FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

DATA GENERAL CORP
CIK:**26999**| IRS No.: **042436397** | State of Incorp.:**DE** | Fiscal Year End: **0925**
Type: **10-Q** | Act: **34** | File No.: **001-07352** | Film No.: **95563556**
SIC: **3570** Computer & office equipment

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark one)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended July 1, 1995

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________

Commission File Number 1-7352

Data General Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of Incorporation or organization)

04-2436397
(I.R.S. Employer Identification Number)

4400 Computer Drive, Westboro, Massachusetts 01580
(Address of principal executive offices) (Zip Code)

Registrants Telephone number, including area code (508) 898-5000

Former name, former address and former fiscal year if changed since last report: Not Applicable

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Secton 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Number of shares outstanding of each of the registrants classes of common stock, as of July 28, 1995:

Common Stock, par value $.01	37,280,952
(Title of each class)	(Number of Shares)

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

The condensed consolidated financial statements of Data General Corporation (the company), consisting of condensed consolidated statements of operations for the three and nine months ended July 1, 1995 and June 25, 1994, condensed consolidated balance sheets as of July 1, 1995 and September 24, 1994, condensed consolidated statement of cash flows for nine months ended July 1, 1995 and June 25, 1994, and related notes to condensed consolidated financial statements, are incorporated herein by reference to pages 3 through 6 of the company's Third Quarter 1995 Interim Report. The Third Quarter 1995 Interim Report has been included as Exhibit 19 to copies of this Report filed with the Securities and Exchange Commission. Copies of the Interim Report may be obtained by written request to the company, Attn: Investor Relations, MS 9S, 3400 Computer Drive, Westboro, MA 01580.

Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations.

Financial Condition

Cash and temporary cash investments as of July 1, 1995 were $89.6 million, a decrease of $52.9 million from the end of fiscal 1994. In addition, the company holds $92.7 million in marketable securities, a net increase of $44.9 million during the current nine-month period. These securities, which supplemented cash and temporary cash investments, are primarily invested in United States Treasury bills and notes. The increase in marketable securities is primarily due to funds received from a software copyright infringement settlement received in the first quarter of the current fiscal year. Net cash provided from operations for the nine months ended July 1, 1995 totaled $83.4 million, expenditures for property, plant, and equipment were $73.9 million, capitalized software development costs totaled $20.6 million, and cash provided from stock plans totaled $4.0 million. The company made a $.6 million investment in an unaffiliated entity and repaid $2.7 million of long-term debt during the current nine-month period. The effect of foreign currency rate fluctuations on cash and temporary cash investments was an increase of $2.5 million.

Net receivables decreased $15.3 million from fiscal year-end 1994 due to lower revenue than that of the quarter ended September 24, 1994. Total inventories at July 1, 1995 increased $23.6 million from fiscal year-end 1994 levels due to an increase in domestic work in process and finished systems inventory, primarily related to orders for the companys Open CLARiiON product line. Open CLARiiON sales cycles require inventory purchasing patterns to be earlier than those of traditional server procurement cycles. Fixed asset dispositions for the current nine-month period totaled $7.4 million, primarily due to the sale of demonstration equipment to end-users. Management expects that sales of demonstration equipment will continue in the future. Fewer than 20% of the company's net fixed assets relate to the companys proprietary ECLIPSE MV ("MV") family of products and are primarily comprised of spare parts required to support the

MV service base of over 19,000 installed units worldwide as well as those MVs which are serviced by third parties.

The increase of $29.7 million in accounts payable from fiscal year-end 1994 levels was mainly a result of the timing of purchases from vendors of Open CLARiiON inventory. Other current liabilities increased $22.1 million from fiscal year-end 1994, primarily as a result of the $43 million restructure charge and the income tax provision of $7 million recorded for the quarter ended December 24,1994. This increase was partially offset by payments made relating to the current as well as previously recorded restructuring accruals. Long-term debt, including the current portion of long-term debt, decreased a total of $2.7 million during the current nine-month period as a result of the company reacquiring a portion of the 8 3/8% Sinking Fund Debentures due in 2002.

Effective December 21, 1994 the company entered into a $30 million unsecured letter of credit facility with a group of banks. This agreement, which is available to secure issuance of letters of credit, has a duration of 364 days. The facility contains certain covenants, including restrictions on the sale or pledge of certain assets, the declaration of dividends, and the incurrence of other debt. At July 1, 1995 there were $9.1 million letters of credit secured by this facility. The new agreement replaced the company's unsecured $40 million revolving credit facility and $30 million letter of credit facility.

During fiscal years 1995, 1994, and 1993, the company recorded restructuring charges of $43 million, $35 million, and $25 million, respectively. The current year charge is for estimated expenses resulting from costs associated with a worldwide work-force reduction, which was approved by the company's executive management and communicated to employees in April. The real estate restructuring provision relates primarily to leased facilities located throughout Europe, Australia, and New Zealand as part of the company's continuing centralization of its international service and administrative organizations. The provision relating to the workforce reduction is primarily for salary and benefit continuation and outplacement service. The following table sets forth the company's restructuring activities for the nine-month period ended July 1, 1995. All charges, excluding asset writedowns and certain other charges, are cash in nature and funded from operations and there were no material changes in estimates relating to the prior fiscal years' provisions.

FY94 RESERVE IN MILLIONS	BALANCE SEPT. 24, 1994	NINE MONTHS ENDED JULY 1, 1995 CHARGES	BALANCE JULY 1, 1995
Provisions related to terminated employees:			
Termination payments	$15.2	$12.2	$3.0
Pension and OPEB costs (curtailment loss)	1.5	--	1.5
Other costs	1.1	.4	.7
Provisions related to employees not terminated	1.9	--	1.9
Provisions for leases	14.0	6.6	7.4
Writedown of assets to be sold or discarded	.7	.2	.5

Other	2.3	1.7	.6
Total	$36.7	$21.1	$15.6

FY95 RESERVE IN MILLIONS	BALANCE SEPT. 24, 1994	NINE MONTHS ENDED JULY 1,1995 PROVISION	CHARGES	BALANCE JULY 1, 1995
Provisions related to terminated employees:				
Termination payments	--	$21.8	$8.2	$13.6
Pension and OPEB costs (curtailment loss)	--	--	--	--
Other costs	--	1.2	.1	1.1
Provisions related to employees not terminated	--	--	--	--
Provisions for leases	--	12.9	.1	12.8
Writedown of assets to be sold or discarded	--	2.2	--	2.2
Other	--	4.9	.9	4.0
Total	--	$43.0	$9.3	$33.7

During the first nine months of the current year there were approximately 320 employee terminations, primarily relating to the fiscal 1994 and 1995 restructuring charges. The remaining reserves at July 1, 1995 are for the future termination of approximately 300 employees as part of the continuing realignment of the company's worldwide sales, service, and other operations. The number of employee terminations noted above refer only to those impacted by restructuring actions. They are not indicative of the change in total worldwide headcount which also reflects attrition and new hires. The charges and remaining provisions for leases are for the closure of various domestic branch sales offices and excess vacant rental properties, primarily located throughout Europe.

Results of Operations

Total revenues for the quarter ended July 1, 1995 were $280.5 million, relatively unchanged from the same quarter of the previous year. Domestic revenues, excluding U.S. direct export sales, were $156.3 million for the current quarter, a 3% decrease from $161.6 million for the comparable period of fiscal 1994. Domestic revenues were 56% of total revenues for the current quarter and 57% of total revenues for the third quarter of fiscal 1994. European revenues, including U.S. direct export sales into the European marketplace, were $79.2 million, an increase of 2% from $77.6 million for the comparable period in fiscal 1994. European revenues represented 28% and 27% of total revenues in the current and prior-year periods, respectively. Other international revenues, including U.S. direct export sales, were $45.0 million for the current quarter, relatively unchanged from $44.7 million for the comparable period in fiscal 1994. Other international revenues represented 16% of total revenues for both the current quarter and the comparable prior-year period.

Total domestic revenues of $455.2 million for the nine months ended July 1, 1995 decreased 3% from $470.5 million for the first nine-month period of fiscal 1994. Domestic revenues were 54% of total revenues in the current nine-month period and 57% of total revenues for the comparable prior-year period. European revenues increased 12% to $254.2 million for the first nine-month period of the current year, compared with $227.2 million for the first nine-month period of fiscal 1994. European revenues represented 30% of total revenues in the current nine-month period and 27% of total revenues in the prior-year period. Other international revenues increased 5% to $137.1 million for the current nine-month period, compared with $130.2 million for the comparable period in fiscal 1994. Other international revenues represented 16% of total revenues for both the current nine-month period and the comparable prior-year period.

Product revenues of $179.7 million for the current quarter ended July 1, 1995 decreased 3% from the comparable prior-year period. Revenues from the company's AViiON family of open systems server products decreased 22% from the comparable period of the prior year. The decrease is attributed to a combination of sales force and product transition issues. The sales force transition was completed during the current quarter and the company intends to commence shipments of its new Intel-based AViiON servers later this year. Revenues from the company's Open CLARiiON storage systems were more than double the level of the comparable quarter in the prior year and accounted for 31% of total product revenues in the current quarter. Open CLARiiON is sold primarily through the company's Original Equipment Manufacturer ("OEM") and distributor channels. Revenues have been concentrated in a limited number of customers. For the current quarter, a significant portion of the company's Open CLARiiON revenues were to a single OEM. The growth in Open CLARiiON may not be indicative of future Open CLARiiON revenue trends. Proprietary MV systems revenues declined $10.0 million from the same period in the prior year and currently represent less than 7% of total product revenues compared to 12% for the comparable prior-year period. The company will continue to see a decline in its proprietary MV product line as it completes its transition to open systems. Revenues from personal computers and peripheral equipment declined 26% from the same quarter of the prior year.

Domestic product revenues, which were $99.1 million for the current quarter, decreased 4% from $103.3 million for the comparable period in fiscal 1994. Domestic product revenues were 55% of total product revenues in the current quarter and 56% of total product revenues in the comparable prior-year period. European product revenues were $46.4 million for the current quarter, a 2% decrease from $47.6 million in the comparable prior-year period. European product revenues represented 26% of total product revenues for both the current and comparable prior-year period. Other international product revenues were $34.2 million for the current quarter, an increase of 2% from $33.6 million for the comparable period in fiscal 1994. Other international product revenues represented 19% of total product revenues in the current quarter and 18% of total product revenues in the comparable prior-year period.

Product revenues of $544.9 million for the nine months ended July 1, 1995 increased 2% from $532.5 million for the first nine-month period of fiscal 1994. Domestic product revenues of $284.9 million for the first nine-month period of the current year decreased 4% from $298.4 million for the first nine-month period of fiscal 1994. Domestic product revenues represented 52% of total product revenues in the current nine-month period and 56% of total revenues in the prior-year period. European product revenues were $156.5 million for the current nine-month period, an increase of 14% from the $137.4 million reported for the first nine-month period of fiscal 1994. European product revenues were 29% of total product revenues in the current nine-month period and 26% of total product revenues in the comparable prior-year period. Other international revenues were $103.5 million for the current nine-month period, an increase of 7% from the $96.7 million reported for the first nine-month period of fiscal 1994. Other international revenues represented 19% and 18% of total revenues for the current nine-month period and comparable prior-year period, respectively.

Service revenues for the current quarter were $100.8 million, a slight increase from $99.3 million in the comparable period of fiscal 1994. Domestic service revenues for the current quarter were $57.2 million, relatively unchanged from $58.3 million in the comparable prior-year period. European service revenues were $32.7 million, a 9% increase from $30.0 million for the comparable prior-year period. The increase in European service revenue is due to the company's focus on the emerging systems integration market. Other international service revenues for the current quarter were $10.8 million for the current nine-month period, compared to $11.0 million for the comparable prior-year period.

Service revenues for the current nine-month period were $301.6 million, compared with $295.4 million for the first nine-month period of fiscal year 1994. For the current nine-month period, domestic service revenues were $170.2 million, relatively unchanged from the $172.1 million in the first nine-month period of fiscal 1994. European service revenues for the current nine-month period were $97.7 million, a 9% increase from $89.8 million reported for the first nine-month period of fiscal 1994. Other international service revenues were $33.7 million for the current nine-month period, relatively unchanged from the $33.5 million reported for the first nine-month period of fiscal 1994.

Cost of product revenues was 70% and 68% of product revenues for current quarter and current nine-month period, respectively, compared with 68% and 67% of product revenues, respectively, for the same periods of the prior year. Overall product margins were negatively impacted as a result of the shift to lower margin, higher volume open systems. Cost of service revenues for both the current quarter and first nine-month period represented approximately 64% of service revenues, compared with 64% and 62% for the third quarter and first nine-month period of fiscal 1994, respectively. The company continues to see a shift in service revenues towards increased systems integration activities, which yield a lower margin than traditional contract revenues.

Research and development expenses for the current quarter were $22.8 million, an increase of 3% from the comparable quarter of fiscal 1994. Research and development expenses represented 8% of total revenues in the current quarter and the same prior-year period. For the current nine-month period, research and development expenses were 8% of total revenues, decreasing 6% to $64.1 million from the comparable prior-year period. The company continued to focus its research and development efforts on its core business technology, multi-user computer systems, servers, and mass storage devices. The research and development expense decrease for the current nine-month period as compared to the same period in the prior year was primarily caused by the company dedicating a higher proportion of its resources to capitalizable software development. Gross expenditures on research and development, before capitalization, increased 17% for the current quarter and 4% for the current nine-month period compared to the same prior-year periods. The change in the level of expenditures was a result of material purchases relating to the prototyping of the new Intel-based product line, the porting of DG/UX (Data General's UNIX Operating System) to the new architecture, and the impact of the inclusion of an additional (14th) week that resulted in an extra week of costs. Data General closes each fiscal year on the final Saturday in September, resulting in a 53-week year for fiscal 1995.

Selling, general, and administrative expenses for the current quarter and current nine-month period were relatively unchanged from the comparable periods of fiscal 1994. Selling, general, and administrative expenses represented 30% and 29% of total revenues in the current quarter and in the comparable prior-year period, respectively, and 30% and 31% of total revenues for the current nine-month period and the same period in the prior year, respectively. The company has responded to increasingly competitive conditions through on-going cost reductions. Reductions in selling, general, and administrative expenses have been primarily offset by the weakening of the U.S. dollar in relation to foreign currencies and the impact of the inclusion of the additional week in the current fiscal quarter. At July 1, 1995 the number of employees totaled 5,180, a reduction of 775 employees from June 25, 1994.

Interest income for the current quarter increased $1.3 million from the comparable period of fiscal 1994 due to higher levels of invested cash and increasing market interest rates during the current nine-month period. Interest expense remained relatively unchanged from the comparable period of fiscal 1994.

The income tax provisions for the current quarter and first nine-month period were $.5 million and $8.0 million, respectively, compared with $.5 million and $1.6 million for the comparable prior-year periods, respectively. The provision in the first nine months of the current year resulted primarily from the settlement of the Grumman lawsuit, deferred tax on undistributed earnings for certain foreign subsidiaries, and foreign and state taxes.

In the first quarter of fiscal 1995, the company adopted Statement of Financial Accounting Standards ("SFAS") 112, "Employers' Accounting for Post-Employment Benefits" and SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS 112 requires the accrual of liabilities for the estimated cost of benefits provided by the employer to former or inactive employees. SFAS 115 addresses accounting and reporting for investments in certain debt and equity securities that will not be held until maturity. All of the company's marketable securities at September 24, 1994 and July 1, 1995 have maturities of less than one year, and have been classified as being held-to-maturity. The implementation of SFAS 112 and SFAS 115 did not have a material effect on the company's consolidated financial position or results of operations.

In May 1993, the Financial Accounting Standards Board ("FASB") issued SFAS 114, "Accounting by Creditors for Impairment of a Loan". In October 1994, the FASB issued SFAS 119, "Disclosure about Derivative Financial

Instruments and Fair Value of Financial Instruments". SFAS 114 is effective for fiscal years commencing after December 15, 1994 and SFAS 119 is effective for fiscal years ending after December 15, 1994. The company will implement these statements as required. The future adoption of SFAS 114 and SFAS 119 are not expected to have a material effect on the company's consolidated financial position or results of operations.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

In the first quarter of fiscal 1995, the company settled with Northrop Grumman Corporation its six-year copyright infringement and trade secrets litigation against Grumman Systems Support Corporation ("Grumman"). Under the terms of this settlement, Grumman paid the company $53 million and the parties have dismissed all pending litigation. The settlement resulted in a pre-tax gain, net of related legal fees and other expenses, of $44.5 million.

The company's patent infringement suit against IBM Corporation, and IBM's counterclaim against the company, remains in the discovery stage in the Federal District Court of Boston, Massachusetts. See Item 1 "Legal Proceedings" to the company's Quarterly Report on Form 10-Q for the quarter ended December 24, 1994.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

11. Computation of primary and fully diluted earnings per share.

19. Third Quarter 1995 Interim Report of Data General Corporation.

(b) No reports on Form 8-K were filed during the current quarter ended July 1, 1995.

SIGNATURE

Persuant to the requirements of the Securities Exchange Act of 1934, the registrant has only caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATA GENERAL CORPORATION
(Registrant)

/s/ Arthur W. DeMelle

Arthur W. DeMelle
Vice President
Chief Financial Officer
Chief Accounting Officer

Dated: August 10, 1995

EXHIBITS

Index to Exhibits.

11. Computation of primary and fully diluted earnings per share.

19. Third Quarter 1995 Interim Report of Data General Corporation.

EXHIBIT 11

DATA GENERAL CORPORATION

COMPUTATION OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
(Unaudited)
(In thousands except per share amounts)

	Quarter Ended		Nine Months Ended	
	July 1, 1995	June 25, 1994	July 1, 1995	June 25, 1994
Primary earnings per share:				
Net loss	$(61,384)	$(12,360)	$(48,239)	$(81,440)
Weighted average shares outstanding	37,192	35,915	37,437	35,632
Incremental shares from use of treasury stock method for stock options	--	--	--	--
Common and common equivalent shares, where applicable. .	37,192	35,915	37,437	35,632
Net loss per share	$(1.65)	$(0.34)	$(1.29)	$(2.29)
Earnings per share assuming full dilution: (a)				
Net loss.	$(61,384)	$(12,360)	$(48,329)	$(81,440)
Weighted average shares outstanding	37,192	35,915	37,437	35,632
Incremental shares from use of treasury stock method for stock options	--	--	--	--
Common and common equivalent shares assuming full dilution.	37,192	35,915	37,437	35,632
Net loss per share	$(1.65)	$(0.34)	$(1.29)	$(2.29)

(a) For the quarters and nine-month periods ended July 1, 1995 and June 25, 1994, the assumed conversion of convertible debentures and the use of treasury stock method for stock options, giving effect to the incremental shares and the adjustment to reduce interest expense, results in anti-dilution and has therefore been excluded from the computation.

DATA GENERAL CORPORATION THIRD QUARTER 1995 INTERIM REPORT

Period Ending July 1, 1995

DATA GENERAL
Bringing Common Sense to Computing

TO OUR STOCKHOLDERS, CUSTOMERS AND EMPLOYEES:

Data General reported a net loss of $61.4 million, or $1.65 per share, including a previously announced restructuring charge of $43.0 million for a workforce reduction and other cost reduction activities primarily related to real estate, for it's third quarter of fiscal 1995, which ended July 1. For the third quarter of last year, the company reported a net loss of $12.4 million, or $.34 per share.

Revenues for the third quarter were $280.5 million. For the comparable quarter last year the company reported revenues of $283.8 million.

Revenues for our AViiON(R) server line declined during the third quarter. This was due to a combination of sales force and product transition issues. The sales force transition has been completed and we are confident that as we introduce and begin to ship our new Intel-based AViiON servers later this year, we will be well positioned to again see AViiON revenue growth.

In June, we announced a plan to expand our AViiON server family with new systems based on Intel processors. First shipments will start in the fall. The Intel-based AViiON systems will complement Data General's current Motorola-based AViiON line, which also will be expanded this year with the addition of a new high-end 32-processor system.

We again saw significant growth in our Open CLARiiON(R) storage line, which posted a revenue increase of more than 70 percent over the second quarter. CLARiiON is becoming an increasingly important part of our business.

The CLARiiON Business Unit recently reached a milestone with the shipment of its 10,000th system and in June, broadened its line with the introduction of the Model 150 disk array, which is targeted at low-end UNIX and PC server applications. Virtually all open systems platforms in the marketplace are supported by the Model 150.

The majority of the workforce reduction announced in April has been completed as planned. At the end of the third quarter, Data General had fewer than 5,200 employees.

Our third quarter results were negatively impacted by the inclusion of an additional (14th) week that resulted in an extra week of overhead expenses. Data General closes each fiscal year on the last Saturday in September, resulting in a 53-week year for fiscal 1995.

Data General's financial position continues to be strong with cash and marketable securities of $182.3 million at the end of the third quarter.

For the first nine months of fiscal 1995, Data General reported a loss of $48.2 million, or $1.29 per share. This includes a one-time pre-tax gain of $44.5 million resulting from the settlement of a software copyright infringement and trade secret lawsuit against Northrop Grumman Corporation as well as the $43.0 million restructuring charge. For the same period last year, Data General reported a net loss of $81.4 million, or $2.29 per share, including a restructuring charge of $35.0 million.

Revenues for the first three quarters of 1995 totaled $846.5 million, compared to $827.9 million for the first three quarters of fiscal 1994.

Data General is committed to returning to and sustaining profitability. While we remain cautious for the remainder of 1995, we are confident that our AViiON and CLARiiON businesses will generate future revenue growth and enable us to accomplish this goal.

Respectfully submitted,

Ronald L. Skates
President and Chief Executive Officer

August 9, 1995

DATA GENERAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended	Nine Months Ended

in thousands, except net loss per share	July 1, 1995	June 25, 1994	July 1, 1995	June 25, 1994
Revenues:				
Product	$179,708	$184,497	$544,931	$532,528
Service	100,786	99,279	301,559	295,401
Total revenues	280,494	283,776	846,490	827,929
Costs and expenses:				
Cost of product revenues. . . .	126,491	124,637	368,222	359,054
Cost of service revenues. . . .	64,191	63,150	193,160	183,676
Research and development. . . .	22,807	22,121	64,059	68,357
Selling, general, and administrative	84,268	83,713	257,356	257,773
Restructure charge.	43,000	--	43,000	35,000
Total costs and expenses. . .	340,757	293,621	925,797	903,860
Loss from operations.	(60,263)	(9,845)	(79,307)	(75,931)
Interest income	2,811	1,531	7,584	4,302
Interest expense.	3,427	3,546	10,483	10,564
Other income, net	--	--	41,972	2,353
Loss before income taxes.	(60,879)	(11,860)	(40,234)	(79,840)
Income tax provision.	505	500	8,005	1,600
Net loss.	$(61,384)	$(12,360)	$(48,239)	$(81,440)
Net loss per share	$(1.65)	$(0.34)	$(1.29)	$(2.29)
Weighted average shares outstanding, including common stock equivalents where applicable . .	37,192	35,915	37,437	35,632

No cash dividends have been declared or paid since inception.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

DATA GENERAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

dollars in thousands	(Unaudited) July 1, 1995	Sept. 24, 1994
Assets		
Current assets:		

Cash and temporary cash investments	$ 89,598	$142,448
Marketable securities	92,742	47,865
Receivables, net	243,411	258,709
Inventories	141,987	118,412
Other current assets	30,923	30,642
Total current assets	598,661	598,076
Property, plant, and equipment, net	173,722	164,777
Other assets	65,867	59,011
	$838,250	$821,864
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable	$ 2,678	$ 2,461
Accounts payable	122,016	92,338
Other current liabilities	254,165	232,066
Total current liabilities	378,859	326,865
Long-term debt	154,873	156,942
Other liabilities	31,014	29,445
Stockholders' equity:		
Common stock:		
Outstanding -- 37,262,000 shares at July 1, 1995 and 36,457,000 shares at Sept. 24, 1994 (net of deferred compensation of $7,272 at July 1, 1995 and $9,348 at Sept. 24, 1994)	442,067	434,757
Accumulated deficit	(165,162)	(116,923)
Cumulative translation adjustment	(3,401)	(9,222)
Total stockholders' equity	273,504	308,612
	$838,250	$821,864

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

DATA GENERAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
in thousands	July 1, 1995	June 25, 1994

Cash flows from operating activities:		
Net loss	$(48,239)	$(81,440)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Depreciation	55,759	57,298
Amortization of capitalized software development costs	13,178	15,006
Other non-cash items, net	16,612	23,744
Change in operating assets and liabilities (net of effect from sale of land in fiscal 1994)	46,118	30,004
Net cash provided from operating activities	83,428	44,612
Cash flows from investing activities:		
Expenditures for property, plant, and equipment	(73,943)	(71,340)
Net proceeds from (purchases of) marketable securities	(44,877)	23,716
Capitalized software development costs	(20,625)	(13,075)
Net proceeds from (purchases of) non-operating assets	(600)	4,839
Net cash used by investing activities	(140,045)	(55,860)
Cash flows from financing activities:		
Cash provided from stock plans	3,955	4,063
Repayment of long-term debt	(2,700)	(1,234)
Net cash provided from financing activities	1,255	2,829
Effect of foreign currency rate fluctuations on cash and temporary cash investments	2,512	1,265
Decrease in cash and temporary cash investments	(52,850)	(7,154)
Cash and temporary cash investments - beginning of period	142,448	119,560
Cash and temporary cash investments - end of period	$ 89,598	$112,406
Supplemental disclosure of cash flow information:		
Interest paid	$ 11,355	$ 11,498
Income taxes paid	$ 1,308	$ 2,138

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

DATA GENERAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Consolidated Balance Sheet Details

in thousands	July 1, 1995	Sept. 24, 1994
Inventories:		
Raw materials	$ 13,017	$ 11,791
Work in process	42,589	36,282
Finished systems.	49,151	35,521
Field engineering parts and components.	37,230	34,818
	$141,987	$118,412
Property, plant, and equipment:		
Property, plant, and equipment.	$641,673	$642,924
Accumulated depreciation.	(467,951)	(478,147)
	$173,722	$164,777

Note 2. Restructuring

Loss from operations for the current quarter includes a $43 million provision for estimated expenses resulting from costs associated with a worldwide workforce reduction and real estate costs primarily associated with the continuing consolidation of operations in the European marketplace. The provision relating to the workforce reduction is primarily for salary and benefit continuation and outplacement service.

Note 3. Letter of Credit and Reimbursement Agreement

Effective December 21, 1994, the company entered into a $30 million unsecured letter of credit facility with a group of banks. This agreement, which is available to secure issuance of letters of credit, has a duration of 364 days. The facility contains certain covenants, including restrictions on the sale or pledge of certain assets, the declaration of dividends, and the incurrence of other debt. At July 1, 1995 there were $9.1 million letters of credit secured by this facility. The new agreement replaced the company's unsecured $40 million revolving credit facility and $30 million letter of credit facility.

Note 4. Litigation

In the first quarter of fiscal 1995, the company settled with Northrop Grumman Corporation its six-year software copyright infringement and trade secrets litigation against Grumman Systems Support Corporation ("Grumman"). Under the terms of this settlement, Grumman paid the company $53 million and the parties have dismissed all pending litigation.

The company recognized a pre-tax gain, net of related legal fees and other expenses, of $44.5 million resulting from the settlement, which is included in other income, net, in the consolidated statement of operations. This amount has been partially offset by certain other non-operating expenses.

Note 5. Basis of Presentation

In the first quarter of fiscal 1995, the company adopted Statement of Financial Accounting Standards ("SFAS") 112, "Employers' Accounting for Post-Employment Benefits" and SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS 112 requires the accrual of liabilities for the estimated cost of benefits provided by the employer to former or inactive employees. SFAS 115 addresses accounting and reporting for investments in certain debt and equity securities that will not be held until maturity. All of the company's marketable securities at September 24, 1994 and July 1, 1995 have maturities of less than one year, and have been classified as being 'held-to-maturity'. The implementation of SFAS 112 and SFAS 115 did not have a material effect on the company's consolidated financial position or results of operations.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation. The company's accounting policies are described in the Notes to Consolidated Financial Statements in the company's 1994 Annual Report. Included in the results of the third quarter is an additional (fourteenth) week. The company closes each fiscal year on the last Saturday in September, resulting in a fifty-three week year for fiscal 1995. The results of operations for the quarter ended July 1, 1995 are not necessarily indicative of the results for the entire fiscal year.

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