped with special electronic consoles and PDP-11/70 computers that rapidly and comprehensively check out the computer at the customer site.

Almost 1,500 customers incorporated this advanced service at no charge during the year and we expect this number to more than double in the year ahead.

Remote Diagnosis provides faster response time, and shorter repair efforts by dispatching specialists with the appropriate skills and parts for the diagnosed problem. The service is also being used to run preventative diagnostic sessions and installation verification during off hours.

Although primarily developed to improve hardware uptime, the Remote Diagnostic Center now has the ability to handle warranty and contract services for software customers, including operating systems, programming languages and utility packages. As with hardware diagnosis, software customers can dial-up the Colorado Springs Software group on a toll-free telephone line.

Remote Diagnosis is available 24 hours a day, 7 days a week, and our objective is to offer this advanced technology with other Digital products, as appropriate.

*Educational Services.* Customer training continues to be an important part of Digital's service offerings. Since Digital's purpose has always been to bring the power of computers closer and closer to more and more people, our customer training capabilities have been almost constantly expanded and refined.

*The Bank of Tokyo, Ltd. is a leader in currency exchange because of its ability to gather trade and monetary information from its 200 branches around the world and communicate this information instantly between its major operations in New York and London. A special communications package called TOHNET, links PDP-11 computers in New York, London and Tokyo, so that each operation can take advantage of the ever changing exchange rates.*



Digital now operates 19 Customer Training Centers around the world where people can learn everything from how to program a computer to how to fix one. The centers are located in Bedford and Maynard, Massachusetts; San Francisco, Los Angeles, Chicago, Washington, D.C., Dallas and New York City. Centers outside the United States are located in Paris, Munich, Milan, Tokyo, Madrid, and Zurich; also Utrecht, Netherlands; Solna, Sweden; Reading, United Kingdom; Kanata (Ottawa), Canada and Sydney, Australia.

This 1,200-member organization provides more than 250 courses taught in 17 languages, and expects to develop 150 new courses in the year ahead. Resources include 218 classrooms and more than 500 computer systems to provide hands-on learning for students. During the past year, Digital's Customer Training organization delivered more than 2 million student hours of instruction, the equivalent of a 5,000-student university.

In addition, Digital's Retail Computer Stores provide training at their locations, including the new Computer Discovery Classes, designed to introduce people in small businesses in the use of small computers and word processing systems.

Digital also offers training through individualized self-paced courses using workbooks, cassette tapes, and audio/visual aids, as well as courses conducted on site at customer facilities.

*DECUS.* All customers can apply for membership in DECUS, which has 25,000 members, the largest and most active computer users' society in the industry. DECUS issues papers, supports publications, provides a forum for the exchange of ideas, and holds meetings at which people from the Company actively participate. It also makes available to its members a software library containing more than 1600 active programs.

*Computer Special Systems.* For those customers whose needs are not met by standard Digital systems, the company also maintains Computer Special Systems facilities in the United States, Canada, England, Germany, France, Sweden, Japan and Australia. These centers are dedicated to special hardware and software design, applications programming, systems engineering and project management.

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## The Markets Served By Digital

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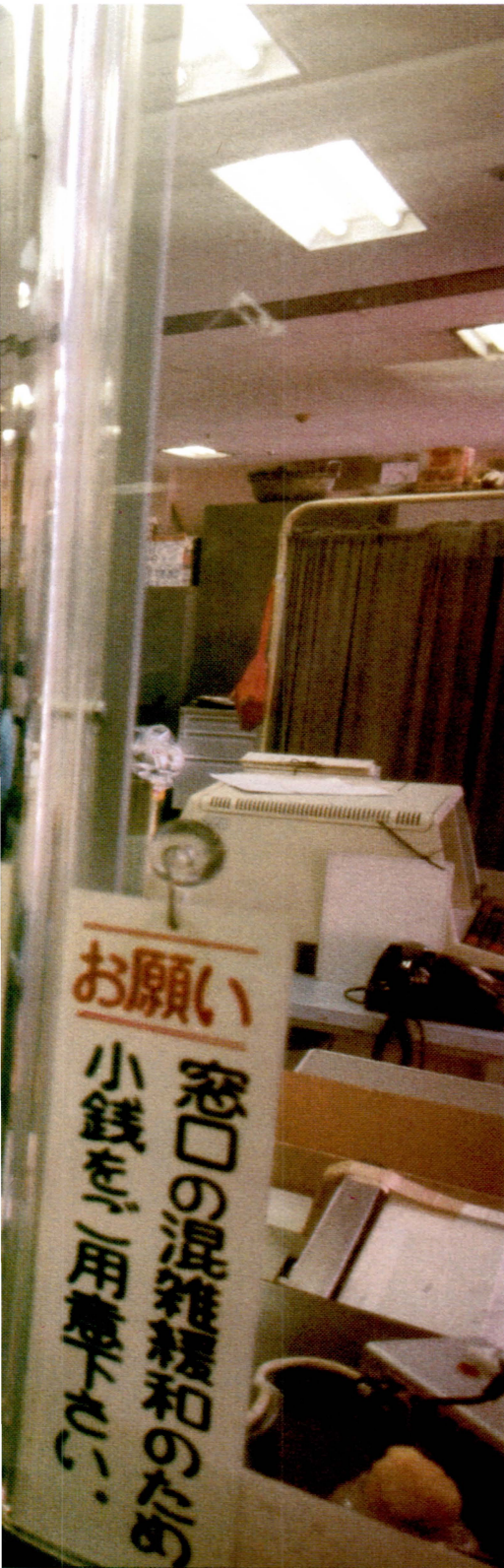
Digital sells its products directly to end-users, through Original Equipment Manufacturers (OEMs) and Authorized Distributors, through a catalog and through retail stores.

### Direct Sales to End-Users:

Principal markets served by direct selling effort include:

*Telephone and Utility Industries:* The company is a major supplier to these industries, with over 5,000 computers installed throughout telephone, electric, gas and water utility companies. The systems are distributed throughout every aspect of these businesses, from monitoring telephone switching equipment, to the billing of customers, to computerizing service orders.

*More than 1,600 outpatients are treated at the Kyoto University Hospital every day. Admission information, treatment data, medication and billing are processed on video terminals tied to a PDP-11/70 computer system which serves as a major part of the hospital's administrative management program. The computer system is being expanded to include nurses' stations on each floor of the 1,080-bed hospital, and nurses are already being trained on a variety of Digital terminals.*







*Universities and Institutional Laboratories:* The company is a supplier to university and institutional laboratories conducting research in all scientific disciplines. Digital first sold its computers in this very sophisticated technical world, and over the years, has maintained both technological and price/performance leadership.

*Medical and Hospital:* In attempts to stem the rising costs of health care, hospitals have used more and more computers. Digital is a prominent supplier of equipment for pathology laboratories and hospital administration, including systems for admissions, patient records, facilities utilization, billing and other functions.\*

*Educational Institutions:* Universities, colleges, junior colleges and high schools have become a major market for computer products, not only for the administration of student affairs, but as tools for science and for teaching computer sciences.

*Governments:* Digital sells computer systems to national, regional and local governments worldwide. Government needs for data processing, communications, and research are served by the entire breadth of the company's product lines. In the United States, for example, there are more of Digital's computers in use throughout the Federal government than those of any other manufacturer.

*Engineering:* Digital sells computers to a broad base of engineering firms and engineering departments of industrial firms. Computer-aided design, computer-driven plotters and digitizers, project control systems, and structural analysis systems are some of the more prominent engineering applications.

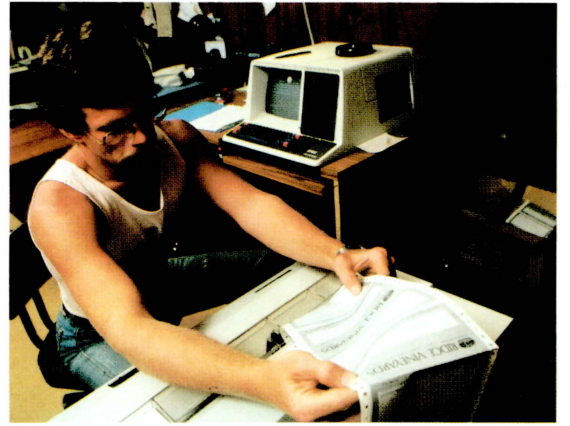
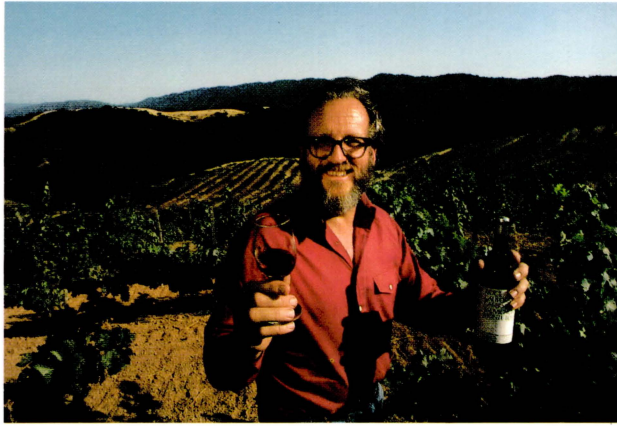
*Police officers in Canada's capital city of Ottawa gain instant access to information on file at the city's Police Information Center and the National Police Data Bank (Canadian Police Information Center) through compact computer terminals installed in police vehicles. The terminals are connected to two PDP-11/70 computers which control the Police Department's new CADRE system (for Computer Aided Dispatch and Records Entry).*

*Manufacturing:* Factory operations are supported by Distributed Plant Management systems for monitoring and controlling various manufacturing processes. The range of products sold, from small LSI-11 controllers to large distributed networks, offer complete solutions for resource planning and asset management.

*Banking:* Digital supplies distributed computers to a wide range of bank customers. The computers are used for all banking purposes including customer services, credit card and electronic banking applications, communications between branches and departments, and computational functions.

*Insurance:* The company supplies computer systems at all levels of the insurance industry, from the field office to central headquarters. They are used in claims processing, customer service applications, risk evaluation, premium monitoring, and customer communications through word processing systems.

*Transportation:* The company sells computing systems directly to airlines, railroads, shipping companies and trucking firms for warehousing controls, bills of lading, order confirmations, asset tracking, scheduling, and in some cases, railroad switching applications, as well as conventional financial control systems.





*Data Services:* Digital is a major supplier of computer systems to companies who sell data services for both scientific and commercial applications. In some cases, data service companies have placed Digital's computers at customer sites.

*Commercial Environments:* A large number of Digital's computers are sold to businesses for commercial applications— for off-loading older mainframes, for accounting, reporting, and word-processing applications. Distributing commercial accounting functions to branch and district offices is a growing application.

*Word Processing:* Digital supplies word processing systems to businesses writing "personal" letters, firms writing repetitive contracts and other documents, and large users of form letters. Digital's word processors are technically advanced, and are particularly useful for multi-function applications, often combining word processing with other computer functions.

*Graphic Arts:* Digital is a leading supplier of computer systems to newspapers, typographic houses, printers, and in-house typesetting and printing facilities. The systems' advantages include the ability to edit copy on video screens, to store copy for retrieval at some later date, and to format copy, all as part of a continuing, on-line process and without the need for the separate operations traditionally needed to perform these functions.

*Varietal red wines aged in small oak barrels have helped earn Ridge Vineyards of Cupertino, California, the reputation as one of the finest wineries in California. Although Ridge produces only 25,000 cases of wine each year, it uses a number of different channels of distribution, including a direct shipment program to more than 1,500 subscribers. To manage this Advanced Tasting Program and other business operations, Ridge purchased a DEC Datasystem 310 with custom software developed by an outside systems house.*

## Selling Through Original Equipment Manufacturers (OEMs)

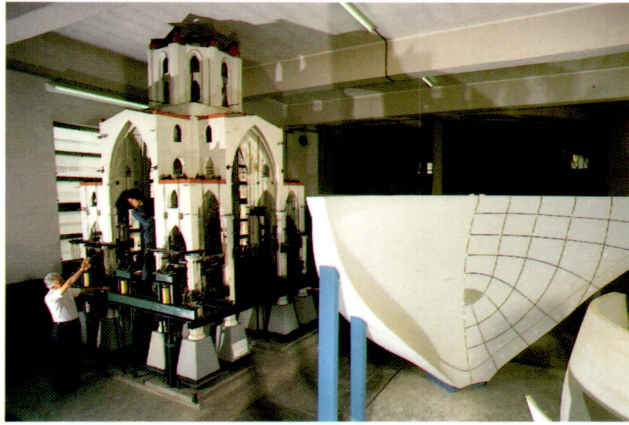
Digital was early in recognizing that specialized companies closely allied with special fields, could participate heavily in Digital's growth and success. The OEM has, from the beginning, played a vital role in Digital's progress, and continues to do so.

There are essentially two types of OEMs. The first builds equipment such as oil rigs, test equipment, medical brain scanners in which the computer made by Digital is built into their product. The second type of OEM takes Digital's systems substantially as they are, but adds special applications software needed by the customer for a specific job. The emphasis of this latter type is on understanding the special requirements of, and installing a computer system in, a user's environment.

The range of markets and applications covered by Digital OEMs is far broader than the markets served directly by the company. In most cases, they are specialized markets, understood in fine detail, by the OEM. Some of the more prominent ones are:

*Electronic Test Equipment:* a number of OEMs purchase Digital's computers and include them in electronic test equipment. Electronic component testing, auto-engine testing, circuit board testing are examples of these applications.

*Communications Equipment:* Digital's computers are an important element in many communications systems designed by others, including satellite communications and message-switching systems.





*Navigation and Guidance Equipment:* Radar controls, commercial and military air traffic control systems, airborne-ruggedized guidance systems, military command and control systems are just a few kinds of equipment utilizing Digital's computers inside.

*Process Control Equipment:* For some process control applications, including pipeline controls, nuclear, and fossil fuel power generating equipment, paper manufacture and some plastics processing, Digital's computers are part of other companies' systems.

*Energy Exploration Equipment:* Many Digital computers are included in instruments used for gas, oil and seismic studies and analysis—primarily with apparatus used for on-site data reduction and analysis.

*Display Equipment:* Most large electrical display units, including those at sports stadiums, racetracks, hotels, and civic centers are computer controlled. Digital is an important supplier.

*Medical Apparatus:* OEMs have included Digital's computers in brain scanners, body scanners, X-ray, and other diagnostic devices as well as a host of monitoring instruments for operating room and intensive care units.

*Sensing Devices:* Air and water pollution sensors, air and water temperature sensors, light sensors, seismic and heat sensors, all the way down to traffic systems and toll collectors are other prominent uses of equipment which include Digital's computers.

*Heavy Equipment:* Large machine tools, oil rigs and vat mixers frequently include Digital's computers as control elements.

*Industrial Systems:* Numerical control systems, machine control and monitoring systems, power conservation systems, factory instrumentation and quality control devices are prominent systems using Digital's computers.

*Simulation Equipment:* OEMs simulating commercial and military aircraft, spacecraft, ships, tanks, cars and trucks, power stations, bridges, and tires are important users of Digital's computers as part of their own equipment.

*Commercial Business Packages:* OEMs have written application software adapting Digital's computers to almost every business application. These application packages include accounts payable, accounts receivable, billing, general ledger, financial planning/management/portfolio management, teller-item-accounting, trusts and investments, tax assessing mortgage accounting, inventory and warehouse management, production control, scheduling, distribution, payroll/labor distribution, property management, rental management, order entry, point of sale, route accounting, sales analysis and forecasting, and mailing list management and subscriptions.

*The Tiburium, or uppermost structure of Milan's Cathedral in the Piazza Duomo, is one of many structures built to scale and then stress tested by Istituto Sperimentale Modelli e Strutture S.P.A. (ISMES) of Bergamo, Italy. By subjecting scale models to static and mechanical tests, ISMES engineers can check the integrity of existing structures or test new designs. A VAX-11/780 computer is used for evaluation of the experimental results as well as for numerical stress analyses using the finite element method. ISMES has analyzed structures all over the world, including the Itaipu Dam at the border between Brazil and Paraguay, St. Mary's Cathedral in San Francisco, the Victoria Place skyscraper in Montreal, and the roof over the ice arena at Dartmouth College in New Hampshire.*

*Industry-Specific Business Packages:* Commercial OEMs have written appropriate software for applications in construction, manufacturing, home-fuel, pharmacy, theater and auto-parts retailing, transportation, wholesale distribution, importing, and services associated with insurance, hotels, motels, legal offices, photofinishing, printing, libraries, real estate and associations.

*Scientific and Engineering Packages:* OEMs have written appropriate software for Digital's computers for civil engineering and architectural design; stress, strain, weight, thickness, density and performance

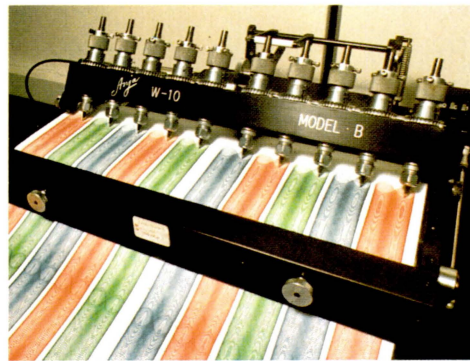
analyses; electrical and chemical analysis, geological engineering, and color formation and testing. There are packages for laboratories, statistics, mathematics, linear programming, hybrid simulation and non-physical simulation.

### Selling Through Authorized Distributors

During the year, we took a major step to assure even higher levels of service and sales support for commercial customers by offering existing Digital OEMs an opportunity to become Authorized Digital Computer Distributors. We will grant permission to use a special Distributor logo, and participate in cooperative advertising with those OEMs whose eligibility has been determined through a stringent certification process. Distributors appointed to date represent a diverse geographical and specialty cross-section within the commercial market.

### Selling through Retail Stores and the Catalog

Digital opened its first retail computer store in July 1978 at the Mall of New Hampshire at Manchester to test the concept of selling word processing systems and small computer systems to small businesses. Encouraged by the initial success of this pilot operation, Digital has since opened retail outlets in Boston, Philadelphia, San Francisco and Costa Mesa, California, Dallas, Cleveland, and two in New York City, one in the Wall Street financial district, the other in the center of the city.



*The Gillette Company Paper Mate Division manufactures its writing instruments in Santa Monica, California, but maintains its project control system on a word processing computer at its Boston, Massachusetts headquarters. The WS81 word processor keeps budget and forecast information on development projects, and directs written reports to the responsible manager.*

Additional store openings have also been scheduled for Houston, Detroit, Pittsburgh, Chicago, Washington, D.C., Atlanta, Los Angeles, Santa Monica, California and Long Island, New York. The total number of Digital Computer Stores will have reached 18 by the end of December 1979.

The objective of these stores is to sell small systems with standard software for businesses which require such products. If a customer's application requires anything special, he is referred to the appropriate commercial OEM or Authorized Distributor.



The Company also sells from a comprehensive catalog which is distributed to more than 25,000 users of Digital's computers. These customers can order spare parts, supplies, media such as disks and tapes, and certain modules simply by dialing a special toll-free telephone number.

## Digital and People

This Annual Report has attempted to describe what Digital Equipment Corporation does and to explain some of the philosophies and motivations that guide our activities. Although trite to say, it is nonetheless true that it is Digital's people around the world who are primarily responsible for the company's progress to date. We are very proud of the quality of our worldwide organization and have tried to recognize their contributions by providing programs designed to enhance the effectiveness of our employees in the overall organization and to promote individual development as well.

Programs such as employee education, sales training, management development, personal skills workshops, job training enlargement, tuition refunds and university courses at company facilities are all serious commitments at Digital. These programs were expanded during the year to accommodate the steadily growing numbers of employees who seek both personal and professional growth.

*Digital's popular computer terminals—the LA34 teleprinter (above) and the VT-100 video display terminal—are manufactured by the thousands at the company's high-volume factory in Phoenix, Arizona, where each unit is thoroughly checked for optimum reliability before it is shipped.*

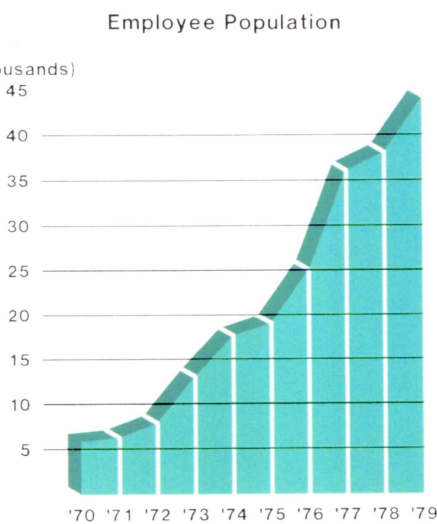
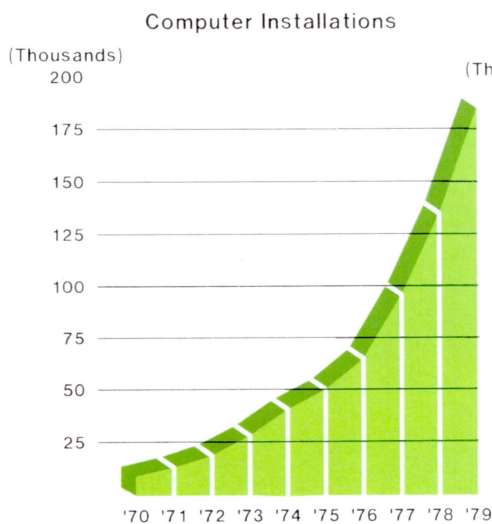
Ensuring that all employees have equal opportunities for hiring and advancement is also a serious commitment, and the company continues to pursue affirmative action programs to attract and develop minority and female employees. An extensive in-company program of continuing education offers individual courses, high school equivalency and university level courses leading to degrees. Opportunities are also available for employees to pursue further education through company-sponsored programs at scores of colleges and universities.

Digital takes its responsibilities to the outside community equally as seriously. Among the many new or expanded programs in which the company is involved, is the Digital Scholarship program which last year sponsored five National Merit Scholars and provided financial aid to more than 80 college-bound seniors from high schools located in Digital communities.

Digital made contributions of cash or computer equipment to schools, hospitals and research projects, as well as to scores of civic, social and cultural programs.

Believing that one of the most significant contributions the Company can make to the community is to provide meaningful jobs, Digital is involved in training programs in co-operation with public and private agencies. These programs provide technical skills which equip prospective employees to obtain productive and satisfying jobs which offer opportunities for advancement.

As the use of Digital's products continues to grow, the Company recognizes the need to continue to expand its organization to keep pace with this growth. Thus, we will continue to work hard to ensure that the environment in which our people work is attractive, rewarding and enjoyable. As we stated at the beginning of this report, "Digital's goal is to be a quality organization and to be proud of our work for years to come. As we achieve this quality, growth comes as a result."



All Digital products must pass a battery of stringent quality assurance tests before they can be released for shipment to customers. The DECSYSTEM-20 computer shown here undergoing final testing will handle a variety of academic and administrative data processing tasks at a large university.

DIGITAL EQUIPMENT CORPORATION  
FINANCIAL STATEMENTS

# Ten Year Financial Summary

<i>Operations (In Millions except per share data)</i>	1979	1978	1977
<i>Revenues</i>			
Equipment sales	\$1,381.8	\$1,128.1	\$ 847.5
Service and other revenues	422.3	308.5	211.1
<b>Total Operating Revenues</b>	<b>1,804.1</b>	<b>1,436.6</b>	<b>1,058.6</b>
<i>Costs and Expenses</i>			
Cost of equipment sales, service and other revenues	1,012.3	802.3	595.1
Research and engineering expenses	138.3	115.7	79.7
Selling, general and administrative expenses	370.1	281.0	205.9
Interest expense (income), net	(11.5)	10.1	1.5
<b>Total Costs and Expenses</b>	<b>1,509.2</b>	<b>1,209.1</b>	<b>882.2</b>
Income Before Income Taxes	294.9	227.5	176.4
Income Taxes	116.5	85.3	67.9
<b>Net Income</b>	<b>\$ 178.4</b>	<b>\$ 142.2</b>	<b>\$ 108.5</b>
<b>Net Income Per Share<sup>1</sup></b>	<b>\$ 4.10</b>	<b>\$ 3.40</b>	<b>\$ 2.78</b>
Weighted average number of shares outstanding during each year	44.9	43.2	39.0
<i>Financial Position (In Millions of dollars except per share data)</i>			
Inventories	513.5	428.1	375.0
Accounts receivable, net of allowances	475.0	375.2	323.1
Working capital	1,076.9	887.0	574.2
Property, plant and equipment, at cost	582.1	507.8	352.4
Total assets	1,863.2	1,501.4	1,070.4
Long-term debt	340.7	341.6	90.6
Stockholders' equity	1,120.2	904.8	735.5
Stockholders' equity per share	\$ 27.59	\$ 22.69	\$ 18.73
<i>General Information and Ratios (Dollars in Millions)</i>			
Current ratio	3.8:1	4.7:1	3.5:1
Additions to property, plant and equipment	\$ 93.9	\$ 167.0	\$ 143.2
Depreciation	\$ 57.7	\$ 50.2	\$ 28.5
Income before income taxes as a percentage of total operating revenues	16.4%	15.8%	16.7%
Net income as a percentage of average stockholders' equity	17.6%	17.3%	16.2%
Net income as a percentage of average total assets	10.6%	11.1%	11.3%
Average number of employees for year	41,500	37,500	30,500
Revenues per average number of employees (in thousands)	\$ 43.5	\$ 38.3	\$ 34.7
Common shares outstanding (in thousands)	40,606	39,873	39,259
Shareholders at year-end	28,835	25,868	22,738

<sup>1</sup>See Note E of Notes to Consolidated Financial Statements.

1976	1975	1974	1973	1972	1971	1970
\$ 586.7	\$ 433.2	\$ 360.8	\$ 229.1	\$ 166.3	\$ 133.0	\$128.0
149.6	100.6	61.1	36.4	21.3	13.8	7.4
736.3	533.8	421.9	265.5	187.6	146.8	135.4
424.3	301.2	233.6	146.8	101.3	78.3	68.6
58.4	48.5	36.6	25.0	20.1	16.7	13.3
136.1	109.3	83.8	55.6	40.5	33.6	27.0
(1.9)	1.2	(1.0)	(.5)	(.1)	(.3)	.3
616.9	460.2	353.0	226.9	161.8	128.3	109.2
119.4	73.6	68.9	38.6	25.8	18.5	26.2
46.0	27.6	24.5	15.1	10.5	7.9	11.8
\$ 73.4	\$ 46.0	\$ 44.4	\$ 23.5	\$ 15.3	\$ 10.6	\$ 14.4
\$ 1.98	\$ 1.28	\$ 1.27	\$ .72	\$ .50	\$ .35	\$ .50
37.1	35.9	35.1	32.6	30.8	30.1	28.6
218.8	174.8	137.4	102.7	62.1	44.4	43.0
219.3	165.0	144.6	107.2	68.4	49.9	41.9
499.0	333.2	238.6	152.7	87.2	86.6	56.1
215.8	167.6	127.4	83.9	58.9	37.0	24.9
856.0	565.1	440.3	287.4	192.4	150.1	114.8
91.4	85.2	10.6	—	—	—	—
606.0	394.4	339.6	223.5	144.8	125.9	76.3
\$ 15.61	\$ 10.94	\$ 9.49	\$ 6.73	\$ 4.67	\$ 4.10	\$ 2.63
4.3:1	5.2:1	3.8:1	3.4:1	2.8:1	4.6:1	2.5:1
\$ 54.5	\$ 45.9	\$ 50.1	\$ 31.8	\$ 27.7	\$ 18.4	\$ 14.9
\$ 22.0	\$ 16.9	\$ 12.4	\$ 8.0	\$ 5.1	\$ 2.9	\$ 1.9
16.2%	13.8%	16.3%	14.5%	13.8%	12.6%	19.4%
14.7%	12.5%	15.8%	12.8%	11.3%	10.5%	23.7%
10.3%	9.2%	12.2%	9.8%	8.9%	8.0%	16.3%
22,000	18,300	15,300	10,400	7,000	6,000	5,100
\$ 33.5	\$ 29.2	\$ 27.6	\$ 25.5	\$ 26.8	\$ 24.5	\$ 26.5
12,944	12,022	11,932	11,079	10,343	10,239	9,673
15,442	15,033	14,393	14,226	15,430	7,420	6,460

# Financial Review

## Management's Discussion and Analysis of Operations

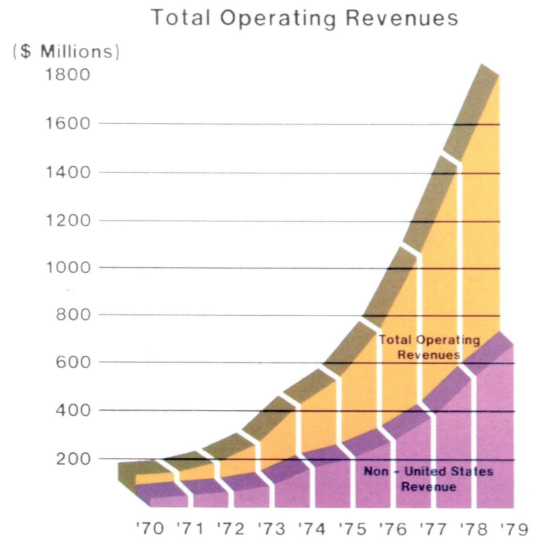
As an aid to understanding the Company's operating results, the following tables indicate the percentage relationships of income and expense items included

in the Consolidated Summary of Operations for the three fiscal years ended June 30, 1979 and the percentage changes in those items for such years.

Income and Expense Items as a Percentage of Total Operating Revenues			Income and Expense Items	Percentage Increase (Decrease)		
				1977	1978	1979
80.1%	78.5%	<b>76.6%</b>	Equipment sales	<b>22%</b>	33%	44%
19.9%	21.5%	<b>23.4%</b>	Service and other revenues	<b>37%</b>	46%	41%
100.0%	100.0%	<b>100.0%</b>	Total operating revenues	<b>26%</b>	36%	44%
56.2%	55.8%	<b>56.1%</b>	Cost of sales, service and other revenues	<b>26%</b>	35%	40%
7.5%	8.1%	<b>7.7%</b>	Research and engineering expenses	<b>20%</b>	45%	36%
19.5%	19.6%	<b>20.5%</b>	Selling, general and administrative expenses	<b>32%</b>	36%	51%
1.1%	1.6%	<b>1.3%</b>	Interest expense	<b>8%</b>	91%	19%
(1.0%)	(.9%)	<b>(2.0%)</b>	Interest income	<b>192%</b>	20%	(13%)
83.3%	84.2%	<b>83.6%</b>	Total costs and expenses	<b>25%</b>	37%	43%
16.7%	15.8%	<b>16.4%</b>	Income before income taxes	<b>30%</b>	29%	48%
6.4%	5.9%	<b>6.5%</b>	Income taxes	<b>37%</b>	26%	48%
10.3%	9.9%	<b>9.9%</b>	Net income	<b>25%</b>	31%	48%

## Revenues

Total operating revenues for fiscal 1979 were \$1.804 billion, a 26% increase over the \$1.437 billion reported for fiscal 1978. Equipment sales in fiscal 1979 were \$1.382 billion, an increase of 22% over fiscal 1978 equipment sales of \$1.128 billion. The 22% rate of increase in equipment sales was 11% less than the comparable fiscal 1978 growth rate of 33%. Service and other revenues, which includes maintenance service, software revenues, replacement parts, and, to a minor extent, equipment rentals, was \$422.3 million in fiscal 1979, a 37% increase over fiscal 1978 revenues of \$308.5 million. The 37% growth rate was less than the corresponding fiscal 1978 growth rate of 46%. The lower rate of increase of both equipment sales and service and other revenues experienced by the Company in fiscal 1979 was as expected and consistent with its business plan.



## International Operations

Sales to customers outside the United States, including export shipments from the United States, were \$679.4 million in fiscal 1979 compared to \$539.5 million in fiscal 1978, an increase of 26%. These sales constituted 38% of total operating revenues in both fiscal 1979 and fiscal 1978. The increase in international sales in fiscal 1979 reflects continued product demand, growth of the Company's international sales and service force, and, in part, the favorable effect of strengthened foreign currencies on the U.S. dollar reported revenues. Additional information on the Company's international operations is included in Notes A and B of Notes to the Consolidated Financial Statements.

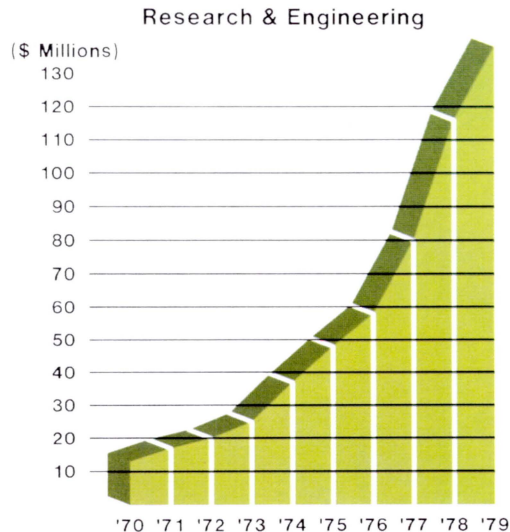
## Expenses

The Company's gross profit margin decreased slightly from 44.2% in fiscal 1978 to 43.9% in fiscal 1979, primarily as a result of the cost associated with providing customers a higher level of software and training services.

Research and engineering expenses increased 20% from \$115.7 million in fiscal 1978 to \$138.3 million in fiscal 1979. This increase is consistent with the Company's continued investment in new product development.

Selling, general and administrative expenses increased 32% in fiscal 1979. As a percentage of total operating revenues, selling, general and administrative expenses were 20.5% in fiscal 1979 and 19.6% in fiscal 1978. This increase reflects, primarily, substantial additions to the Company's sales force.

Interest expense increased 8% in fiscal 1979 primarily as a result of the interest on the \$250 million of Convertible Subordinated Debentures sold during the first quarter of fiscal 1978. Interest income increased 192% due to the increase in funds available for investment and higher prevailing interest rates.



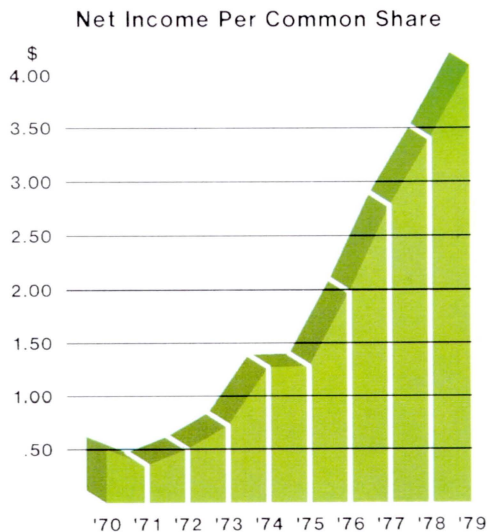
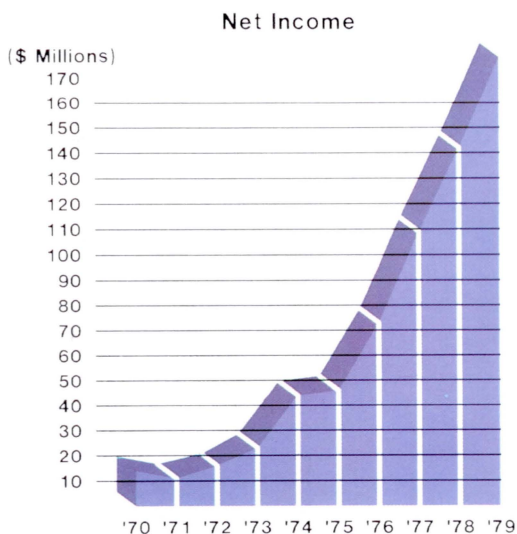
## Income

Income before income taxes increased to \$294.9 million in fiscal 1979 from \$227.5 million in fiscal 1978, and was 16.4% of total operating revenues in fiscal 1979 compared to 15.8% in fiscal 1978. Income before income taxes increased 30% in fiscal 1979, compared to 29% in fiscal 1978. These changes are reflective of the revenue and expense changes discussed above.

Net income increased 25% in fiscal 1979 compared to 31% in fiscal 1978. In fiscal 1979 after-tax income increased less than pre-tax income (25% compared to

30%) because the Company's effective tax rate increased to 39.5% in fiscal 1979 from 37.5% the preceding year.

Earnings per share for fiscal 1979 were \$4.10 a 21% increase over the \$3.40 earnings per share in fiscal 1978. The 21% increase in earnings per share is less than the 25% increase in net income for fiscal 1979 due to the increased number of common stock equivalents and of shares issued under various stock option and purchase plans.

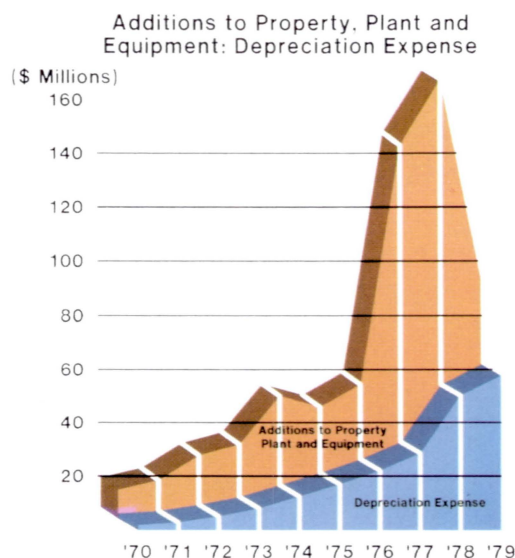


## Financial Position

The Company strengthened its financial position in fiscal 1979. Cash and temporary cash investments increased \$133.7 million, as funds generated from operations exceeded increased working capital requirements and funds spent on new plant and equipment.

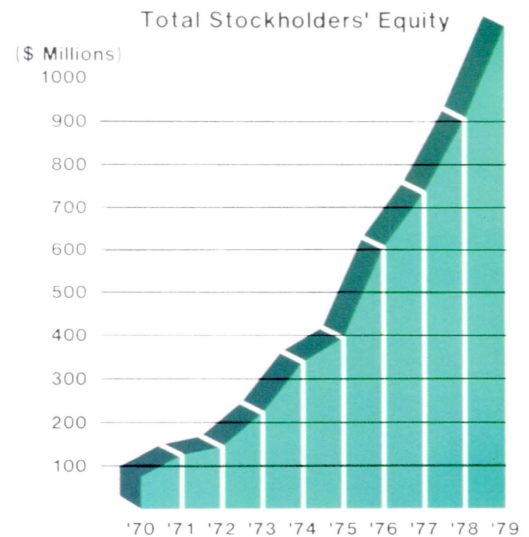
Working capital rose \$189.8 million in fiscal 1979 to \$1,076.9 million. Accounts receivable increased \$99.9 million from \$375.2 to \$475.1 million. The average number of days sales outstanding (accounts receivable divided by fourth quarter operating revenues multiplied by 90 days) was 82 days, which is consistent with the 82 day average last fiscal year. Inventories at the end of fiscal 1979 were \$513.5 million, up \$85.4 million from the end of fiscal 1978, in response to the higher equipment sales in fiscal 1979, and the anticipated increase in such sales in fiscal 1980. Inventory turn improved over fiscal 1978. Outside financing was limited to a small increase in foreign short-term indebtedness.

Additions to property, plant and equipment were \$93.9 million, \$73.1 million less than the preceding fiscal year. This decrease reflected the lower rate of growth in sales in fiscal 1979, and the benefits of the increased manufacturing plant capacity put in place in fiscal 1978. The major increases in plant and equipment in fiscal 1979 included machinery and equipment additions of \$57.9 million and \$36 million invested in new building construction, acquisition of land for such construction and future expansion and improvements to leased facilities. The building expenditures included expansion of manufacturing capacity including the Company's new semiconductor facility under construction in Hudson, Massachusetts and additions to administrative, sales and service facilities.



## Stockholders' Equity

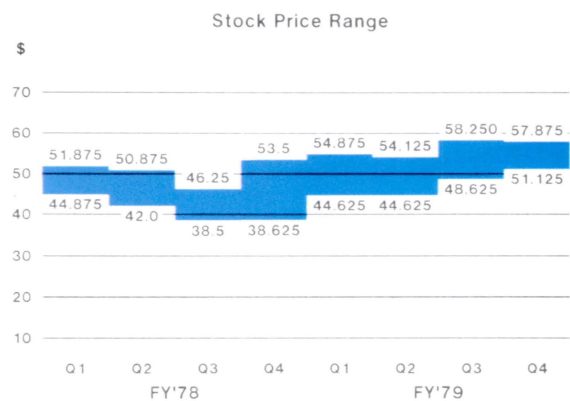
Stockholders equity rose to \$1,120.2 million in fiscal 1979, an increase of \$215.4 million. Return on average stockholders' equity was 17.6 percent versus 17.3 percent last year. Stockholders' equity per share was \$27.59 versus \$22.69 in 1978.



## Common Stock Prices

The Company's common stock is listed and traded on the New York Stock Exchange and the Pacific Stock Exchange. The high and low quarterly sales prices for the past two fiscal years are presented below.

Quarter:	1979		1978	
	High	Low	High	Low
First	\$54.875	\$44.625	\$51.875	\$44.875
Second	54.125	44.625	50.875	42.000
Third	58.250	48.625	46.250	38.500
Fourth	57.875	51.125	53.500	38.625



# Consolidated Statements of Income (In Thousands except per share data)

	Year Ended	
	June 30, 1979	July 1, 1978
<i>Revenues</i> (Notes A and B)		
Equipment sales	\$1,381,756	\$1,128,099
Service and other revenues	422,336	308,463
<b>Total operating revenues</b>	<b>1,804,092</b>	<b>1,436,562</b>
<i>Costs and Expenses</i> (Notes A and I)		
Cost of equipment sales, service and other revenues	1,012,257	802,253
Research and engineering expenses	138,266	115,686
Selling, general and administrative expenses	370,128	280,990
Interest expense	24,262	22,384
Interest income	(35,753)	(12,254)
<b>Total costs and expenses</b>	<b>1,509,160</b>	<b>1,209,059</b>
<b>Income before income taxes</b>	<b>294,932</b>	<b>227,503</b>
<i>Provision for income taxes</i> (Notes A, C and D)		
Federal	89,388	60,446
Foreign	18,811	17,398
State	8,299	7,470
<b>Total provision for income taxes</b>	<b>116,498</b>	<b>85,314</b>
<b>Net income</b>	<b>\$ 178,434</b>	<b>\$ 142,189</b>
<b>Net income per share</b> (Note E)	<b>\$ 4.10</b>	<b>\$ 3.40</b>

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

## Consolidated Balance Sheets (In Thousands)

<i>Assets</i>	June 30, 1979	July 1, 1978
<i>Current Assets</i>		
Cash	\$ 783	\$ 862
Temporary cash investments, at cost which approximates market (Note A)	432,240	298,500
Accounts receivable, net of allowances of \$18,182 and \$16,457	475,067	375,205
Inventories (Note A):		
Raw materials	111,220	78,020
Work-in-process	195,424	161,180
Finished goods	206,886	188,902
	513,530	428,102
Prepaid expenses	18,871	13,052
Deferred Federal and foreign income taxes	23,480	9,746
Total Current Assets	1,463,971	1,125,467
<i>Property, Plant and Equipment, at cost (Note A)</i>		
Land	31,738	25,431
Buildings	191,895	175,135
Leasehold improvements	31,106	23,556
Machinery and equipment	327,342	283,688
	582,081	507,810
Less accumulated depreciation	182,872	131,875
	399,209	375,935
Total Assets	\$1,863,180	\$1,501,402
<i>Liabilities and Stockholders' Equity</i>		
<i>Current Liabilities</i>		
Loans payable to banks (Note F)	\$ 11,992	\$ 8,822
Accounts payable	86,839	50,507
Federal, foreign and state income taxes	129,621	63,811
Salaries, wages and related items	65,963	44,805
Deferred revenues and customer advances (Note A)	57,083	43,870
Current portion of long-term debt	972	917
Other current liabilities	34,650	25,699
Total Current Liabilities	387,120	238,431
Deferred Federal and foreign income taxes	15,110	16,590
Long-term debt (Note G)	340,714	341,623
<i>Stockholders' Equity (Note J)</i>		
Common stock, \$1.00 par value; authorized 120,000,000 shares; issued and outstanding 40,605,516 and 39,873,449 shares	40,606	39,873
Additional paid-in capital	398,421	362,110
Retained earnings	681,209	502,775
Total Stockholders' Equity	1,120,236	904,758
Total Liabilities and Stockholders' Equity	\$1,863,180	\$1,501,402

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

## Consolidated Statements of Stockholders' Equity (In Thousands)

	Years Ended			
	June 30, 1979 and July 1, 1978			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
July 2, 1977	\$39,259	\$335,618	\$360,586	\$ 735,463
Shares issued under stock option and purchase plans (Note J)	614	17,748		18,362
Restricted stock plans, charge to operations (Note J)		6,235		6,235
Stock option and purchase plans – excess Federal income tax benefits (Note J)		2,509		2,509
Net income – 1978			142,189	142,189
July 1, 1978	\$39,873	\$362,110	\$502,775	\$ 904,758
Shares issued under stock option and purchase plans (Note J)	733	23,579		24,312
Restricted stock plans, charge to operations (Note J)		8,602		8,602
Stock option and purchase plans – excess Federal income tax benefits (Note J)		4,130		4,130
Net income – 1979			178,434	178,434
June 30, 1979	\$40,606	\$398,421	\$681,209	\$1,120,236

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

# Consolidated Statements of Changes in Financial Position

(In Thousands)

	Year Ended	
	June 30, 1979	July 1, 1978
<i>Funds from Operations</i>		
Net income	\$178,434	\$142,189
Add – expenses not requiring funds in current period:		
Depreciation (Note A)	57,655	50,216
Disposal of property, plant and equipment (Note A)	12,982	6,304
Restricted stock plans – charge to operations (Note J)	8,602	6,235
Deferred income tax provision (Note D)	(11,084)	11,840
Total funds from operations	246,589	216,784
<i>Funds Used to Support Operations</i>		
Increase (decrease) in working capital:		
Accounts receivable	99,862	52,060
Inventories	85,428	53,108
Prepaid expenses	5,819	(5,607)
Accounts payable	(36,332)	10,067
Income taxes	(65,810)	9,984
Other current liabilities	(43,377)	(30,590)
	45,590	89,022
Additions to property, plant and equipment	93,911	167,044
Total funds used to support operations	139,501	256,066
Net increase (decrease) in funds from operations	107,088	(39,282)
<i>Funds Provided by Financing Sources</i>		
Increase (decrease) in loans payable to banks (Note F)	3,170	(19,008)
Increase (decrease) in long-term debt (Note G)	(909)	251,067
Common stock issued under stock option and purchase plans (Note J)	24,312	18,362
Total funds from financing sources	26,573	250,421
Net increase in cash and temporary cash investments	133,661	211,139
Cash and temporary cash investments at beginning of year	299,362	88,223
Cash and temporary cash investments at end of year	\$433,023	\$299,362

The accompanying notes are an integral part of these financial statements. See Note K for a discussion of the change in the presentation of the above 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 sale 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 re-invest 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 credited directly to income.

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

*Temporary Cash Investments* Temporary cash investments represent cash invested in certificates of deposit, time deposits and municipal obligations.

*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)

When these assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in the income statement. When computer systems manufactured by the Company and used in the business are sold, the net book value is charged to cost of sales and the proceeds included in equipment sales.

Maintenance, repairs, renewals and betterments (not in the nature of capital expenditures) are charged to expense in the period in which incurred.

## 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, Taiwan, Hong Kong, West Germany, Ireland and Scotland. 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.

The Company's prices to foreign customers are designed to yield consolidated profits substantially the same as the profits on products manufactured and sold to customers in the United States. Intercompany transfers between geographic areas are accounted for at discounts from list prices which are designed to be representative of unaffiliated party transactions.

Due to the organizational structure and complex manufacturing process, the results of operations of individual subsidiaries within the geographical areas are only reflective of the separate functions which they perform and may not be indicative of the geographical areas' contribution to consolidated profitability. Financial information concerning the Company's international operations by major geographical area at June 30, 1979 and July 1, 1978 is summarized as follows:

	International				
	United States	Europe	Canada Far East and Americas	Eliminations	Consolidated
<i>(In Thousands)</i>					
<i>Fiscal 1979</i>					
Sales to unaffiliated customers	\$1,148,701	\$486,451	\$168,940	\$ —	\$1,804,092
Transfers between geographical areas	324,564	—	113,875	(438,439)	—
<b>Total Net Sales</b>	<b>\$1,473,265</b>	<b>\$486,451</b>	<b>\$282,815</b>	<b>\$(438,439)</b>	<b>\$1,804,092</b>
Operating profit	\$ 203,586	\$ 50,416	\$ 50,487	\$( 21,048)	\$ 283,441
Interest Income					35,753
Interest Expense					(24,262)
<b>Income before income taxes</b>					<b>\$ 294,932</b>
Identifiable Assets	\$1,239,266	\$339,383	\$174,459	\$(322,168)	\$1,430,940
Corporate Assets (Temporary cash investments)					432,240
<b>Total Assets</b>					<b>\$1,863,180</b>
<i>Fiscal 1978</i>					
Sales to unaffiliated customers	\$ 913,128	\$376,888	\$146,546	\$ —	\$1,436,562
Transfers between geographical areas	297,193	—	114,513	(411,706)	—
<b>Total Net Sales</b>	<b>\$1,210,321</b>	<b>\$376,888</b>	<b>\$261,059</b>	<b>\$(411,706)</b>	<b>\$1,436,562</b>
Operating profit	\$ 184,631	\$ 28,270	\$ 34,940	\$ (10,208)	\$ 237,633
Interest Income					12,254
Interest Expense					(22,384)
<b>Income before income taxes</b>					<b>\$ 227,503</b>
Identifiable Assets	\$1,082,697	\$273,661	\$147,711	\$(301,167)	\$1,202,902
Corporate Assets (Temporary cash investments)					\$ 298,500
<b>Total Assets</b>					<b>\$1,501,402</b>

Sales to unaffiliated customers outside of the United States, including U.S. export sales, were \$679,354,000 for the year ended June 30, 1979 and \$539,513,000 for the year ended July 1, 1978 which each represented 38% of total operating revenue.

The retained earnings of all of the Company's international subsidiaries generally have been reinvested to support their operations. These retained earnings, before elimination of intercompany transactions, aggregated \$185,045,000 at June 30, 1979 and \$112,201,000 at July 1, 1978.

## Note C—Puerto Rican Operations

The Company has a domestic manufacturing subsidiary located in Puerto Rico, the products of which are sold to other members of the consolidated group. If the earnings of this subsidiary are remitted, they become subject to Puerto Rican withholding taxes at rates not in excess of 10%. As a result of the Tax

Reform Act of 1976, remitted funds are not subject to U.S. Federal income taxes. During fiscal 1978 and 1979, the Puerto Rican subsidiary remitted a substantial portion of its accumulated earnings to the parent corporation. Appropriate provisions have been made for the applicable Puerto Rican taxes.

## Note D—Income Taxes

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

	1979	1978
U.S. Federal statutory tax rate	47.0%	48.0%
Tax benefit of nontaxable income (a):		
Puerto Rico	(2.2)	(7.6)
Ireland	(2.7)	(2.3)
Difference between U.S. and Foreign tax rates	(1.8)	(2.7)
State income taxes, net of Federal income tax benefit	1.4	1.7
Other	(2.2)	.4
	39.5%	37.5%

(a) Consolidated net income includes income of a domestic manufacturing subsidiary operating in Puerto Rico and income of a foreign manufacturing subsidiary operating in Ireland. Under an exemption which expires in 1981 (for years 1982 through 1991 income is partially exempt), the income of the subsidiary in Puerto Rico is not subject to Puerto Rican income taxes. See Note C for further explanation of the tax aspects of the Company's operations in Puerto Rico. Under Irish law, the income from products manufactured for export by the subsidiary in Ireland is exempt from Irish taxes for a period of 15 years, which period expires in 1986 (for the years 1987-1991 the income is partially exempt). The income tax benefits per common share attributable to the tax status of these subsidiaries for the years ended June 30, 1979 and July 1, 1978 were \$.32 and \$.52 respectively.

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

	Year Ended	
	June 30, 1979	July 1, 1978
U.S. Federal:	<i>(In Thousands)</i>	
Currently payable	\$93,484	\$45,543
Deferred	(4,096)	14,903
Total	\$89,388	\$60,446
Foreign:		
Currently payable	\$25,799	\$20,461
Deferred	(6,988)	(3,063)
Total	\$18,811	\$17,398

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 June 30, 1979 and July 1, 1978 and the tax effect of each were as follows:

	Year Ended	
	June 30, 1979	July 1, 1978
	<i>(In Thousands)</i>	
Inventory related transactions	\$(23,840)	\$ (9,782)
Installment sales, principally intercompany, and financing leases	(974)	6,896
Domestic International Sales Corporation profits	6,529	6,908
Other	7,201	7,818
Total	\$(11,084)	\$11,840

In connection with its normal examination of the Company's 1975 tax return, 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.

## 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 1979 and 1978 common share equivalents are attributable principally to the \$250 million of Convertible Subordinated Debentures sold by the Company in the first quarter of fiscal 1978, and to a minor extent, stock options.

Prior to fiscal 1978 common share equivalents were solely attributable to stock options and were excluded from per share calculations because their dilutive effect was not material.

No cash dividends have ever been paid by the Company.

## Note F – Short-Term Debt

Short-term debt and related interest rates at June 30, 1979 and July 1, 1978 were as follows:

	June 30, 1979		July 1, 1978	
	(In Thousands)	Average Interest Rate	(In Thousands)	Average Interest Rate
Loans payable to banks – foreign	\$11,992	15.2%	\$8,822	18.1%

The maximum aggregate short-term debt outstanding at any month-end was \$16,871,000 during fiscal 1979 and \$84,979,000 during fiscal 1978, while average short-term borrowings during these years were \$14,006,000 and \$24,588,000, respectively. The average interest rate based on a weighted average of the stated month-end rates was 15.6% in fiscal 1979 and 10.3% in fiscal 1978.

Unused lines of credit for short-term financing were \$122,900,000 at June 30, 1979 and \$113,113,000 at July 1, 1978. At June 30, 1979, certain lines of credit required either the maintenance of compensating balances or the payment of facility fees; \$23,000,000 required the maintenance of compensating balances equal to approximately 10% of such unused lines and \$41,000,000 required the payment of facility fees which in general are approximately the equivalent of 9% compensating balances. After considering "float," none of the cash reflected in the balance sheets at June 30, 1979 and July 1, 1978 was required as compensating balances.

## Note G – Long-Term Debt

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

	June 30, 1979	July 1, 1978
	<i>(In Thousands)</i>	
Lease obligations payable 1980-1993 (4.5% - 11.7%) (a)	\$ 7,154	\$ 7,618
Collateralized obligations maturing serially to 1993 (5.4%) (b)	8,565	9,010
Sinking Fund Debentures due March 15, 2000 (9 <sup>3</sup> / <sub>8</sub> %) (c)	75,000	75,000
Convertible Subordinated Debentures due December 15, 2002 (4 <sup>1</sup> / <sub>2</sub> %) (d)	249,995	249,995
	<b>\$340,714</b>	<b>\$341,623</b>

Principal payments required during the next five fiscal years are as follows: 1980-\$972,000; 1981-\$1,034,000; 1982-\$1,090,000; 1983-\$1,144,000; and 1984-\$1,210,000.

(a) Weighted average interest rate at June 30, 1979 of 8.1%.

(b) Interest rate shown is the weighted average rate at June 30, 1979.

(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 109<sup>3</sup>/<sub>8</sub>% 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 9<sup>3</sup>/<sub>8</sub>% per annum. The Indenture for the Debentures also contains certain restrictions on future borrowings and dividend distributions.

(d) On September 8, 1977, the Company sold \$250,000,000 of 4<sup>1</sup>/<sub>2</sub>% Convertible Subordinated Debentures. The Debentures are subordinated in right of payment to all senior indebtedness, as defined, and are convertible, subject to prior redemption, into shares of common stock at \$57 per share at any time up to and including the maturity date of December 15, 2002.

Annual sinking fund payments to redeem \$9,000,000 principal amount of the Debentures are required beginning on December 15, 1988, and beginning December 15, 1983, the Company, at its option, may make additional sinking fund payments to redeem up to an additional \$9,000,000 principal amount annually. In each case, the sinking fund redemption price is the principal amount of the Debentures, plus accrued interest to the date of redemption. In addition, the Debentures are redeemable at the option of the Company, at any time, in whole or in part, at 104<sup>1</sup>/<sub>2</sub>% of the principal amount of the Debentures through December 14, 1978, at prices which decrease annually thereafter to December 14, 1997 and thereafter at 100% of the principal amount, together with accrued interest to the date of redemption.

## 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 below are as follows:

	(In Thousands)
1980	\$ 26,777
1981	24,066
1982	18,987
1983	15,401
1984	11,658
1985-1989	36,027
1990-1994	21,044
1995-1999	16,783
2000 and thereafter	15,003
Total	<b>\$185,746</b>

Total rental expense for the fiscal years ended June 30, 1979 and July 1, 1978 amounted to \$29,285,000 and \$23,080,000, respectively.

## Note I—Pension Plans

The Company has several pension plans covering substantially all employees. Pension costs are charged to income and funded currently. Total pension costs were \$23,654,000 in fiscal 1979 and \$16,092,000 in fiscal 1978.

## Note J—Stock Options

*Qualified Stock Options* Under its 1965 Qualified Stock Option Plan, the Company has granted certain officers and key employees options to purchase common stock within five years from the grant date at 100% of market price on the grant date. Of the 25,575 options outstanding at June 30, 1979, all are presently exercisable. Authority to grant options under the plan expired March 9, 1975. 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.

Information concerning activity during fiscal 1979 follows:

	Options Outstanding	
	Shares	Average Price Per Share
July 1, 1978	218,377	\$34.16
Options exercised	(185,552)	35.56
Options cancelled	(7,250)	33.62
<b>June 30, 1979</b>	<b>25,575</b>	<b>\$24.17</b>

*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 plan 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 1979 follows:

	Shares Reserved For Future Grants	Options Outstanding	
		Shares	Average Price Per Share
July 1, 1978	1,104,119	2,421,031	\$18.25
Options granted	(552,170)	552,170	22.70
Options exercised		(196,658)	15.14
Options cancelled	108,924	(108,924)	19.83
Options terminated	(147,778)		
<b>June 30, 1979</b>	<b>513,095</b>	<b>2,667,619</b>	<b>\$19.33</b>

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 \$8,602,000 in fiscal 1979 and \$6,235,000 in fiscal 1978. 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.

*1968 Employee Stock Purchase Plan* Under the Company's 1968 Employee Stock Purchase Plan, all United States and Canadian 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 791,168 shares at June 30, 1979 and 1,146,540 shares at July 1, 1978. There were 360,842 shares issued at an average price of \$40.84 in fiscal 1979 and 324,237 shares at \$37.25 in fiscal 1978. 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.

## Note K—Change in Presentation

As of June 30, 1979, the Company changed its presentation of the consolidated statement of changes in financial position from one which reflects changes in working capital to one which reflects changes in cash and temporary cash investments. The Company believes that the new format is preferable because it is a more meaningful presentation of the Company's sources and uses of funds. The consolidated statement of changes in financial position for fiscal 1978 has been restated to conform with fiscal 1979 presentation.

## Note L—Quarterly Financial Data (Unaudited)

Selected quarterly financial data for fiscal 1979 and fiscal 1978 is set forth below:

	Total Operating Revenues	Gross Profit	Income Before Income Taxes	Net Income	Net Income Per Share
<b>1979</b>					
			<i>(In Millions except per share data)</i>		
First Quarter	\$ 388.0	\$166.0	\$ 52.3	\$ 32.2	\$ .75
Second Quarter	426.0	183.2	61.6	37.9	.88
Third Quarter	465.9	203.6	79.0	46.6	1.07
Fourth Quarter	524.2	239.0	102.0	61.7	1.40
Total Year	<b>\$1,804.1</b>	<b>\$791.8</b>	<b>\$294.9</b>	<b>\$178.4</b>	<b>4.10</b>
<b>1978</b>					
First Quarter	\$ 302.6	\$133.7	\$ 42.9	\$ 26.4	\$ .66
Second Quarter	346.6	151.6	51.4	32.5	.77
Third Quarter	374.8	163.4	59.2	37.0	.87
Fourth Quarter	412.5	185.6	74.0	46.3	1.08
Total Year	<b>\$1,436.5</b>	<b>\$634.3</b>	<b>\$227.5</b>	<b>\$142.2</b>	<b>3.40</b>

## Note M—Replacement Cost Information (Unaudited)

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In compliance with Securities and Exchange Commission requirements, the Company has estimated the cost of inventories and plant and equipment as at June 30, 1979 and July 1, 1978, as well as depreciation expense and cost of equipment sales, service and other revenues for the years then ended, on the basis of replacement costs. Based on the methods and assumptions used, the estimated replacement cost of plant and equipment as at June 30, 1979 and July 1, 1978 exceeds the comparable historical cost by approximately \$134 million and \$97 million respectively, whereas inventories as at June 30, 1979 and July 1, 1978 and cost of equipment sales and depre-

ciation expense for the years then ended estimated based on replacement costs are less than the comparable historical cost amounts. (Replacement cost depreciation expense was computed, as required, on the straight-line method, whereas the Company uses accelerated methods for most machinery and equipment in its consolidated financial statements.)

Further information on replacement cost estimates, including methods and assumptions used and management qualifications concerning such estimates, may be obtained by reference to the Company's Form 10-K, copies of which are available upon request from the Company.

## Report of Independent Certified Public Accountants

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*To The Stockholders and Directors,  
Digital Equipment Corporation*

We have examined the consolidated balance sheets of Digital Equipment Corporation as at June 30, 1979 and July 1, 1978, and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal years then ended. 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 aforementioned financial statements present fairly the consolidated financial position of Digital Equipment Corporation as at June 30, 1979 and July 1, 1978, and the consolidated results of its operations and the consolidated changes in its financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the presentation of the consolidated statements of changes in financial position as described in Note K to the financial statements.

Boston, Massachusetts  
August 7, 1979



COOPERS & LYBRAND

# Officers and Directors

## Officers

Kenneth H. Olsen  
President and Director

C. Gordon Bell  
Vice President, Engineering

Alfred M. Bertocchi  
Vice President, Finance and Administration

Sheldon A. Davis  
Vice President, Personnel

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

Theodore G. Johnson  
Vice President, Sales and International

Andrew C. Knowles, III  
Vice President, Corporate Marketing

John Leng  
Vice President, Technical Group

William H. Long  
Vice President, Corporate Planning

Julius L. Marcus  
Vice President, Commercial Group

Stanley C. Olsen  
Vice President, Computer Products Group

Edward A. Schwartz  
Vice President, Secretary & General Counsel

John J. Shields  
Vice President, Customer Services

John F. Smith  
Vice President, Manufacturing

Richard J. Clayton  
Vice President, Computer Systems Development

William C. Hanson  
Vice President, Manufacturing Personnel

Irwin Jacobs  
Vice President, Commercial OEM Group

Edward A. Kramer  
Vice President, United States Sales

Gerald T. Moore  
Vice President, Retail Products Group

Jean-Claude Peterschmitt  
Vice President, Europe

Lawrence J. Portner  
Vice President, Associate Head, Engineering

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

George A. Chamberlain, 3d  
Treasurer

William R. Thompson  
Controller

## Directors

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

Arnaud de Vitry  
Chairman of the Board  
Dunlop, S.A. France  
(manufacturers)

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\*  
Director of several corporations

\*Member of the Audit Committee of the  
Board of Directors

## 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% Sinking Fund Debentures  
Morgan Guaranty Trust Company of New York  
30 West Broadway  
New York, NY 10015

For 4½% Convertible Subordinated Debentures  
Citibank, N.A.  
111 Wall Street  
New York, NY 10015

## Auditors

Coopers & Lybrand  
100 Federal Street  
Boston, MA 02110  
(617) 423-4200

## Legal Counsel

Testa, Hurwitz & Thibault  
60 State Street  
Boston, MA 02109  
(617) 367-7500

# Investor Information

The common stock of the Company is traded on the:  
New York Stock Exchange  
Pacific Stock Exchange  
(Ticker Symbol "DEC")

Unlisted trading privileges have been granted by the:  
Boston Stock Exchange  
Midwest Stock Exchange  
PBW Stock Exchange

The Company maintains an Investor Services 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.  
Director, Investor Services  
Digital Equipment Corporation  
111 Powdermill Road (B79)  
Maynard, MA 01754  
(617) 493-5350

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 (B79)  
Maynard, MA 01754  
(617) 493-5213

A copy of Digital Equipment Corporation's Annual Report on Form 10-K for the fiscal year ended June 30, 1979, including the financial statements and schedules thereto, which is filed with the Securities and Exchange Commission, will be sent without charge to any shareholders requesting it in writing:

Digital Equipment Corporation  
Inquiry Section  
NR 2/M15  
444 Whitney Street  
Northboro, MA 01532  
(617) 393-6781 Ext. 401

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  
NR 2/M15  
444 Whitney Street  
Northboro, MA 01532  
(617) 393-6781 Ext. 401

Requests to be placed on the Company's mailing list should be directed to:

Digital Equipment Corporation  
Investor Services—ML  
111 Powdermill Road (B79)  
Maynard, MA 01754  
(617) 493-7182

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