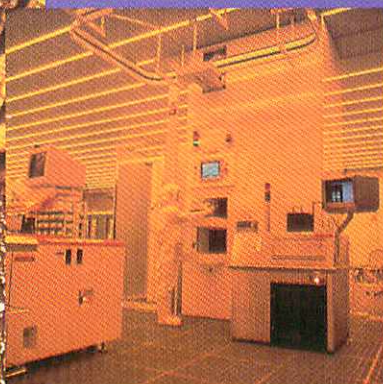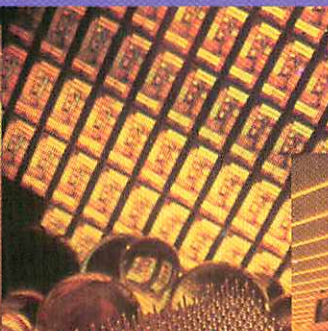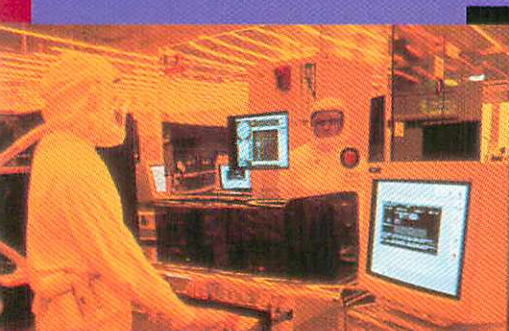# digital

DIGITAL and Intel *announce* long-term agreement

in*form*ed opinions

"It's one of the best things to happen to [DIGITAL] in years." —*Steven Milunovich, analyst at Merrill Lynch & Co. (Boston Globe, October 28, 1997)*

"According to Moody's [Investors Service], the agreement is positive in that it clearly defines DIGITAL's ongoing business relationship with Intel, its largest supplier; establishes an Intel-based technology path for DIGITAL's computer systems while supporting future generations of DIGITAL's Alpha architecture; and transfers DIGITAL's money-losing semiconductor manufacturing operations to Intel. The arrangement is also expected to reduce DIGITAL's ongoing investment requirements." —*Reuters, October 27, 1997*

"It's a positive settlement for DEC and I think also for Intel." — *Jay Stevens, analyst, Buckingham Research (reported by Reuters, October 27, 1997)*

At a glance

Key components of the agreement, pending government approval, include:
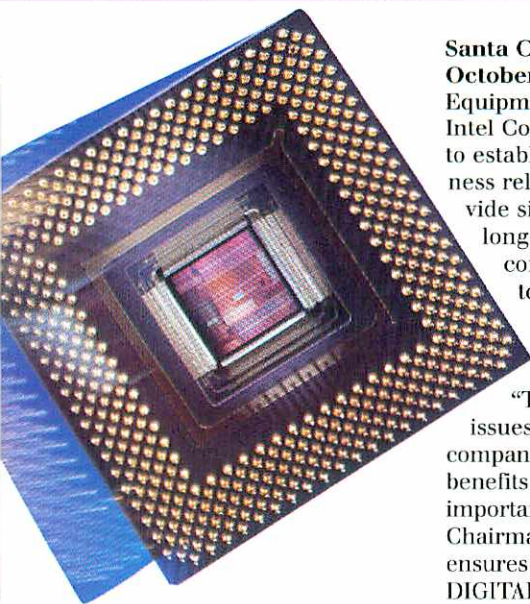
- Intel will purchase DIGITAL semiconductor manufacturing operations, including state-of-the-art facilities in Hudson, Massachusetts, as well as development operations in Jerusalem, Israel and Austin, Texas, for US$700 million.

- DIGITAL will continue to own and invest in Alpha microprocessor design.

- Intel will manufacture DIGITAL-designed Alpha microprocessors and Alpha-related parts (chip sets, gate arrays) to DIGITAL specifications for multiple generations of Alpha under a long-term supply contract.

- DIGITAL and Intel will enter into a 10-year patent cross-license agreement.

- Intel will provide Intel products and comprehensive technical support to DIGITAL consistent with practices for other major Intel OEMs.

- DIGITAL will develop a full line of DIGITAL UNIX and Windows NT systems based on Intel's IA-64 processor family.

- Intel will obtain rights to manufacture and sell other non-Alpha DIGITAL semiconductor products.

Santa Clara, CA/Maynard, MA, October 27, 1997—Digital Equipment Corporation and Intel Corporation have agreed to establish a broad-based business relationship that will provide significant short- and long-term benefits to both companies and their customers. The agreement is subject to government approval.

"This agreement brings issues between the two companies to a resolution that benefits customers in many important ways," said DIGITAL Chairman Robert B. Palmer. "It ensures long-term availability of DIGITAL's Alpha-based offerings for OpenVMS, DIGITAL UNIX and Windows NT customers."

"We intend to maintain a performance and scalability advantage with Alpha and are also committed to supporting these systems for as long as our customers need them," Palmer said.

The multiyear agreement includes the sale of DIGITAL semiconductor manufacturing operations to Intel for approximately US$700 million; cross-licensing of patents; supply of both Intel and Alpha microprocessors to DIGITAL; and the development of future DIGITAL systems based on Intel's IA-64 line of 64-bit microprocessors.

DIGITAL will continue to own Alpha and to invest in the Alpha microprocessor design, while Intel will manufacture Alpha microprocessors to DIGITAL specifications.

In addition to Alpha-based solutions, DIGITAL will offer its customers DIGITAL UNIX and Windows NT systems based on Intel's 64-bit IA-64 architecture, when it becomes available. More specifically:

- DIGITAL, with technical assistance from Intel, will port its 64-bit DIGITAL UNIX

A good deal for all

The agreement enables both Intel and DIGITAL to put the disagreements of the past few months behind them and to build an even stronger, long-term partnership. DIGITAL, its customers, partners and shareholders benefit because the agreement:

- Assures a continuing supply of leading-edge 64-bit Alpha and Intel processor technology for DIGITAL's current and future systems

- Enhances DIGITAL's ability to deliver industry-leading Intel x86-based systems

- Enables DIGITAL to focus on continued innovation in Alpha microprocessor and systems design for new levels of performance and scalability

- Strengthens DIGITAL's financial position

- Eliminates the need for DIGITAL to continue to make substantial investments in semiconductor fabrication

- Strengthens DIGITAL's competitive position and opportunities to grow

- Maintains DIGITAL's long-standing commitment to OpenVMS while significantly strengthening its UNIX and Windows NT products

Intel gains a fully operational, state-of-the-art facility on the East Coast, along with highly skilled personnel.

Craig Barrett, President and Chief Operating Officer of Intel

"This agreement meets both companies' needs. We are pleased to get alignment with one of the world's major computer companies on IA-64 microprocessors and to let the marketplace judge our work."

DIGITAL sharpens its focus on

Agreement confirms dual Alpha and Intel platform strategy . . .

Through the agreement with Intel, DIGITAL sharpens its focus on its growth strategy and on the products, services and solutions its customers demand.

"DIGITAL's mission is to deliver with our partners Internet business solutions based on high-performance platforms and services," said DIGITAL Chairman Robert B. Palmer.

"This agreement strengthens our ability to offer products that help make our customers more competitive and confirms our dual Alpha and Intel platform strategy."

DIGITAL is among the few companies that can deliver robust Internet business solutions today. With leadership technology like AltaVista and new high-performance IPV6 products, global service and support and complementary partnerships with other industry-leading companies, DIGITAL is able to help customers solve their most challenging and complex computing problems.

"Alpha technology remains a critical element of DIGITAL's overall strategy and an important enabler for the enterprise solutions we deliver to customers," Palmer said.

In fact, most of the top 100 Web sites on the Internet today use DIGITAL UNIX AlphaServer systems, including nine of the world's top 10 most visited Web sites. DIGITAL systems power such demanding sites on the Web as Amazon.com, Netscape, Lycos, PointCast and many others.

"Our commitment to the leading architectures—Alpha and x86 today, with the addition of IA-64 in the future—is a key differentiator for DIGITAL as it implements its strategy," said Palmer.

"With this win-win agreement, we are able to provide our customers all the benefits of first-class x86 and 64-bit performance-oriented products and software with a clear road map to the future."

operating system to the IA architecture, for availability with the release of the first planned implementation of Intel's IA-64 microprocessor, "Merced," which is anticipated in 1999.

- DIGITAL will also work with Microsoft as it develops a common programming model for 64-bit Windows NT for the Alpha and IA-64 architectures. This builds on the work DIGITAL and Microsoft are already doing to deliver the first 64-bit Windows NT on Alpha. DIGITAL will develop a full line of DIGITAL Windows NT products based on Intel's

IA-64 microprocessor, also starting with the planned "Merced" release.

DIGITAL will continue to invest in Alpha microprocessor design while Intel will manufacture the Alpha microprocessors to DIGITAL's specifications.

Having Intel as a foundry for Alpha technology is a more efficient business model for

**Robert Palmer,
Chairman and CEO,
Digital Equipment Corporation**

DIGITAL, since it does not require the company to make substantial and continuing investments in semiconductor manufacturing.

DIGITAL and Intel agreed to request a stay of all lawsuits until U.S. government approval is granted which is required to finalize the agreement.

"With this win-win agreement, we are able to provide our customers with all the benefits of first-class x86 and 64-bit performance-oriented products and software with a clear road map to the future."

What does it mean for you?

Continued investment protection

The agreement enables long-term availability of DIGITAL's Alpha-based offerings for OpenVMS, DIGITAL UNIX and Windows NT customers:

- **OpenVMS customers—** Continue to take advantage of 64-bit performance and mission-critical OpenVMS on Alpha today with the assurance that DIGITAL will continue to support OpenVMS on Alpha well into the next decade.

- **For DIGITAL UNIX customers—Continue to** take advantage of 64-bit performance on Alpha for the foreseeable future with the option to move effortlessly to DIGITAL UNIX solutions on Intel's IA-64 microprocessor architecture, should that become desirable.
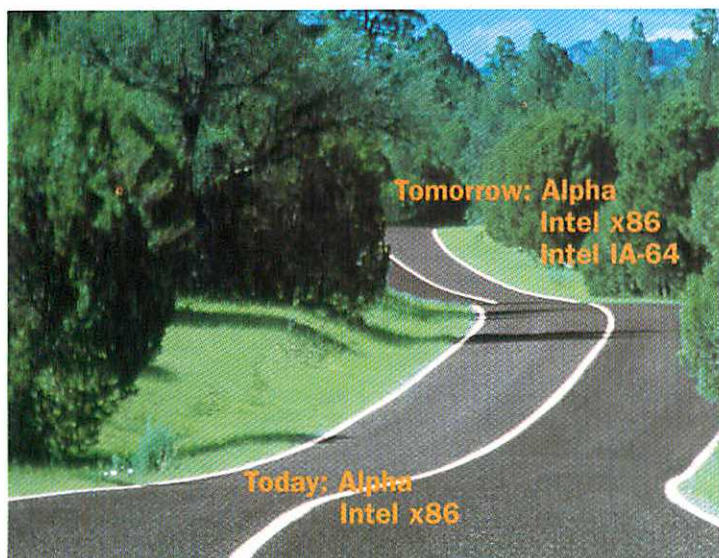
- **For Windows NT customers—Take advantage** of 64-bit performance on Alpha as soon as 64-bit Windows NT becomes available, with the option to move effortlessly to IA-64 microprocessor-based Windows NT solutions from DIGITAL, if you eventually choose to do so.

rowth strategy and customer solutions

Supports mission to deliver high-performance Internet solutions

Tomorrow: Alpha
Intel x86
Intel IA-64

Today: Alpha
Intel x86

"High performance x86 and 64-bit solutions today AND a clear road map for the future."

As part of its strategy DIGITAL will:

- Continue to offer the broadest range of systems across the Alpha and Intel architectures—from entry-level clients to the most powerful 64-bit enterprise servers

- Port its industry-leading 64-bit DIGITAL UNIX operating system to Intel's IA-64 microprocessor architecture, for availability with the release of the first planned implementation of IA-64, "Merced," anticipated in 1999

- Work with Microsoft as it develops a common programming model for 64-bit Windows NT for the Alpha and IA-64 architectures

- Develop a full line of Windows NT products based on IA-64, also starting with the planned "Merced" release

- Continue to invest in Alpha as today's leading 64-bit platform for DIGITAL UNIX, OpenVMS and Windows NT

- Enhance the company's business relationship with Intel for existing x86-based products

"Customers can be confident that whether they make a commitment to 64-bit Windows NT or DIGITAL UNIX, today or in the future, their applications will run regardless of the underlying hardware— Alpha or IA-64," said Palmer. **"And our OpenVMS customers also have assurance that we will continue to support OpenVMS on Alpha well into the next decade."**

More choice than ever

DIGITAL already offers the broadest range of platforms across the Alpha and X86 architectures today. With the addition of IA-64, when it becomes available, DIGITAL will offer you even more choices and support for moving to 64-bit computing when and how it is best for you.

Get the facts!

1. DIGITAL is strengthening its commitment to Alpha.

- DIGITAL continues to own the Alpha design and keeps its Alpha design engineers

- DIGITAL will continue to invest in new Alpha microprocessor and systems design

- Intel, the largest chip manufacturer in the world, becomes one of several world-class firms manufacturing Alpha chips

2. Alpha customers have unprecedented investment protection.

- DIGITAL will continue to invest in Alpha as today's leading 64-bit platform

- DIGITAL offers the best 64-bit solution today with Alpha—and the best 64-bit solution tomorrow with both Alpha and Intel IA-64

- DIGITAL delivers leadership interoperability between DIGITAL UNIX, Windows NT and OpenVMS, including a common hardware platform

3. DIGITAL is following a consistent strategy.

- DIGITAL's mission continues to be "To deliver, with our partners, Internet business solutions based on high-performance platforms and services"

- DIGITAL is investing in those areas where it can bring customers the most benefit: high-performance systems, Internet software like AltaVista and Millicent, strategic alliances with leaders like Microsoft, Oracle and others, and world-class global services

4. DIGITAL is strengthening its commitment to Intel-based solutions.

- DIGITAL and its channel partners deliver a full range of clients, workstations and servers based on Intel technology today

- Intel has agreed to provide products and comprehensive technical support to DIGITAL consistent with practices for other major Intel OEMs

- DIGITAL supports Intel-based solutions with the most comprehensive range of services worldwide

- DIGITAL will deliver a complete line of IA-64 based Windows NT and DIGITAL UNIX systems when the technology is available from Intel

For more information on the DIGITAL and Intel agreement . . .

- *Contact your DIGITAL account manager*

- *Visit www.digital.com*