

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended January 1, 1995  
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OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5075  
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EG&G, Inc.

-----  
(Exact name of registrant as specified in its charter)

Massachusetts 04-2052042  
-----  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

45 William Street, Wellesley, Massachusetts 02181  
-----  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (617) 237-5100  
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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
-----	-----
Common Stock, \$1 Par Value	New York Stock Exchange, Inc.
-----	-----
Preferred Share Purchase Rights	New York Stock Exchange, Inc.
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Securities registered pursuant to Section 12 (g) of the Act: None  
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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by section 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  No   
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the common stock, \$1 par value, held by nonaffiliates of the registrant on February 24, 1995, was \$782,014,706.

As of February 24, 1995, there were outstanding, exclusive of treasury shares, 54,716,870 shares of common stock, \$1 par value.

#### DOCUMENTS INCORPORATED BY REFERENCE

PORTIONS OF EG&G, INC.'S  
1995 PROXY STATEMENT.....PART III (Items 10, 11  
and 12)

#### ITEM 1. BUSINESS

##### GENERAL BUSINESS DESCRIPTION

EG&G, Inc. was incorporated under the laws of the Commonwealth of Massachusetts in 1947. EG&G, Inc. (hereinafter referred to as "EG&G", the "Company", or the "Registrant", which includes the Company's subsidiaries) is a diversified company which had annual sales of \$1.3 billion in 1994 from continuing operations.

The Company designs and manufactures analytical and clinical instruments and optoelectronic and mechanical components for manufacturers and end-users in industrial and government markets. It also provides a variety of systems engineering, project management and testing services to governmental and commercial customers.

The Company's operations are classified into four industry segments: Technical Services, Instruments, Mechanical Components and Optoelectronics.

##### RECENT DEVELOPMENTS

In August 1994, the Company announced that the bid of Idaho Applied Technologies, a joint venture comprised of EG&G, BNFL, Inc. and Fluor Daniel Environmental Services, Inc., for the expanded contract at the U.S. Department of Energy's ("DOE") Idaho National Engineering Laboratory ("INEL") was unsuccessful.

Also in August 1994, the Company announced that it would not seek renewal of its Rocky Flats and Nevada Test Site contracts and would no longer pursue Management and Operations ("M&O") contracts with the DOE. Its former DOE Support segment is now reported as Discontinued Operations. The Company continues to meet its obligations under current DOE contracts.

In September 1994, the Company acquired IC Sensors, Inc. located in Milpitas, California. IC Sensors manufactures micromachined pressure sensors, accelerometers and valves for industrial, medical, automotive and aerospace applications.

Also in September 1994, the Company acquired NoVOCs, Inc. in located Menlo Park, California. NoVOCs offers an innovative process for restoring groundwater contaminated by gasoline, solvents and other volatile organic compounds.

In October 1994, the Company announced a major restructuring of its business operations and recorded a restructuring charge of \$30.4 million and a write-down of goodwill of \$40.3 million in the third quarter.

In January 1995, the Company's Board of Directors authorized the purchase of an additional 10 million shares of common stock. In total, the Company has current authorization to purchase 13.3 million shares. The Company will finance these activities with a combination of borrowings and cash flow from operations.

##### INDUSTRY SEGMENTS

The Company's continuing operations are organized into four industry segments as set forth below.

##### TECHNICAL SERVICES

The Company provides a wide range of technical services including engineering, scientific, environmental, and management support to a

number of industrial and governmental organizations. It also provides analysis and testing services to the automotive industry.

The Company has been the base contractor for the National Aeronautics and Space Administration's ("NASA") Kennedy Space Center ("Center") in Florida since 1983. The Company is currently in the second year of a four year contract that has two three year renewal options at the election of the government. Under this contract, the Company provides institutional, technical, and maintenance support services at the Center. The Company manages the Center's 600 buildings, structures, and facilities; tests new astronaut rescue procedures and escape systems; fields a force of 200 uniformed security personnel together with a SWAT team; provides fire protection and medical services; handles all propellant substances; and manages the shuttle landing facility.

The Company also furnishes maintenance and support services to NASA at its center for the development of aircraft and spacecraft systems, the Langley Research Center ("Langley") in Hampton, Virginia. At Langley, the Company maintains laboratories, research equipment, and facilities including wind tunnels for aerodynamic testing.

The Company provides a broad array of services to the Department of Defense ("DoD"). The Company's DoD contracts fall into two general categories, traditional defense activities and decommissioning, including among others, the following:

1. Technical support services for the Army's Yuma Proving Grounds in Arizona.
2. Operational and maintenance services for the Air Force Radar Target Scatter facility, an electromagnetic laboratory in New Mexico.
3. Planning and analysis, training, engineering and other support services for the Navy in connection with next-generation combat systems.
4. Operational and management services for the Army's Chemical Decontamination Training Facility at Fort McClellan, Alabama.
5. Management and operations services for the Army's facility for the disposal of lethal chemical agents and munitions in Tooele, Utah.

The Company also provides engineering and management services in a variety of fields including transportation, physical security, and property management for other government agencies. Government clients include the U.S. Departments of Transportation, State, and Treasury, as well as the Environmental Protection Agency.

The Company supports the DOE's focus on applied fossil energy technology at the Morgantown Energy Technology Center in West Virginia.

The Company develops and conducts vehicle performance, durability and component testing for all major U.S. and a number of foreign auto manufacturers. These services include vibration testing, road performance simulation, fatigue and impact testing. The Company also provides lubricant testing services that range from the testing of fuels, various lubricants, and engine performance to the measurement and analysis of engine emissions using advanced computer simulation techniques, test fixtures and equipment.

In the environmental area, the Company is acquiring patents and technology with a view towards expanding its presence in the public and private sector remediation markets.

#### INSTRUMENTS

The Company manufactures instruments and systems for medical and clinical diagnostics applications; biochemical, medical and life science research; environmental monitoring; industrial process measurement; gas and oil field applications; food inspections; airport and industrial security; and marine and oceanographic studies.

The Company manufactures medical diagnostic instruments and systems based on time-resolved fluorescence which are used in hospitals and medical laboratories to screen blood for thyroid dysfunction, fertility-related disorders, fetal defects, diseases in newborns and indicators of relapse in cancer patients. The systems are also used in drug development, DNA research, and other basic biological research. The Company manufactures a fully automatic fluorescence immunoassay diagnostic system, AutoDelfia, which analyzes tumor markers, hormone analytes and neonatal screen analytes. In connection with a Prostate Specific Antigen test under development, AutoDelfia is expected to improve confirmatory work on the diagnosis of prostate cancer.

The Company also manufactures medical diagnostic devices that utilize optical technology. Its luminometers analyze organic material and are used in pharmaceutical drug research.

Many of the Company's instruments are based on its expertise in nuclear radiation detection, characterization and measurement. The Company offers alpha, beta and gamma counting systems that are used in clinical and research laboratories and for environmental analysis. The Company sells radiation-protection measuring systems, equipped with built-in large-area proportional detectors, to laboratories and nuclear and environmental monitoring facilities.

Employing its radioisotopic measurement technology, the Company offers industrial on-line level and density measuring instruments for process control of liquids, slurries, or solids in containers, tanks, and pipes.

The Company also manufactures security screening systems that employ X-ray technology with various supporting image-enhancing techniques and walk-through metal detector. The systems are used for non-intrusive inspection of baggage and packages at airport portals, baggage processing areas, mail rooms, courthouses, school and other buildings.

The Company's food inspection system is used in food-processing and packaging plants to monitor raw and processed food on the production line. When the system detects a foreign object, it sends a signal that results in the removal of the item from the line. The system combines the Company's X-ray detection technology employed in security systems and its photodiode, detector and analyzer imaging technology.

The Company's high-performance electrochemistry instruments, the majority of which are computer controlled, are used by research laboratories, universities and industrial and pharmaceutical companies to detect, analyze, and characterize corrosion, trace materials and neurological biochemicals.

The Company offers small high-precision turbine flow meters and primary standard flow calibrators that are used in aerospace, industrial and pharmaceutical applications.

For marine and oceanographic applications, the Company offers side-scan sonar equipment, marine seismic instruments, and acoustic equipment for recovery of ocean-floor moorings and instruments. The Company provides instruments for use in the oil and gas industry including high-temperature, high-pressure test chambers that predict performance of cement slurries during drilling and completion of oil and gas wells, viscometers for analyzing drilling muds, pressure calibration standards, and chromatographs and gravimeters for the analysis of natural gas.

#### MECHANICAL COMPONENTS

The Company offers high-reliability advanced seals, bellows products, heat exchangers, fan and blowers and precision components. Markets served include chemical, petrochemical, and transportation, aerospace, environmental remediation and defense.

The Company's welded metal bellows devices in mechanical sealing

components and systems continue as the core of its advanced sealing business. These products have applications in pharmaceutical, food processing, oil refineries, chemical and petrochemical processing facilities. The Company also supplies welded metal bellows seals, dry gas seals, hydrodynamic gas seals, ready-to-install cartridge seals for use in process plants, vehicles, commercial and domestic water pumps, and home appliances; and face seals, hydrostatic and hydrodynamic seals and brush seals for turbine engines, and other high-pressure systems.

The Company manufactures high-reliability cooling fans and blowers for electronics and electrical equipment and transportation systems, and blowers and blower systems that produce both vacuum and pressure using regeneration and multistage technology for industrial applications.

The Company's Biocube Aerobic Biofilter treats volatile organic compounds and odorous emissions with naturally occurring microbes.

The Company produces static metal seals for engines and ducting joints and connectors for high-pressure and high-temperature air systems, hydraulic valves for pressure and flow requirements, pneumatic valves that control the flow of fluids and gases, and precision solenoid, relief and check valves for hydraulic systems.

The Company manufactures aircraft engine exhaust and pneumatic ducting assemblies and rocket engine components that utilize bulge forming, drop hammer forming and fusion welding technologies.

The Company's metal printed circuit board retainers and extractors are used in electronic enclosures for military, commercial aircraft, telecommunications and computer applications.

#### OPTOELECTRONICS

The Company offers a broad variety of components that emit and detect light in the spectrum from ultraviolet through visible to the far infrared. These components range from simple photocells to sophisticated imaging systems, light sources that include various types of flashtubes and laser diodes, field instruments for fiber-optics and complex devices for weapons' trigger systems. Applications extend from simple light sensors used in automotive and commercial electronics, sensors used in smoke detectors and in medical imaging systems, to sophisticated systems for communications, remote sensing of the earth, and deep-space exploration.

The Company produces other detectors of visible and non-visible light including high-performance silicon photodiodes to detect and measure light and other optical radiation for space, military, analytical and scientific instrumentation. Light detectors are also used by the Company to produce a family of products for fiber-optic cable manufacturing and field installation and inspection. The Company also makes a wide variety of flashlamps for use in photocopy and reprographic equipment, photo-typesetting systems, beacons, indicators, and laser systems and accessories.

The Company also manufactures power supplies for military high-reliability and high-frequency electronic applications that are used primarily for precisely controlled switching of electric current in electronic equipment.

The Company is continuing development of amorphous silicon imaging systems. These X-ray systems incorporate amorphous silicon which replaces film in X-ray systems and translates the rays directly into digital pulses that then immediately produce the image on a cathode ray tube.

The Company produces micromachined sensors which are small silicon-wafer-based devices that combine a sensing function with intelligent signal processing. The Company mass-produces these micromachined infrared sensors for microwave ovens and toasters, and also manufactures high-performance micromachined silicon sensors for missile-guidance systems. In a joint venture, the Company is developing micromachined electronic accelerometers for

consumer and industrial applications.

#### DISCONTINUED OPERATIONS

The Company, since its founding, has provided services to the DOE related to nuclear energy research, weapons production and testing under the M&O contracts.

During the third quarter of 1994, the Company announced a plan to exit the DOE business and decided not to seek renewal of its remaining four DOE contracts although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for management and operations contracts at other DOE facilities. Accordingly, the Company is reporting the former DOE Support segment as discontinued operations. Future sales and income from discontinued operations will decrease as the remaining DOE contracts expire in 1995 and 1996 and are dependent upon work scopes and fee pools negotiated annually that are currently under review by the DOE.

The INEL contract expired in 1994; three contracts are scheduled to expire in 1995 and one is scheduled to expire in 1996. Expiration dates may be modified by the DOE in accordance with contract terms.

Under the Rocky Flats contract, the Company is the prime contractor for the management and operation of the Rocky Flats Environmental Technology Site near Golden, Colorado. The Company's responsibilities lie in maintaining the security of the facility and the environmental remediation of the site. It also provides all support services to the site. The contract is scheduled to expire on December 31, 1995; however, the DOE has notified the Company of its intention to expedite the procurement and award of the Rocky Flats contract, which may result in termination of the Company's contract prior to the expiration date.

Under the Mound Applied Technologies contract, which is scheduled to expire on September 30, 1996, the Company provides all support services at the facility and is responsible for the assembly and testing of radiotoxic thermionic generators for space and special terrestrial power missions and for the transfer to other DOE facilities of technology relating to the facility's former mission involving the manufacturing of components for nuclear weapons.

Under the Reynolds Electrical and Engineering Co. contract, which is scheduled to expire on December 31, 1995, the Company provides support and maintenance services for the underground nuclear weapons test program and its design laboratories at the Nevada Test Site.

Under the Energy Measurements contract, which is scheduled to expire on December 31, 1995, the Company provides scientific and engineering services also relating to the Nevada Test Site. Much of this work is done in cooperation with the Sandia, Los Alamos, and Lawrence Livermore National Research Laboratories.

#### MARKETING

The services and products of the Company are marketed through its own specialized sales forces as well as independent foreign and domestic manufacturers' representatives and distributors. In certain foreign countries, the Company has entered into joint venture and license agreements with local firms to manufacture and market its products.

#### RAW MATERIALS AND SUPPLIES

Raw materials and supplies are generally readily available in adequate quantities from domestic and foreign sources.

#### PATENTS AND TRADEMARKS

While the Company's patents, trademarks, and licenses are cumulatively important to its business, the Company does not believe that the loss of any one or group of related patents, trademarks, or licenses would have a materially adverse effect on

the overall business of the Company or on any of its industry segments.

#### BACKLOG

The approximate dollar value of unfilled orders of continuing operations by industry segment as of January 1, 1995, and January 2, 1994 is set forth in the table below.

(In Thousands)	January 1, 1995	January 2, 1994
	-----	-----
Technical Services	\$247,380	\$243,081
Instruments	46,474	47,452
Mechanical Components	87,879	92,691
Optoelectronics	111,402	83,459
	-----	-----
Total	\$493,135	\$466,683
	=====	=====

At January 1, 1995, 49% of the backlog represented orders received from U.S. Government agencies, primarily the DoD and NASA. The order backlog for each segment relates differently to future sales based on different business characteristics, primarily order and delivery lead times and customer demand requirements. The Company estimates that approximately 90% of its backlog as of January 1, 1995, will be billed during 1995.

DOE Support backlog, which is not reflected above, represents annual contract funding that has actually been appropriated, and was \$0.8 billion at January 1, 1995, and \$1.2 billion at January 2, 1994.

#### GOVERNMENT CONTRACTS

In accordance with government regulations, all of the Company's government contracts are subject to termination for the convenience of the government.

Continuing Operations: Sales to U.S. Government agencies, which were predominantly to the DoD and NASA, were \$542 million, \$560 million and \$566 million in 1994, 1993, and 1992, respectively. The Company's Kennedy Space Center award-fee contract with NASA generated sales of \$176 million in 1994. In October 1993, the Company was selected by NASA to continue as the base operations contractor at the Kennedy Space Center. The new contract has a term of 4 years with two three year options, at the government's election, and contains reductions in contract value and has resulted in reductions in the annual fee from the prior contract.

Discontinued Operations: The Company's five major cost-plus-award-fee contracts with the DOE contributed \$1.3 billion of sales to discontinued operations in 1994. During the third quarter of 1994, the Company announced a plan to exit the DOE business and decided not to seek renewal of its remaining four DOE contracts although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for M&O contracts at other DOE facilities. The Company's contract to manage the INEL expired September 30, 1994 and contributed \$240 million of sales to discontinued operations in 1994.

The Company's remaining management and operations contracts with the DOE expire as follows:

Reynolds Electrical and Engineering Co., Inc. - December 31, 1995  
EG&G Energy Measurements, Inc. - December 31, 1995  
EG&G Rocky Flats, Inc. - December 31, 1995  
EG&G Mound Applied Technologies, Inc. - September 30, 1996

Expiration dates may be modified by the DOE in accordance with contract terms. The DOE has notified the Company of its intention to expedite the procurement and award of the Rocky Flats contract, which may result in termination of the Company's contract prior to the currently scheduled expiration date.

## COMPETITION

Because of the wide range of its products and services, the Company faces many different types of competition and competitors. Competitors range from large foreign and domestic organizations that produce a comprehensive array of goods and services, to small concerns producing a few goods or services for specialized market segments.

The Technical Services segment provides technical services to several agencies of the federal government, including DoD and NASA. This business is typically won through competition with a number of large and small contractors, many of whom are as large or larger than the Company and who, therefore, have resources and capabilities that are comparable to or greater than those of the Company. The primary bases for competition in these markets are technical and management capabilities, current and past performance, and price.

Competition is typically subject to mandated procurement and competitive bidding requirements. Competition for automotive testing services is primarily from a few specialized testing companies and from customer-owned testing facilities. Automotive and instruments testing competition is primarily based on quality, service, and price.

In the Instruments segment, the Company competes with instrument companies, some large, most small, that serve narrow segments of markets in oceanographic equipment; X-ray security systems; and nuclear, industrial, and diagnostic instrumentation for exploration and development of oil and gas resources. The Company competes in these markets on the basis of product performance, product reliability, service and price. Consolidation of competitors through acquisitions and mergers and the Company's increasing activity in all selected diagnostics and industrial markets is expected by the Company to increase the proportion of large competitors in this segment.

In the Mechanical Components segment, the Company is a leading supplier of selected precision aircraft exhaust components, specialized fans and heat transfer devices, and mechanical seals for industrial applications. Competition in these areas is typically from small specialized manufacturing companies.

In the Optoelectronics segment, the Company is among the leading suppliers of specialty flashtubes, silicon photodetectors, avalanche photodiodes, cadmium sulfide and cadmium selenide detectors, photodiode arrays and switched power supplies, all of which are part of the Company's Optoelectronics segment. Typically, competition is from small specialized manufacturing companies.

Within the Mechanical Components, Optoelectronics and Instruments segments, competition for governmental purchases is subject to mandated procurement procedures and competitive bidding practices. In these segments, the Company competes on the basis of product performance, quality, service and price. In much of the Optoelectronics and Instruments segments and in the specialized fan and aircraft and marine mechanical seal markets included in the Mechanical Components segment, advancing technology and research and development are important competitive factors.

## RESEARCH AND DEVELOPMENT

During 1994, 1993 and 1992, Company-sponsored research and development expenditures were approximately \$38.6 million, \$34.7 million and \$32.1 million, respectively.

## ENVIRONMENTAL COMPLIANCE

The Company is conducting a number of environmental investigations and remedial actions at current and former Company locations and, along with other companies, has been named a potentially responsible party for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the



Company's responsibility is established and when the cost can be reasonably estimated. As of January 1, 1995, the Company had an accrual of \$2.4 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed to reflect additional information as it becomes available. There have been no environmental problems to date that had or are expected to have a material effect on the Company's financial position or results of operations.

#### EMPLOYEES

As of March 7, 1995, the Company employed approximately 25,000 persons including 11,000 persons in the former DOE Support segment. Certain of the Company's subsidiaries are parties to contracts with labor unions. The Company considers its relations with employees to be satisfactory.

#### FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

Sales and Operating Income (Loss) From Continuing Operations by Industry Segment  
For the Five Years Ended January 1, 1995

(In thousands)	1994	1993	1992	1991	1990
<b>Sales:</b>					
Technical Services	\$ 613,588	\$ 636,041	\$ 608,864	\$ 586,537	\$ 522,724
Instruments	273,088	237,223	226,900	230,196	208,263
Mechanical Components	232,500	244,878	274,199	295,519	295,052
Optoelectronics	213,380	201,274	210,118	146,274	129,920
	-----	-----	-----	-----	-----
	\$1,332,556	\$1,319,416	\$1,320,081	\$1,258,526	\$1,155,959
	=====	=====	=====	=====	=====
<b>Operating Income (Loss) From Continuing Operations:</b>					
Technical Services	\$ 46,075	\$ 68,762	\$ 56,924	\$ 55,601	\$ 46,981
Instruments	(49,580)	10,413	16,016	21,954	5,756
Mechanical Components	18,766	24,408	21,835	28,426	27,175
Optoelectronics	8,674	11,474	3,905	7,140	11,116
General Corporate Expenses	(34,882)	(27,573)	(29,895)	(27,456)	(23,491)
	-----	-----	-----	-----	-----
	\$ (10,947)	\$ 87,484	\$ 68,785	\$ 85,665	\$ 67,537
	=====	=====	=====	=====	=====

The operating income (loss) from continuing operations for 1994 included a goodwill write-down of \$40.3 million and restructuring charges of \$30.4 million. The impact of these nonrecurring charges on each segment was as follows: Technical Services-\$1.6 million, Instruments-\$55.7 million, Mechanical Components-\$2.7 million, Optoelectronics-\$9.7 million and General Corporate Expenses-\$1 million.

The Company's DOE Support segment is presented as discontinued operations and, therefore, is not included above.

Additional information relating to the Company's operations in the various industry segments follows:

(In thousands)	Depreciation and Amortization Expense			Capital Expenditures		
	1994	1993	1992	1994	1993	1992
Technical Services	\$ 7,447	\$ 8,422	\$ 7,991	\$ 7,314	\$ 6,315	\$ 5,650
Instruments	11,621	9,213	8,131	5,398	6,555	4,768
Mechanical Components	6,091	6,870	7,755	6,197	5,598	5,290
Optoelectronics	10,690	12,417	11,595	17,748	8,469	6,305
Corporate	941	920	820	620	923	433
	-----	-----	-----	-----	-----	-----
	\$ 36,790	\$37,842	\$36,292	\$37,277	\$27,860	\$22,446

(In thousands)	Identifiable Assets		
	1994	1993	1992
Technical Services	\$129,995	\$127,917	\$133,351
Instruments	220,232	256,117	217,792
Mechanical Components	93,721	97,317	112,272
Optoelectronics	193,302	142,630	142,543
Corporate and Other	155,879	140,906	140,619
	\$793,129	\$764,887	\$746,577

Corporate assets consist primarily of cash and cash equivalents, prepaid taxes and investments.

#### FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Information relating to geographic areas follows:

(In thousands)	Sales			Operating Income (Loss) From Continuing Operations		
	1994	1993	1992	1994	1993	1992
U.S.	\$1,026,970	\$1,049,131	\$1,063,753	\$ 57,679	\$ 96,495	\$ 87,899
Non-U.S.	305,586	270,285	256,328	(33,744)	18,562	10,781
Corporate	---	---	---	(34,882)	(27,573)	(29,895)
	\$1,332,556	\$1,319,416	\$1,320,081	\$ (10,947)	\$ 87,484	\$ 68,785

(In thousands)	Identifiable Assets		
	1994	1993	1992
U.S.	\$ 341,725	\$ 305,344	\$ 333,533
Non-U.S.	295,525	318,637	272,425
Corporate and Other	155,879	140,906	140,619
	\$ 793,129	\$ 764,887	\$ 746,577

Over 75% of the identifiable assets of the non-U.S. operations are located in European Union countries. Transfers between geographic areas were not material.

#### ITEM 2. PROPERTIES

As of March 24, 1995, the Company occupied approximately 4,945,300 square feet of building area, of which approximately 1,764,900 square feet is owned and the balance leased. The Company's headquarters occupies 53,350 square feet of leased space in Wellesley, Massachusetts. The Company's other operations are conducted in manufacturing and assembly plants, research laboratories, administrative offices and other facilities located in 26 states, Washington, D.C., Puerto Rico, the Virgin Islands and 15 foreign countries.

Non-U.S. facilities account for approximately 1,297,500 square feet of owned and leased property, or approximately 26% of the Company's total occupied space.

The Company's leases on property are both short-term and long-term. In management's opinion, the Company's properties are well-maintained and are adequate for its present requirements.

At certain government facilities, the Company occupies government furnished space. A majority of this space is occupied by the Discontinued Operations. In addition, a substantial part of the equipment and machinery used by the Company in the performance of its government contracts has been furnished by the government. Substantially all of the machinery and equipment used by the Company in its other activities is owned by the Company and the balance is leased or furnished by contractors or customers.

The following table indicates the approximate square footage of real property owned and leased attributable to each of the Company's industry segments.

	Owned (Sq. Feet)	Leased (Sq. Feet)	Total (Sq. Feet)
	-----	-----	-----
Continuing Operations			
Technical Services	163,400	1,036,000	1,199,400
Instruments	563,700	444,500	1,008,200
Mechanical Components	576,900	543,900	1,120,800
Optoelectronics	460,900	564,900	1,025,800
Corporate Offices	0	62,300	62,300
	-----	-----	-----
Total Continuing Operations	1,764,900	2,651,600	4,416,500
Discontinued Operations	0	528,800	528,800
	-----	-----	-----
Total	1,764,900	3,180,400	4,945,300
	=====	=====	=====

#### ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various investigations, claims, and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company. The Company has established accruals for matters that are probable and reasonably estimable. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial position or results of operations of the Company.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

#### EXECUTIVE OFFICERS

Listed below are the executive officers as of March 31, 1995. No family relationship exists between any of the officers.

Name	Position	Age
-----		
John M. Kucharski	Chairman of the Board, President and Chief Executive Officer	59
Thomas J. Sauser	Senior Vice President Chief Financial Officer	51
Fred B. Parks	Senior Vice President	47
Louis P. Valente	Senior Vice President	64
James O. Zane	Senior Vice President	61
Murray Gross	Vice President,	58

General Counsel and Clerk

John F. Alexander, II	Corporate Controller	38
Angelo D. Castellana	Vice President	53
James R. Dubay	Vice President	58
Dale L. Fraser	Vice President	59
Earl M. Fray	Vice President	61
Deborah S. Lorenz	Vice President	45
Donald E. Michel	Vice President	59
Donald H. Peters	Vice President	54
Luciano S. Rossi	Vice President	49
Edward H. Snow	Vice President	58
C. Michael Williams	Vice President	58
Peter H. Zavattaro	Vice President	57

Mr. Kucharski joined the Company in 1972. He was elected a Vice President in 1979, a Senior Vice President in 1982 and Executive Vice President in 1985. In 1986 he was elected President and Chief Operating Officer, in 1987 Chief Executive Officer and was elected Chairman of the Board of Directors in 1988.

Mr. Sauser joined the Company in 1994 as Senior Vice President and Chief Financial Officer. From December 1991 to January 1994, Mr. Sauser held the position of Chief Financial Officer and Vice President, Assistant General Manager for IBM Latin America, and from 1989 to 1991 he held a similar position with IBM Microelectronics.

Dr. Parks joined the Company in 1976. He was elected a Vice President in 1988 and a Senior Vice President in 1991.

Mr. Valente joined the Company in 1968. He was elected Treasurer in 1979, a Vice President in 1983, and a Senior Vice President in 1991 and is Director of Acquisitions, Dispositions and Investments.

Mr. Zane joined the Company in 1976. He was elected a Vice President in 1986 and a Senior Vice President in 1991 and is Group Executive of the DOE Support segment.

Mr. Gross joined the Company in 1971. He was elected Assistant General Counsel and Assistant Clerk in 1978 and Vice President and General Counsel in 1990.

Mr. Alexander joined the Company in 1982. He was elected Corporate Controller in 1991.

Mr. Castellana joined the Company in 1965. He was elected a Vice President in 1991 and is Chief Operating Officer of the Instruments segment.

Mr. Dubay joined the Company in 1971. He was elected a Vice President in 1988 and is General Manager of EG&G Florida.

Mr. Fraser joined the Company in 1961. He was elected a Vice President in 1990 and is General Manager of Reynolds Electrical and Engineering Company.

Mr. Fray joined the Company in 1977. He was elected a Vice President in 1994 and is General Manager of EG&G Mound.

Ms. Lorenz joined the Company in 1990. She was elected a Vice President in 1992. From 1980 to 1990 Ms. Lorenz was Assistant Director of Investor Relations at British Petroleum, plc.

Mr. Michel joined the Company in 1985. In 1994, he was elected a Vice President and is General Manager of Washington Analytical Services Center

Dr. Peters joined the Company in 1968. He was elected a Vice President in 1987 and is Director of Planning.

Mr. Rossi joined the Company in 1967. He was elected a Vice President in 1988 and is Group Executive of the Mechanical Components segment.

Dr. Snow joined the Company in 1977. He was elected a Vice President in 1992 and is Group Executive of the Optoelectronics segment.

Mr. Williams joined the Company in 1972. He was elected a Vice President in 1984 and is Group Executive of the Technical Services segment.

Mr. Zavattaro joined the Company in 1959. He was elected a Vice President in 1985 and is General Manager of Energy Measurements.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Quarterly Common Stock Market Price Range

	1993 Quarters			
	First	Second	Third	Fourth
High	\$24.00	\$24.50	\$20.25	\$18.38
Low	19.38	18.88	15.75	16.75

	1994 Quarters			
	First	Second	Third	Fourth
High	\$19.00	\$16.50	\$15.88	\$17.00
Low	16.38	14.13	14.63	13.75

#### Dividends

	1993 Quarters			
	First	Second	Third	Fourth
Cash Dividends Per Common Share	\$ .13	\$ .13	\$ .13	\$ .13

	1994 Quarters			
	First	Second	Third	Fourth
Cash Dividends Per Common Share	\$ .14	\$ .14	\$ .14	\$ .14

The Company's common stock is listed and traded on the New York Stock Exchange. The number of holders of record of the Company's Common Stock as of February 24, 1995, was approximately 14,140.

In October 1994, the Board of Directors of the Company declared a regular quarterly cash dividend of fourteen cents per share of common stock. The quarterly cash dividend was paid on February 10, 1995, to stockholders of record at the close of business on January 20, 1995.

### ITEM 6. SELECTED FINANCIAL DATA

#### SELECTED FINANCIAL INFORMATION

For the Five Years Ended January 1, 1995

(In thousands

where applicable)                      1994                      1993                      1992                      1991                      1990

Operations:					
Sales	\$1,332,556	\$1,319,416	\$1,320,081	\$1,258,526	\$1,155,959
Operating income (loss) from continuing operations	(10,947) a	87,484	68,785	85,665	67,537
Income (loss) from continuing operations	(32,107)	54,622	48,765	51,936	45,980
Income from discontinued operations, net of income taxes	26,452	24,949	39,014	29,306	27,986
Income (loss) before cumulative effect of accounting changes	(5,655)	79,571	87,779	81,242	73,966
Net income (loss)	(5,655)	59,071 b	87,779	81,242	73,966
Earnings (loss) per share:					
Income (loss) from continuing operations	(.58)	.97	.87	.93	.81
Income from discontinued operations, net of income taxes	.48	.44	.69	.52	.49
Income (loss) before cumulative effect of accounting changes	(.10)	1.41	1.56	1.45	1.30
Net income (loss)	(.10)	1.05 b	1.56	1.45	1.30
Return on equity	(1.2)%	12.4% d	19.6%	20.6%	20.6%
Weighted average common shares outstanding	55,271	56,504	56,385	55,901	56,989
Financial Position:					
Working capital	\$ 199,656	\$ 227,935	\$ 247,518	\$ 214,495	\$ 149,674
Current ratio	1.71:1	1.98:1	2.07:1	1.90:1	1.58:1
Total assets	793,129	764,887	746,577	694,024	674,507
Total debt	60,800	45,039	42,223	59,635	95,551
Stockholders' equity	445,366	477,534	473,636	420,711	369,631
-Per share	8.08	8.51	8.34	7.45	6.58
Total debt/total capital	12%	9%	8%	12%	21%
Common shares outstanding	55,124	56,131	56,812	56,495	56,175

SELECTED FINANCIAL INFORMATION (continued)

For the Five Years Ended January 1, 1995

(In thousands

where applicable)

	1994	1993	1992	1991	1990
Other Data:					
Cash flows from continuing operations	\$ 70,341	\$ 76,217	\$ 94,554	\$ 77,720	\$ 93,900
Cash flows from discontinued operations	25,542	35,920	33,253	26,709	35,308
Cash flows from operating activities	95,883	112,137	127,807	104,429	129,208
Capital expenditures	37,277	27,860	22,446	26,617	19,848
Depreciation and amortization	36,790	37,842	36,292	33,726	29,944
Cash dividends					

per common share           .56           .52           .49           .42           .38  
<FN>

- a) Includes a goodwill write-down of \$40.3 million and restructuring charges of \$30.4 million.
- b) Includes one-time after-tax charges of \$20.5 million, or \$.36 per share, due to the Company's adoption of SFAS No. 106 and 109.
- c) Return on equity before effect of nonrecurring items described in a) was 11.8%.
- d) Return on equity before cumulative effect of accounting changes was 16.4%.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The discussion that follows is a summary analysis of the major changes by industry segment.

1994 Compared to 1993

During the third quarter of 1994, three significant events occurred that have a material effect on both the current financial results and the expected future performance of the Company. First, the Company decided not to seek renewal of its remaining four DOE contracts although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for management and operations contracts at other DOE facilities. Accordingly, the Company is reporting the former DOE Support segment as discontinued operations for all periods presented in the consolidated financial statements. Second, management completed its review of the remaining operating segments' performance and developed a plan to reposition these businesses to attain the Company's business goals. The plan resulted in restructuring charges of \$30.4 million in the third quarter. Finally, the decline in the financial results of certain operating elements within the Instruments segment, together with a strategic and operational review of these operations, resulted in an evaluation of the related goodwill for possible impairment. This evaluation resulted in a write-down of goodwill of \$39.2 million and a reduction in the estimated remaining useful life of unamortized goodwill from 36 to 16 years. The Company also wrote off \$1.1 million of a small Optoelectronics unit's goodwill. Additional information related to these events is discussed below and in Notes 5, 8, and 10 to the consolidated financial statements.

Sales

Sales from continuing operations for 1994 were \$1,333 million, \$13 million higher than 1993 sales.

**Technical Services:** The \$22 million decline resulted primarily from the \$32 million reduction in program expenditures under the new base operations contract at the Kennedy Space Center. In addition, automotive testing sales declined \$8 million to more normal levels following increases in 1993 caused by the introduction of new testing protocols. Partially offsetting these decreases were increased billings of \$21 million from the chemical weapons disposal contract as it moves into its testing phase.

**Instruments:** The \$36 million increase resulted primarily from \$31 million of sales of Wallac, acquired late in the second quarter of 1993, and a \$12 million increase in airport security product sales. These increases were partially offset by a \$4 million sales decrease in other businesses. These businesses are being sold under the repositioning plan and contributed sales of \$16 million in 1994.

**Mechanical Components:** The \$12 million decrease was primarily due to the absence of sales of an operation divested late in 1993.

**Optoelectronics:** The \$12 million increase was due primarily to higher shipments of flash products of \$20 million, and \$5 million of sales of IC Sensors, acquired at the end of the third quarter. Partially offsetting the increases was the absence of \$5 million of sales from an operation divested late in 1993 and a \$4 million decrease in sales on a government contract that ended in September 1994.

Operating Income (Loss) From Continuing Operations

The operating loss from continuing operations in 1994 was \$10.9 million compared to income of \$87.5 million in 1993. The loss from continuing operations included the \$40.3 million write-down of goodwill and restructuring charges of \$30.4 million resulting from management's repositioning plan. The Wallac and IC

Sensors acquisitions were the main contributors to the \$3.9 million increase in research and development expenses. The \$13.4 million increase in selling, general and administrative expenses resulted mainly from Wallac and increased corporate expenses, offset by cost reductions in the Instruments segment and the absence of expenses of operations divested in 1993.

**Restructuring Charges:** During the third quarter of 1994, management completed its review of the operating segments and developed a plan to reposition these businesses to attain the Company's business goals. The plan resulted in pre-tax restructuring charges of \$30.4 million. The principal actions in the repositioning plan include reduction of excess manufacturing capacity, changes in distribution channels, consolidation and reengineering of support infrastructure, disposal of under-utilized assets, withdrawal from certain unprofitable product lines, disposal of excess property and general cost reductions. The repositioning plan will result in the termination of the jobs of approximately 1,000 non-DOE employees; the net work force reduction will be approximately 800 non-DOE employees. The reduction through January 1, 1995 was 200 employees. These combined actions are expected to result in pre-tax savings of approximately \$17 million in 1995 and annualized pre-tax savings of approximately \$30 million starting in 1996. The major components of the restructuring charges were \$21 million of employee separation costs, \$4.9 million of noncash charges to dispose of certain product lines and assets through sale or abandonment and \$4.5 million of charges to terminate lease and other contractual obligations no longer required as a result of the repositioning plan. The charges do not include additional costs associated with the repositioning plan, such as voluntary early retirement programs, training, consulting, purchases of equipment and relocation of employees and equipment. These costs will be charged to operations or capitalized, as appropriate, when incurred. The implementation of this plan commenced during the second half of 1994 with a cash outlay of \$4 million for termination costs; \$21.5 million of cash outlays will occur mainly in 1995.

**Technical Services:** The \$22.7 million decrease resulted primarily from reductions in the automotive testing business due to the \$4.7 million impact of lower sales and, to a lesser extent, from increased costs. A reduction at the Kennedy Space Center of \$5.1 million was due to the lower fee on the new base operations contract. In addition, a \$3.3 million decrease resulted from unfavorable 1994 contract adjustments compared to favorable 1993 contract settlements. Restructuring charges of \$1.6 million and early retirement costs also contributed to the decrease. The repositioning plan is not expected to have a significant, direct impact on future results in this segment since cost reductions primarily relate to operations with cost reimbursable contracts. However, the Company does expect to be more competitive in bidding for future procurements as a result of cost reductions.

**Instruments:** The Instruments loss of \$49.6 million resulted primarily from a goodwill write-down of \$39.2 million related to the Berthold business acquired in 1989, and restructuring charges of \$16.5 million. The remainder of the decrease resulted from costs associated with delays in the introduction of new diagnostic products, the impact that the strengthening of the Finnish Markka had on Wallac's results, higher royalty expense and expenses related to the closedown of a research and development project. Partially offsetting these decreases were \$2.5 million of cost reductions in the nuclear business. The repositioning plan is expected to result in annualized cost reductions of approximately \$13 million starting in 1996.

**Mechanical Components:** The decrease resulted from \$2.7 million of restructuring charges, a provision for environmental remediation costs of \$1.3 million and increased start-up costs for the transportation element of the electromechanical business. The repositioning plan is expected to result in annualized cost savings of approximately \$3 million starting in 1996.

**Optoelectronics:** Profits resulting from higher flash product shipments and the continued benefit of cost reductions implemented in 1993 were offset by \$8.6 million of restructuring charges and, to a lesser extent, the impact of lower sales on a government contract. In addition, the results reflected a \$1.1 million write-off of a small unit's goodwill. The repositioning plan is expected to result in annual cost savings of approximately \$7 million starting in 1996. However, the Company anticipates future increases in research and development expenses and capital expenditures to support product development initiatives in this segment.

**General Corporate Expenses:** The increase was due to \$1 million of restructuring charges, \$1 million of consulting costs that were associated with the



repositioning plan, \$1 million of separation costs incurred during the first six months of the year plus general cost increases. The repositioning plan is expected to result in annual savings of \$7 million in Corporate and other expenses starting in 1996.

Other: The net change in other income (expense) was due to the write-down in the third quarter of certain investments by \$1.8 million to their realizable value as the result of the decision to restructure associated operations and to liquidate the Company's position in investments no longer consistent with its strategic direction. During the fourth quarter, the Company wrote down certain investments by \$2.7 million due to a reduction in their expected realizable value based upon the deterioration in the financial condition of the company/partnership.

The 1994 tax provision and effective rate for continuing operations were significantly impacted by the goodwill write-down and the restructuring charges. The Company has not recorded any tax benefit from the goodwill write-down and approximately \$11 million of the restructuring charges because these charges, while tax deductible, will be incurred in tax jurisdictions where the Company has existing operating loss carryforwards. At the present time, the Company believes that it is more likely than not that these benefits will not be realized.

In 1994, the Company increased its discount rates for employee benefit plans as a result of the increase in long-term interest rates. The effects of the higher discount rates were partially offset by an increase in the assumption for compensation increases. The net result of these changes will not materially affect the Company's results of operations.

Effective January 2, 1995, the Company will change its method of depreciation for certain classes of plant and equipment from an accelerated method to the straight-line method. The Company believes that the straight-line method will more appropriately reflect the timing of the future economic benefits to be received from these assets, which consist mainly of manufacturing equipment.

Discontinued Operations: During the third quarter of 1994, the Company announced a plan to exit the DOE business and decided not to seek renewal of its remaining four DOE contracts although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for management and operations contracts at other DOE facilities. Accordingly, the Company is reporting the former DOE Support segment as discontinued operations for all periods presented in the consolidated financial statements. The Company's contract to manage the Idaho National Engineering Laboratory expired September 30, 1994 and contributed \$240 million of sales and \$7.3 million of operating income to discontinued operations in 1994.

The Company's remaining management and operations contracts with the DOE expire as follows:

- Reynolds Electrical and Engineering Co., Inc. - December 31, 1995
- EG&G Energy Measurements, Inc. - December 31, 1995
- EG&G Rocky Flats, Inc. - December 31, 1995
- EG&G Mound Applied Technologies, Inc. - September 30, 1996

Expiration dates may be modified by the DOE in accordance with contract terms. The DOE has notified the Company of its intention to expedite the procurement and award of the Rocky Flats contract, which may result in termination of the Company's contract prior to the expiration date.

Income from discontinued operations, net of income taxes, was \$1.5 million above the 1993 level. The increase resulted from a cost/productivity improvement fee of \$7.3 million earned at Rocky Flats offset partially by the reduction in fee reflecting the expiration of the Idaho contract in September 1994. Future sales and income from discontinued operations will decrease as the remaining DOE contracts expire in 1995 and 1996 and are dependent upon work scopes and fee pools negotiated annually that are currently under review by the DOE.

Environmental: The Company is conducting a number of environmental investigations and remedial actions at current and former Company locations and, along with other companies, has been named a potentially responsible party for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when

the cost can be reasonably estimated. As of January 1, 1995, the Company had an accrual of \$2.4 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed to reflect additional information as it becomes available. There have been no environmental problems to date that had or are expected to have a material effect on the Company's financial position or results of operations. While it is reasonably possible that a material loss exceeding the amounts recorded may have been incurred, the preliminary stages of the investigations make it impossible for the Company to reasonably estimate the range of potential exposure.

#### 1993 Compared to 1992

##### Sales

Sales of \$1,319 million for 1993 were level with 1992 sales.

**Technical Services:** The \$27 million increase resulted from an increase of \$24 million in automotive testing services caused primarily by the introduction of new industry testing protocols, partially offset by a \$10 million reduction in contract billings at the Kennedy Space Center.

**Instruments:** The \$10 million increase resulted from the \$43 million of sales of Wallac, acquired in June 1993, partially offset by reduced scientific, industrial and security instruments sales reflecting sluggish market conditions, lower foreign exchange rates and large orders shipped in 1992.

**Mechanical Components:** The \$29 million decrease was attributable to a \$21 million reduction in aerospace sales due primarily to continued softness in this market and, to a lesser extent, the divestiture of two operations.

**Optoelectronics:** The \$9 million decrease was due mainly to the completion of several programs in 1992, partially offset by the sales of Heimann Optoelectronics, which was acquired early in the second quarter of 1992.

##### Operating Income From Continuing Operations

Operating income from continuing operations was \$87.5 million in 1993, a 27% increase over 1992.

**Technical Services:** The \$11.8 million increase was due primarily to higher sales and improved margins in the automotive testing services business. In October 1993, the Company was selected by NASA to continue as the base operations contractor at the Kennedy Space Center. The contract has a potential term of 10 years, including options, contains reductions in contract value and has resulted in reductions in the annual fee.

**Instruments:** The \$5.6 million decrease resulted from lower sales of scientific, industrial and security instruments partially offset by the income associated with the Wallac acquisition.

**Mechanical Components:** Improved profitability resulting from cost reduction programs in the industrial sealing and electromechanical businesses more than offset the impact of lower aerospace sales, generating a \$2.6 million increase.

**Optoelectronics:** The \$7.6 million increase was due to improved profitability as a result of cost reductions at Heimann Optoelectronics. The 1992 results included a charge of \$6.3 million for the write-down of the net assets of two businesses to their estimated disposal value.

**General Corporate Expenses:** The \$2.3 million decrease was due to the absence of corporate management incentives in 1993.

**Other:** The net change in other income (expense) was an increase in income of \$3.1 million. This was primarily due to gains on investments. The 1993 effective tax rate of 38.3% for continuing operations was higher than the 26.9% in 1992 primarily because the 1992 rate reflected a favorable adjustment of prior estimated tax liabilities and the tax benefit resulting from the sale of an investment in a hydroelectric power plant.

The Company reduced its discount rate for employee benefit plans in 1993 as a result of the decrease in long-term interest rates. The effects of the lower discount rates were partially offset by corresponding reductions in assumptions for compensation increases and health care cost trend rates.

**Discontinued Operations:** The \$14.1 million decrease in income from discontinued

operations, net of income taxes, was primarily attributable to Rocky Flats' lower grades and a reduction of available fee pool. In addition, 1992 results included a favorable profit adjustment due to higher than anticipated performance grades at year-end 1991. Lower grades on the Idaho contract also contributed, to a lesser extent, to the decrease.

Accounting Changes: During the first quarter of 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106 on accounting for postretirement benefits other than pensions for its U.S. retiree health benefits and SFAS No. 109 on accounting for income taxes. The adoption of SFAS No. 106 resulted in an after-tax charge of \$13.2 million (\$.23 per share) while the charge for SFAS No. 109 was \$7.3 million (\$.13 per share). See Notes 12 and 13 for additional disclosures.

#### Financial Condition

The Company's cash and cash equivalents decreased \$5.8 million in 1994 while commercial paper borrowings increased \$14.9 million. Net cash provided by operating activities was \$95.9 million in 1994, \$112.1 million in 1993 and \$127.8 million in 1992. The net cash provided by discontinued operations in 1994 was lower than in 1993 due to a \$10.1 million reduction in receivables in 1993, which did not occur in 1994. The net cash provided by continuing operations was lower in 1994 reflecting lower earnings, partially offset by a net reduction in working capital. The net cash provided was principally used for capital expenditures, acquisitions, cash dividends and in 1994 and 1993, for stock repurchases in excess of proceeds from issuing stock. In 1994, lower purchases of common stock and proceeds from issuing common stock were due to the termination of an employee stock purchase plan in 1993.

The implementation of the repositioning plan commenced during 1994 with a cash outlay of \$4 million for termination costs with future cash outlays of \$21.5 million, mainly in 1995. Additional cash outlays of approximately \$10 million will be required to support the repositioning plan in 1995. Proceeds from asset dispositions, the liquidation of certain investments and pre-tax repositioning savings in 1995 are anticipated to result in neutral or slightly positive net cash flows from the repositioning plan by the end of 1995. The repositioning plan is expected to improve annual cash flow by an estimated \$20 million starting in 1996. In addition, the Company has implemented an aggressive working capital reduction program.

Discontinued operations generated cash of \$25.5 million in 1994. Future cash flows from discontinued operations will decrease due to the expiration of the Idaho contract in 1994 and the expiration of the remaining DOE contracts in 1995 and 1996.

Capital expenditures were \$37.3 million in 1994, an increase of \$9.4 million over the 1993 level, and are expected to exceed \$80 million in 1995. These increases support new product development initiatives primarily in the Optoelectronics segment. In the fourth quarter of 1993, the Board of Directors authorized the purchase of up to a total of 5.5 million shares of the Company's common stock through periodic purchases on the open market. The Company has purchased 2.2 million shares under this program to date, including 1.1 million shares purchased in the first quarter of 1994 at a cost of \$19.1 million. No shares were purchased under the program during the last nine months of the year. In January 1995, the Board of Directors authorized the purchase of an additional 10 million shares. In total, the Company has current authorization to purchase 13.3 million shares. The Company will finance these activities with a combination of short-term and long-term debt and cash flows from operations. The Company believes it can take these actions and maintain its product development and growth strategies.

In 1994, the Company concluded the renegotiation of its credit facilities with the signing of two revolving credit agreements totaling \$250 million. These agreements consist of a \$175 million, 364-day facility, which expires March 1995, and a \$75 million, three-year facility. These agreements serve as backup facilities for the commercial paper borrowing. The Company did not draw down either of these credit facilities during 1994. The Company is currently in the process of obtaining extensions on these agreements. Commercial paper, the Company's principal source of borrowing, is rated "A-1" by Standard & Poor's, and "Prime-2" by Moody's. Moody's has placed its rating under review for downgrading following the Company's announcement of a major common stock purchase program. In January 1995, Duff & Phelps assigned an initial rating of "Duff-1" to commercial paper. As of March 31, 1995, Moody's downgraded the Company's rating to "Prime-3."

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses forward exchange contracts to hedge certain foreign commitments and transactions denominated in foreign currencies. The contract amount of forward exchange contracts was \$24.5 million as of January 1, 1995. The terms range from one to three months, corresponding with expected collections or payments. There are no cash requirements until maturity. Credit risk is minimal as the contracts are with very large banks; any market risk is offset by the exposure on the underlying hedged items. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged items.

#### Dividends

In January 1995, the Board of Directors declared a regular quarterly cash dividend of 14 cents per share, resulting in an annual rate of 56 cents per share for 1995. EG&G has paid cash dividends, without interruption, for 30 years and continues to retain what management believes to be sufficient earnings to support the funding requirements of its planned growth.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### CONSOLIDATED BALANCE SHEET

As of January 1, 1995 and January 2, 1994

(Dollars in thousands except per share data)	1994	1993
	-----	-----
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 66,424	\$ 72,185
Accounts receivable (Note 3)	226,268	225,643
Inventories (Note 4)	123,299	121,581
Other (Notes 7 and 13)	56,635	33,760
Net assets of discontinued operations (Note 5)	8,852	7,942
	-----	-----
<b>Total Current Assets</b>	<b>481,478</b>	<b>461,111</b>
	-----	-----
<b>Property, Plant and Equipment:</b>		
At cost (Note 6)	364,801	327,416
Accumulated depreciation and amortization	(243,139)	(221,320)
	-----	-----
<b>Net Property, Plant and Equipment</b>	<b>121,662</b>	<b>106,096</b>
	-----	-----
Investments (Note 7)	16,515	25,920
Intangible Assets (Note 8)	127,312	139,205
Other Assets (Notes 12 and 13)	46,162	32,555
	-----	-----
<b>Total Assets</b>	<b>\$ 793,129</b>	<b>\$ 764,887</b>
	=====	=====
<b>Current Liabilities:</b>		
Short-term debt (Note 9)	\$ 59,988	\$ 43,589
Accounts payable	66,132	60,787
Accrued restructuring costs (Note 10)	21,532	---
Accrued expenses (Note 11)	134,170	128,800
	-----	-----
<b>Total Current Liabilities</b>	<b>281,822</b>	<b>233,176</b>
	-----	-----
<b>Long-Term Liabilities (Notes 9, 12 and 13)</b>	<b>65,941</b>	<b>54,177</b>
	-----	-----

#### CONSOLIDATED BALANCE SHEET (continued)

As of January 1, 1995 and January 2, 1994

(Dollars in thousands except per share data)	1994	1993
	-----	-----

## Contingencies (Note 14)

## Stockholders' Equity (Note 15):

Preferred stock - \$1 par value, authorized 1,000,000 shares; none outstanding	---	---
Common stock - \$1 par value, authorized 100,000,000 shares; issued 60,102,000 shares	60,102	60,102
Retained earnings	459,738	496,063
Cumulative translation adjustments	10,785	(8,287)
Unrealized gain on marketable investments (Note 7)	3,337	---
Cost of shares held in treasury; 4,978,000 shares in 1994 and 3,970,000 shares in 1993	(88,596)	(70,344)
Total Stockholders' Equity	445,366	477,534
Total Liabilities and Stockholders' Equity	\$ 793,129	\$ 764,887

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

## CONSOLIDATED STATEMENT OF OPERATIONS

For the Three Years Ended January 1, 1995

(Dollars in thousands  
except per share data)

	1994	1993	1992
	-----	-----	-----
Sales:			
Products	\$ 750,649	\$ 725,627	\$ 750,878
Services	581,907	593,789	569,203
Total Sales	1,332,556	1,319,416	1,320,081
Costs and Expenses (Note 12):			
Cost of sales:			
Products	486,564	472,262	499,292
Services	508,045	498,791	483,875
Total cost of sales	994,609	971,053	983,167
Research and development expenses	38,585	34,664	32,088
Selling, general and administrative expenses	239,609	226,215	236,041
Goodwill write-down (Note 8)	40,300	---	---
Restructuring charges (Note 10)	30,400	---	---
Total Costs and Expenses	1,343,503	1,231,932	1,251,296
Operating Income (Loss) From Continuing Operations	(10,947)	87,484	68,785
Other Income (Expense), Net (Note 18)	(6,176)	1,008	(2,083)
Income (Loss) From Continuing Operations Before Income Taxes	(17,123)	88,492	66,702
Provision for Income Taxes (Note 13)	14,984	33,870	17,937
Income (Loss) From Continuing Operations	(32,107)	54,622	48,765
Income From Discontinued Operations, Net of Income Taxes (Note 5)	26,452	24,949	39,014
Income (Loss) Before Cumulative Effect of Accounting Changes	(5,655)	79,571	87,779
Cumulative Effect of Accounting Changes:			
Income taxes (Note 13)	---	(7,300)	---
Postretirement benefits other than pensions (Note 12)	---	(13,200)	---

Net Income (Loss)	\$ (5,655)	\$ 59,071	\$ 87,779
	=====	=====	=====

CONSOLIDATED STATEMENT OF OPERATIONS (continued)  
For the Three Years Ended January 1, 1995

(Dollars in thousands except per share data)	1994	1993	1992
	-----	-----	-----
Earnings (Loss) Per Share (Note 19):			
Income (Loss) From			
Continuing Operations	\$ (.58)	\$ .97	\$ .87
Income From Discontinued Operations, Net of Income Taxes	.48	.44	.69
	-----	-----	-----
Income (Loss) Before Cumulative Effect of Accounting Changes	(.10)	1.41	1.56
Cumulative Effect of Accounting Changes:			
Income taxes	---	(.13)	---
Postretirement benefits other than pensions	---	(.23)	---
	-----	-----	-----
Net Income (Loss)	\$ (.10)	\$ 1.05	\$ 1.56
	=====	=====	=====

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Three Years Ended January 1, 1995

(Dollars in thousands except per share data)	Capital in Excess of Par Value	Cumula- tive Trans- lation Adjust- ments	Retained Earnings	Unrealized Gain on Market- able Invest- ments	Cost of Shares Held in Treasury	Total Stock- holders' Equity
-----	-----	-----	-----	-----	-----	-----
Balance, December 29, 1991	\$30,051	\$4,079	\$444,239	\$ 5,950	\$(63,608)	\$ 420,711
Net income	---	---	87,779	---	---	87,779
Cash dividends (\$ .49 per share)	---	---	(27,575)	---	---	(27,575)
Exercise of employee stock options and related income tax benefits	---	(422)	(43)	---	8,901	8,436
Translation adjustments	---	---	---	(7,273)	---	(7,273)
Issuance of common stock for employee benefit plans	---	---	(4,744)	---	24,907	20,163
Purchase of common stock for treasury	---	---	---	---	(28,605)	(28,605)
Effect of 2-for-1 stock split	30,051	(3,657)	(26,394)	---	---	---
	-----	-----	-----	-----	-----	-----
Balance, January 3, 1993	60,102	---	473,262	(1,323)	(58,405)	473,636
Net income	---	---	59,071	---	---	59,071
Cash dividends (\$ .52 per share)	---	---	(29,358)	---	---	(29,358)
Exercise of						

employee stock options and related income tax benefits	---	---	(298)	---	7,356	---	7,058
Translation adjustments	---	---	---	(6,964)	---	---	(6,964)
Issuance of common stock for employee benefit plans	---	---	(6,614)	---	25,724	---	19,110
Purchase of common stock for treasury	---	---	---	---	(45,019)	---	(45,019)
Balance, January 2, 1994	60,102	---	496,063	(8,287)	(70,344)	---	477,534

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (continued)

For the Three Years Ended January 1, 1995

(Dollars in thousands except per share data)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	Cost of Shares Held in Treasury	Unrealized Gain on Marketable Investments	Total Stockholders' Equity
-----	-----	-----	-----	-----	-----	-----	-----
Net loss	---	---	(5,655)	---	---	---	(5,655)
Cash dividends (\$ .56 per share)	---	---	(31,012)	---	---	---	(31,012)
Exercise of employee stock options and related income tax benefits	---	---	342	---	887	---	1,229
Translation adjustments	---	---	---	19,072	---	---	19,072
Purchase of common stock for treasury	---	---	---	---	(19,139)	---	(19,139)
Unrealized gain on marketable investments	---	---	---	---	---	3,337	3,337
Balance, January 1, 1995	\$60,102	\$ ---	\$459,738	\$ 10,785	\$ (88,596)	\$ 3,337	\$445,366
	=====	=====	=====	=====	=====	=====	=====

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Years Ended January 1, 1995

(Dollars in thousands)	1994	1993	1992
-----	-----	-----	-----
Cash Flows Provided by Operating Activities:			
Net income (loss)	\$ (5,655)	\$ 59,071	\$ 87,779
Deduct net income from discontinued operations	(26,452)	(24,949)	(39,014)
Add cumulative effect of accounting changes	---	20,500	---
Income (loss) from continuing operations	(32,107)	54,622	48,765
Adjustments to reconcile income (loss) from continuing operations to net cash provided by continuing operations:			
Goodwill write-down	40,300	---	---
Noncash portion of restructuring charges	4,902	---	---
Restructuring charges to be paid in			

future periods	21,532	---	---
Depreciation and amortization	36,790	37,842	36,292
Losses (gains) on dispositions and investments, net	5,322	(3,176)	(169)
Changes in assets and other liabilities, net of effects from companies purchased and divested:			
Decrease in accounts receivable	6,284	20,054	4,369
Decrease (increase) in inventories	1,643	(1,971)	11,179
Increase (decrease) in accounts payable	2,124	(12,146)	3,273
Increase (decrease) in accrued expenses	2,904	(5,410)	169
Change in prepaid and deferred taxes	(5,163)	(3,514)	(11,070)
Change in prepaid expenses and other	(14,190)	(10,084)	1,746
Net Cash Provided by Continuing Operations	70,341	76,217	94,554
Net Cash Provided by Discontinued Operations	25,542	35,920	33,253
Net Cash Provided by Operating Activities	95,883	112,137	127,807
Cash Flows Used in Investing Activities:			
Capital expenditures	(37,277)	(27,860)	(22,446)
Proceeds from dispositions of businesses and sales of property, plant and equipment	2,872	9,503	2,593
Cost of acquisitions, net of cash and cash equivalents acquired	(32,841)	(32,186)	(58,070)
Purchases of investment securities	(2,730)	(2,503)	(1,111)
Proceeds from sales of investment securities	5,092	7,813	5,275
Net Cash Used in Investing Activities	(64,884)	(45,233)	(73,759)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the Three Years Ended January 1, 1995

(Dollars in thousands)	1994	1993	1992
	-----	-----	-----
Cash Flows Used in Financing Activities:			
Changes in commercial paper	14,873	2,977	(10,428)
Other debt payments	(3,939)	(17,752)	(7,396)
Proceeds from issuing common stock	1,229	26,168	28,599
Purchases of common stock	(19,139)	(45,019)	(28,605)
Cash dividends	(31,012)	(29,358)	(27,575)
Net Cash Used in Financing Activities	(37,988)	(62,984)	(45,405)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,228	(1,487)	(1,916)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,761)	2,433	6,727
Cash and Cash Equivalents at Beginning of Year	72,185	69,752	63,025
Cash and Cash Equivalents at End of Year	\$ 66,424	\$ 72,185	\$ 69,752
	=====	=====	=====
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	\$ 5,063	\$ 6,819	\$ 7,486
Income taxes	41,353	41,256	49,338

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies



Principles of Consolidation: The consolidated financial statements include the accounts of EG&G, Inc. and its subsidiaries (the Company). All material intercompany balances and transactions have been eliminated in consolidation.

Reclassifications: The former DOE Support segment is presented as discontinued operations in accordance with Accounting Principles Board (APB) Opinion No. 30. (See Note 5 for further discussion). In addition, research and development expenses, which had previously been included in cost of sales, are now presented separately on the Consolidated Statement of Operations. State income taxes, which had previously been included in selling, general and administrative expenses, are now included in the provision for income taxes.

Sales: Cost-reimbursement sales are recorded as costs are incurred and include applicable income in the proportion that costs incurred bear to total estimated costs. Sales and income are recorded at the time of shipment for products, at the end of a contract phase for service contracts and at the completion of the contract for fixed-priced contracts. If a loss is anticipated on any contract, provision for the entire loss is made immediately.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The majority of inventories is accounted for using the first-in, first-out method. All other inventories are accounted for using the last-in, first-out method.

Property, Plant and Equipment: The Company depreciates plant and equipment over their estimated useful lives using accelerated methods for both financial statement and income tax purposes. For financial statement purposes, the estimated useful lives generally fall within the following ranges: buildings and special-purpose structures-10 to 25 years; leasehold improvements-estimated useful life or remaining term of lease, whichever is shorter; machinery and equipment-3 to 7 years; special-purpose equipment-expensed or depreciated over the life of the initial related contract. Nonrecurring tooling costs are capitalized while recurring costs are expensed.

Effective January 2, 1995, the Company will change its method of depreciation for certain classes of plant and equipment from an accelerated method to the straight-line method for financial statement purposes. The Company believes that the straight-line method will more appropriately reflect the timing of the future economic benefits to be received from these assets, which consist mainly of manufacturing equipment.

Pension Plans: The Company's funding policy provides that payments to the U.S. pension trusts shall at least be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Non-U.S. plans are accrued for but generally not funded, and benefits are paid from operating funds.

Translation of Foreign Currencies: The balance sheet accounts of non-U.S. operations, exclusive of stockholders' equity, are translated at year-end exchange rates, and income statement accounts are translated at weighted average rates in effect during the year; any translation adjustments are made directly to a component of stockholders' equity. The after-tax aggregate net transaction gains (losses) were not material for the years presented.

Intangible Assets: Intangible assets result from acquisitions accounted for using the purchase method of accounting and include the excess of cost over the fair market value of the net assets of the acquired businesses. As of January 1, 1995, substantially all of these intangible assets are being amortized over periods of up to 20 years. Subsequent to the acquisition, the Company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill may not be recoverable. When factors indicate that goodwill should be evaluated for possible impairment, the Company uses an estimate of the related business segment's discounted future cash flows over the remaining life of the goodwill in measuring whether the goodwill is recoverable. (See Note 8 for discussion of the goodwill write-down occurring during 1994.)

Cash Flows: For purposes of the Consolidated Statement of Cash Flows, the

Company considers all highly liquid instruments with a purchased maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturities.

Environmental Matters: The Company accrues for costs associated with the remediation of environmental pollution when it is probable that a liability has been incurred and the Company's proportionate share of the amount can be reasonably estimated. Any recorded liabilities have not been discounted.

## 2. Acquisitions

In September 1994, the Company acquired IC Sensors, a leading supplier of micromachined sensing and control components used in the automotive, medical, industrial and consumer product markets, for cash of \$30 million. While the Company has not yet finalized the purchase price allocation, the excess of the cost over the fair market value of the net assets acquired is estimated to be \$22 million, which is being amortized over 15 years using a straight-line method. The Company does not expect that any differences in the final allocation will have a material effect on the consolidated financial statements. In September 1994, the Company also acquired NoVOCs, Inc., which offers a process for restoring groundwater contaminated by gasoline and other volatile organic compounds, for cash of \$3.3 million and contingent payments based on future sales. These acquisitions were accounted for using the purchase method, and their results of operations were included in the consolidated results of the Company from the date of acquisition.

In June 1993, the Company acquired The Wallac Group (Wallac), a unit of Procordia AB, for a total purchase price of approximately \$46 million, including related expenses, consisting of \$41 million cash and a one-year note for \$5 million. This acquisition was accounted for using the purchase method. The excess of the cost over the fair market value of the net assets acquired was \$24 million, which is being amortized over 20 years using a straight-line method. Wallac's results of operations were included in the consolidated results of the Company from the date of acquisition.

The effect of these acquisitions was not material to the consolidated results of operations. The products of the acquired companies are described elsewhere in the Annual Report.

## 3. Accounts Receivable

Accounts receivable as of January 1, 1995 and January 2, 1994 included unbilled receivables of \$57 million and \$56 million, respectively, which were due primarily from U.S. Government agencies. Accounts receivable were net of reserves for doubtful accounts of \$5.8 million and \$6.1 million, respectively.

## 4. Inventories

Inventories as of January 1, 1995 and January 2, 1994 consisted of the following:

(In thousands)	1994	1993
	-----	-----
Finished goods	\$ 35,304	\$ 30,864
Work in process	28,551	30,393
Raw materials	59,444	60,324
	-----	-----
	\$123,299	\$121,581
	=====	=====

The portion of inventories accounted for using the last-in, first-out (LIFO) method of determining inventory costs in 1994 and 1993 approximated 25% and 24%, respectively, of total inventories. The excess of current cost of inventories over the LIFO value was approximately \$10 million at January 1, 1995 and January 2, 1994.

## 5. Discontinued Operations

During the third quarter of 1994, the Company announced a plan to exit the

DOE business and decided not to seek renewal of its four remaining contracts with the DOE although it intends to continue to meet its obligations under the terms and conditions of the present contracts. The Company will not compete for management and operations contracts at other DOE facilities. Accordingly, the Company is reporting the results of the former DOE Support segment as discontinued operations for all periods presented in the consolidated financial statements.

The Company's remaining management and operations contracts with the DOE expire as follows:

Reynolds Electrical and Engineering Co., Inc. - December 31, 1995  
 EG&G Energy Measurements, Inc. - December 31, 1995  
 EG&G Rocky Flats, Inc. - December 31, 1995  
 EG&G Mound Applied Technologies, Inc. - September 30, 1996

Expiration dates may be modified by the DOE in accordance with contract terms. The DOE has notified the Company of its intention to expedite the procurement and award of the Rocky Flats contract, which may result in termination of the Company's contract prior to the expiration date.

Summary operating results of the discontinued operations were as follows:

(In thousands)	1994	1993	1992
	-----	-----	-----
Sales	\$1,300,064	\$1,378,532	\$1,468,741
Costs and expenses	1,259,369	1,340,149	1,409,629
	-----	-----	-----
Income from discontinued operations before income taxes	40,695	38,383	59,112
Provision for income taxes	14,243	13,434	20,098
	-----	-----	-----
Income from discontinued operations, net of income taxes	\$ 26,452	\$ 24,949	\$ 39,014
	=====	=====	=====

Given the nature of the government contracts, the Company does not anticipate incurring any material loss on the ultimate completion of the contracts.

Net assets of discontinued operations consisted primarily of unbilled accounts receivable, \$15.7 million at January 1, 1995 and \$12 million at January 2, 1994, net of operating liabilities.

#### 6. Property, Plant and Equipment, at Cost

Property, plant and equipment as of January 1, 1995 and January 2, 1994 consisted of the following:

(In thousands)	1994	1993
	-----	-----
Land	\$ 13,977	\$ 14,327
Buildings and leasehold improvements	92,538	91,280
Machinery and equipment	258,286	221,809
	-----	-----
	\$364,801	\$327,416
	=====	=====

#### 7. Investments

Investments as of January 1, 1995 and January 2, 1994 consisted of the following:

(In thousands)	1994	1993
	-----	-----
Marketable investments	\$14,187	\$ 6,838
Other investments	6,330	13,426
Joint venture investments	5,314	5,656
	-----	-----

	25,831	25,920
Less investments classified as other current assets	(9,316)	---
	-----	-----
	\$16,515	\$25,920
	=====	=====

Marketable investments consisted of common stocks, and trust assets which were invested in money market funds, fixed income securities and common stocks to meet the supplemental executive retirement plan obligation. (See Note 12.)

Effective January 3, 1994, the Company adopted SFAS No. 115 on accounting for certain investments in debt and equity securities. This new standard requires that available-for-sale investments in securities that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported in a separate component of stockholders' equity until realized. At January 1, 1995, \$3.3 million was reported as a separate component of stockholders' equity, representing the unrealized holding gains, net of deferred income taxes. At January 2, 1994, marketable investments had an aggregate market value of \$13.1 million and gross unrealized gains of \$6.3 million.

At January 1, 1995, marketable investments classified as available for sale included the following:

(In thousands)	Market Value	Cost	Gross Unrealized Holding Gains
	-----	-----	-----
Common stocks	\$11,994	\$6,860	\$5,134
Fixed income securities	1,987	1,987	---
Money market funds	206	206	---
	-----	-----	-----
	\$14,187	\$9,053	\$5,134
	=====	=====	=====

The market values were based on quoted market prices. The fixed income securities, on average, have maturities of approximately 5.3 years.

Other investments consisted of nonmarketable investments in private companies and venture capital partnerships, which are carried at the lower of cost or net realizable value. The estimated aggregate fair value of other investments approximated the carrying amount at January 1, 1995 and January 2, 1994. The fair values of other investments were estimated based primarily on the most recent rounds of financing and securities transactions and, to a lesser extent, on other pertinent information, including financial condition and operating results.

During the third quarter of 1994, the Company wrote down certain investments by \$1.8 million to their estimated realizable value as the result of the decision to restructure associated operations and to liquidate the Company's position in investments no longer consistent with its strategic direction. In conjunction with the decision to liquidate certain investments, marketable investments of \$8.3 million and other investments of \$1 million were classified as other current assets at January 1, 1995. During the fourth quarter, the Company wrote down certain investments by \$2.7 million due to a reduction in their estimated realizable value based upon the deterioration in the financial condition of the company/partnership.

Joint venture investments are accounted for using the equity method.

## 8. Intangible Assets

Intangible assets were shown net of accumulated amortization of \$31.6 million and \$25.5 million at January 1, 1995 and January 2, 1994, respectively. The \$11.9 million net decrease in intangible assets resulted primarily from the \$40.3 million write-down of goodwill and current year amortization partially offset by increases due to the IC Sensors and NoVOCs acquisitions and by the effect of translating goodwill denominated in non-U.S. currencies at current exchange rates.

The continued decline in the financial results of the operating elements of the Company's Berthold business acquired in 1989, the resultant strategic and operational review and the application of the Company's objective measurement tests resulted in an evaluation of goodwill for possible impairment. The underlying factors contributing to the decline in financial results included changes in the marketplace, delays in customer acceptance of new technologies and worldwide economic conditions. The Company calculated the present value of expected cash flows to determine the fair value of the business, using a discount rate of 12% which represents the Company's weighted average cost of capital. The evaluation resulted in a \$39.2 million write-down in the third quarter of 1994 of Berthold's goodwill balance of \$76 million. The evaluation also led the Company to determine that the remaining amortization period for the goodwill should be reduced from 36 years to 16 years based on the factors identified above. In the third quarter of 1994, the Company also wrote off \$1.1 million of a small Optoelectronics unit's goodwill.

#### 9. Debt

Short-term debt at January 1, 1995 and January 2, 1994 consisted primarily of commercial paper in the amounts of \$49.8 million and \$34.9 million, respectively, which had maturities of less than 90 days. The weighted average interest rate on commercial paper borrowings was 6.1% at January 1, 1995 and 3.4% at January 2, 1994. Commercial paper borrowings averaged \$42.3 million during 1994 at an average interest rate of 4.7% compared to average borrowings of \$42.7 million during 1993 at an average interest rate of 3.2%. Current maturities of long-term debt are also included in this account.

During 1994, the Company concluded the renegotiation of its credit facilities with the signing of two revolving credit agreements totaling \$250 million. These agreements consist of a \$175 million, 364-day facility, which expires March 1995, and a \$75 million, three-year facility. These agreements serve as backup facilities for the commercial paper borrowing. The Company did not draw down either of these credit facilities during 1994. The Company is in the process of obtaining extensions on these agreements.

At January 1, 1995 and January 2, 1994, long-term debt amounts of \$0.8 million and \$1.5 million, respectively, were included in long-term liabilities. The carrying amount of the Company's long-term debt approximated fair value.

#### 10. Restructuring Charges

During the third quarter of 1994, management completed its review of various operating elements and developed a plan to reposition these businesses to attain the Company's business goals. The plan resulted in pre-tax restructuring charges of \$30.4 million. The principal actions in the repositioning plan include reduction of excess manufacturing capacity, changes in distribution channels, consolidation and reengineering of support infrastructure, disposal of under-utilized assets, withdrawal from certain unprofitable product lines, disposal of excess property and general cost reductions. The repositioning plan will result in the termination of the jobs of approximately 1,000 non-DOE employees; the net work force reduction will be approximately 800 non-DOE employees. The reduction through January 1, 1995 was 200 employees.

The major components of the restructuring charges were \$21 million of employee separation costs, \$4.9 million of noncash charges to dispose of certain product lines and assets through sale or abandonment and \$4.5 million of charges to terminate lease and other contractual obligations no longer required as a result of the repositioning plan. The charges do not include additional costs associated with the repositioning plan such as voluntary early retirement programs, training, consulting, purchases of equipment and relocation of employees and equipment. These costs will be charged to operations or capitalized, as appropriate, when incurred. The implementation of this plan commenced during the second half of 1994 with a cash outlay of \$4 million for termination costs; \$21.5 million of cash outlays will occur mainly in 1995.

#### 11. Accrued Expenses

Accrued expenses as of January 1, 1995 and January 2, 1994 consisted of the following:

(In thousands)	1994	1993
	-----	-----
Payroll	\$ 12,789	\$ 13,375
Employee benefits	48,535	46,121
Federal, non-U.S. and state income taxes	17,243	26,119
Other	55,603	43,185
	-----	-----
	\$134,170	\$128,800
	=====	=====

## 12. Employee Benefit Plans

**Savings Plan:** The Company has a savings plan for the benefit of qualified U.S. employees. Under this plan, the Company contributes an amount equal to the lesser of 55% of the amount of the employee's voluntary contribution or 3.3% of the employee's annual compensation. In prior years, the contribution was the lesser of 50% or 3% of the same items. Savings plan expense was \$6.2 million in 1994, \$5.7 million in 1993 and \$5.4 million in 1992.

**Pension Plans:** The Company has defined benefit pension plans covering substantially all U.S. employees and non-U.S. pension plans for non-U.S. employees. The plans provide benefits that are based on an employee's years of service and compensation near retirement. Assets of the U.S. plan are composed primarily of corporate equity and debt securities.

Net periodic pension cost included the following components:

(In thousands)	1994	1993	1992
	-----	-----	-----
Service cost-benefits earned during the period	\$ 9,822	\$ 8,398	\$ 8,164
Interest cost on projected benefit obligations	15,070	14,030	12,824
Actual return on plan assets	(461)	(18,316)	(11,005)
Net amortization and deferral	(15,442)	3,852	(1,914)
	-----	-----	-----
	\$ 8,989	\$ 7,964	\$ 8,069
	=====	=====	=====

The following table sets forth the funded status of the principal U.S. plan and the principal non-U.S. plans and the amounts recognized in the Company's Consolidated Balance Sheet at January 1, 1995 and January 2, 1994:

(In thousands)	1994		1993	
	Non-U.S.	U.S.	Non-U.S.	U.S.
	-----	-----	-----	-----
Actuarial present value of benefit obligations:				
Vested benefit obligations	\$18,832	\$137,490	\$18,143	\$141,325
	=====	=====	=====	=====
Accumulated benefit obligations	\$20,329	\$144,729	\$20,176	\$148,295
	=====	=====	=====	=====
Projected benefit obligations for service provided to date	\$27,050	\$170,286	\$25,673	\$173,379
Plan assets at fair value	---	173,947	---	164,593
	-----	-----	-----	-----
Plan assets less (greater) than projected benefit obligations	27,050	(3,661)	25,673	8,786
Unrecognized net transition asset	---	5,259	---	6,010
Unrecognized prior service costs	(987)	924	(1,459)	1,041
Unrecognized net gain (loss)	2,101	(22,948)	(635)	(25,213)
	-----	-----	-----	-----
Accrued pension liability (asset)	\$28,164	\$(20,426)	\$23,579	\$(9,376)
	=====	=====	=====	=====

Assumptions of the principal plans were:

Discount rate	8.00%	8.25%	7.00%	7.40%
Rate of compensation increase	5.50%	5.50%	4.50%	5.00%
Long-term rate of return on assets	---	9.75%	---	9.75%

The non-U.S. accrued pension liability included \$27.8 million and \$22.7 million classified as long-term liabilities as of January 1, 1995 and January 2, 1994, respectively. The U.S. pension asset was classified as other noncurrent assets.

The Company also sponsors a supplemental executive retirement plan to provide senior management with benefits in excess of normal pension benefits. At January 1, 1995 and January 2, 1994, the projected benefit obligations were \$9.7 million and \$10.2 million, respectively. Assets of \$6 million and \$4.7 million, segregated in a trust, were available to meet this obligation as of January 1, 1995 and January 2, 1994. Pension expense for this plan was approximately \$1.5 million in 1994, \$1 million in 1993 and \$0.9 million in 1992.

Postretirement Medical Plans: The Company provides health care benefits for eligible retired U.S. employees under a comprehensive major medical plan or under health maintenance organizations where available. The majority of the Company's U.S. employees become eligible for retiree health benefits if they retire directly from the Company and have at least 10 years of service. Generally, the major medical plan pays stated percentages of covered expenses after a deductible is met, and takes into consideration payments by other group coverages and by Medicare. The Plan requires retiree contributions under most circumstances and has provisions for cost sharing changes. For employees retiring after 1991, the Company has capped its medical premium contribution based on employees' years of service. The Company funds the amount allowable under a 401(h) provision in the Company's defined benefit pension plan. Assets of the plan are composed primarily of corporate equity and debt securities.

Effective January 4, 1993, the Company adopted SFAS No. 106 on accounting for postretirement benefits other than pensions for its U.S. retiree health benefits described above. This statement requires the expected cost of postretirement benefits to be charged to expense during the years in which employees render service. This is a change from the prior policy of recognizing these costs as paid. As part of adopting the new standard, the Company recorded a one-time, noncash charge against earnings of \$20 million before taxes, or \$13.2 million after income taxes (\$.23 per share). This cumulative adjustment represented the discounted present value of expected future retiree health benefits attributed to employees' service rendered prior to January 4, 1993.

Net periodic postretirement medical benefit cost for 1994 and 1993 included the following components:

(In thousands)	1994	1993
	-----	-----
Service cost - benefits earned during the period	\$ 426	\$ 360
Interest cost on accumulated benefit obligation	1,620	1,686
Actual return on plan assets	(70)	(3)
Net amortization and deferral	(237)	3
	-----	-----
	\$1,739	\$2,046
	=====	=====

The amount included in expense for 1992 prior to the adoption of SFAS No. 106 was \$0.8 million. If the 1993 expense had been determined under the cash method of accounting, the amount recognized would have been \$1 million.

The following table sets forth the plan's funded status and the amounts recognized in the Company's Consolidated Balance Sheet at January 1, 1995 and January 2, 1994:

(In thousands)	1994	1993
	-----	-----

Accumulated benefit obligation:

Current retirees	\$16,128	\$15,638
Active employees eligible to retire	2,809	3,134
Other active employees	2,912	3,217
	-----	-----
	21,849	21,989
Plan assets at fair value	4,165	2,003
	-----	-----
Plan assets less than accumulated benefit obligation	17,684	19,986
Unrecognized net gain (loss)	251	(993)
	-----	-----
Accrued postretirement medical liability	\$17,935	\$18,993
	=====	=====
Assumptions of the plan are:		
Discount rate	8.25%	7.4%
Health care cost trend rate:		
First year	14.0%	15.0%
Ultimate	6.5%	6.0%
Years to reach ultimate	9 years	10 years
Long-term rate of return on assets	9.75%	9.75%

The accrued postretirement medical benefit obligation included \$16.9 million and \$18 million classified as long-term liabilities as of January 1, 1995 and January 2, 1994, respectively.

If the health care cost trend rate was increased 1%, the accumulated postretirement benefit obligation would have increased by approximately \$1.4 million at January 1, 1995. The effect of this increase on the annual cost for 1994 would have been approximately \$0.1 million.

Other: The Company also has an incentive compensation plan for certain officers and key employees. Awards under this plan are approved annually by the Board of Directors and are limited by certain predetermined criteria.

Effective January 3, 1994, the Company adopted SFAS No. 112 on accounting for postemployment benefits. This new standard requires that benefits paid for former or inactive employees after employment but prior to retirement must be accrued if certain criteria are met. Adoption of the statement was not material to the Company's financial position or results of operations.

The above information does not include amounts related to benefit plans applicable to employees associated with contracts with the DOE and NASA because the Company is not responsible for the current or future funded status of the plans.

### 13. Income Taxes

Effective January 4, 1993, the Company adopted SFAS No. 109 on accounting for income taxes. This standard determines deferred income taxes based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of enacted tax laws. Prior to the implementation of this statement, the Company accounted for income taxes under APB Opinion No. 11. As part of adopting the new standard, the Company recorded a one-time, noncash charge against earnings of \$7.3 million (\$.13 per share).

The components of income (loss) from continuing operations before income taxes for financial reporting purposes were as follows:

(In thousands)	U.S.	Non-U.S.	Total
	-----	-----	-----
1994	\$15,986	\$ (33,109)	\$ (17,123)
	=====	=====	=====
1993	\$70,449	\$ 18,043	\$ 88,492
	=====	=====	=====
1992	\$56,406	\$ 10,296	\$ 66,702
	=====	=====	=====

The components of the provision for income taxes for continuing operations were as follows:

(In thousands)	1994	1993
	-----	-----



	Current	Deferred (Prepaid)	Total	Current	Deferred (Prepaid)	Total
	-----	-----	-----	-----	-----	-----
Federal	\$10,735	\$ (2,569)	\$ 8,166	\$19,495	\$ 3,454	\$22,949
State	3,670	157	3,827	5,275	(255)	5,020
Non-U.S.	2,834	157	2,991	6,398	(497)	5,901
	-----	-----	-----	-----	-----	-----
	\$17,239	\$ (2,255)	\$14,984	\$31,168	\$2,702	\$33,870
	=====	=====	=====	=====	=====	=====

1992

	Current	Deferred (Prepaid)	Total
	-----	-----	-----
Federal	\$14,855	\$ (4,567)	\$10,288
State	4,343	396	4,739
Non-U.S.	4,491	(1,581)	2,910
	-----	-----	-----
	\$23,689	\$ (5,752)	\$17,937
	=====	=====	=====

The total provision for income taxes included in the consolidated financial statements was as follows:

(In thousands)	1994	1993	1992
	-----	-----	-----
Continuing operations	\$14,984	\$33,870	\$17,937
Discontinued operations	14,243	13,434	20,098
	-----	-----	-----
	\$29,227	\$47,304	\$38,035
	=====	=====	=====

The major differences between the Company's effective tax rate for continuing operations and the Federal statutory rate were as follows:

	1994	1993	1992
	-----	-----	-----
Federal statutory rate	(35.0)%	35.0%	34.0%
Non-U.S. rate differential, net	(18.2)	(2.5)	(3.2)
Adjustment of prior estimated tax liabilities	---	---	(8.2)
State income taxes, net	14.5	3.7	4.7
Sale of an investment	---	---	(3.1)
Goodwill amortization	10.0	1.7	1.6
Increase in valuation allowance	117.0	1.0	1.6
Other, net	(0.8)	(0.6)	(0.5)
	-----	-----	-----
Effective tax rate	87.5%	38.3%	26.9%
	=====	=====	=====

The 1994 tax provision and effective rate for continuing operations were significantly impacted by the goodwill write-down and the restructuring charges. The Company has not recorded any tax benefit from the goodwill write-down and approximately \$11 million of the restructuring charges because these charges, while tax deductible, will be incurred in tax jurisdictions where the Company has existing operating loss carryforwards and, therefore, are offset by a valuation allowance. At the present time, the Company believes that it is more likely than not that these benefits will not be realized.

The effect of SFAS No. 109 on the consolidated effective tax rate was minimal in 1993. If SFAS No. 109 had been in effect for 1992, the consolidated effective tax rate would not have changed.

The tax effects of temporary differences and carryforwards which gave rise to prepaid (deferred) income taxes as of January 1, 1995 and January 2, 1994 were as follows:

(In thousands)	1994	1993
	-----	-----
Deferred tax assets:		
Inventory reserves	\$ 5,266	\$ 5,588
Other reserves	6,058	3,748
Depreciation	5,647	7,913
Vacation pay	6,080	5,107
Net operating loss carryforwards	34,831	9,939
Postretirement health benefits	6,123	7,000
Restructuring reserve	4,494	---
All other, net	23,608	24,146
	-----	-----
Total deferred tax assets	92,107	63,441
	-----	-----
Deferred tax liabilities:		
Award and holdback fees	(4,193)	(5,619)
Pension contribution	(5,092)	(2,327)
All other, net	(12,423)	(13,322)
	-----	-----
Total deferred tax liabilities	(21,708)	(21,268)
	-----	-----
Valuation allowance	(37,460)	(9,939)
	-----	-----
Net prepaid taxes	\$ 32,939	\$ 32,234
	=====	=====

At January 1, 1995, the Company had non-U.S. (primarily from Germany and France) net operating loss carryforwards of approximately \$71.7 million, of which \$10.2 million expire in years 1995 through 2004 and \$61.5 million of which carryforward indefinitely. The \$37.5 million valuation allowance results primarily from these carryforwards, for which the Company currently believes it is more likely than not that they will not be realized.

Current prepaid income taxes of \$26.7 million and \$18.7 million at January 1, 1995 and January 2, 1994, respectively, were included in other current assets. Long-term prepaid income taxes of \$11.6 million and \$13.6 million were included in other long-term assets at January 1, 1995 and January 2, 1994, respectively. Long-term deferred income taxes of \$5.3 million were included in long-term liabilities at January 1, 1995.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. Repatriation of retained earnings is done only when it is advantageous. Applicable Federal taxes are provided only on amounts planned to be remitted. Accumulated net earnings of non-U.S. subsidiaries for which no Federal taxes have been provided as of January 1, 1995 were \$74.8 million, which does not include amounts that if remitted would result in little or no additional tax due to the availability of non-U.S. tax credits. Federal taxes that would be payable upon remittance of these earnings are estimated to be \$21.2 million at January 1, 1995.

#### 14. Contingencies

The Company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company. The Company has established accruals for matters that are probable and reasonably estimable. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial position or results of operations of the Company.

In addition, the Company is conducting a number of environmental investigations and remedial actions at current and former Company locations and, along with other companies, has been named a potentially responsible party for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued \$2.4 million to reflect its estimated liability for environmental remediation. As assessments and remediation activities progress at each individual site, these liabilities are reviewed

to reflect additional information as it becomes available. There have been no environmental problems to date that had or are expected to have a material effect on the Company's financial position or results of operations. While it is reasonably possible that a material loss exceeding the amounts recorded may have been incurred, the preliminary stages of the investigations make it impossible for the Company to reasonably estimate the range of potential exposure.

During 1994, the Company received notices from the Internal Revenue Service (IRS) asserting deficiencies in Federal corporate income taxes for the Company's 1985-1990 taxable years. The total of the adjustments proposed by the IRS amounts to \$35 million plus interest. The Company is in the process of filing petitions in the United States Tax Court to challenge most of the IRS asserted deficiencies. The Company believes it has meritorious legal defenses to those deficiencies and believes the ultimate outcome of the case will not result in a material impact on the Company's consolidated results of operations or financial position.

15. Stockholders' Equity

At January 1, 1995, five million shares of the Company's common stock were reserved for employee benefit plans.

The Company has nonqualified and incentive stock option plans for officers and key employees. Under these plans, options may be granted at prices not less than 100% of the fair market value on the date of grant. All options expire 10 years from the date of grant. Options granted in 1994 become exercisable, in ratable installments, over a period of five years from the date of grant. In prior years, options became exercisable at the date of grant. The Stock Option Committee of the Board of Directors, at its sole discretion, may also include stock appreciation rights in any option granted. There are no stock appreciation rights outstanding under these plans.

A summary of certain stock option information is as follows:

(In thousands)	1994		1993	
	Number of Shares	Price Range	Number of Shares	Price Range
Outstanding at beginning of year	3,260	\$14.44-22.88	2,902	\$14.44-22.88
Granted	736	14.25-15.38	726	21.63
Exercised	(54)	14.44-17.25	(355)	14.44-22.88
Lapsed	(331)	14.44-22.88	(13)	15.50-22.88
Outstanding at end of year	3,611	\$14.25-22.88	3,260	\$14.44-22.88
Exercisable at end of year	2,895		3,260	
Available for grant at end of year	1,354		1,144	

(In thousands)	1992	
	Number of Shares	Price Range
Outstanding at beginning of year	2,754	\$ 7.25-22.88
Granted	678	20.13
Exercised	(510)	7.25-22.88
Lapsed	(20)	7.25-22.88
Outstanding at end of year	2,902	\$14.44-22.88
Exercisable at		

end of year	2,902
	=====
Available for grant	
at end of year	1,021
	=====

On January 25, 1995, the Board of Directors adopted a new Shareholder Rights Plan. Under the Plan, preferred stock purchase rights were distributed on February 8, 1995 as a dividend at the rate of one right for each share of common stock outstanding. Each right, when exercisable, entitles a stockholder to purchase one one-thousandth of a share of a new series of junior participating preferred stock at a price of \$60. The rights become exercisable only if a person or group acquires 20% or more or announces a tender or exchange offer for 30% or more of the Company's common stock. This preferred stock is nonredeemable and will have 1,000 votes per share. The rights are nonvoting, expire in 2005 and may be redeemed prior to becoming exercisable. The Company has reserved 70,000 shares of preferred stock, designated as Series C Junior Participating Preferred Stock, for issuance upon exercise of such rights. If a person (an "Acquiring Person") acquires or obtains the right to acquire 20% or more of the Company's outstanding common stock (other than pursuant to certain approved offers), each right (other than rights held by the Acquiring Person) will entitle the holder to purchase shares of common stock of the Company at one-half of the current market price at the date of occurrence of the event. In addition, in the event that the Company is involved in a merger or other business combination in which it is not the surviving corporation or in connection with which the Company's common stock is changed or converted, or it sells or transfers 50% or more of its assets or earning power to another person, each right that has not previously been exercised will entitle its holder to purchase shares of common stock of such other person at one-half of the current market price of such common stock at the date of the occurrence of the event. In connection with the adoption of the new Plan, the Company announced that it was redeeming the rights issued pursuant to the Company's January 28, 1987 Rights Agreement at a redemption price of \$.01 per right to shareholders of record as of February 8, 1995.

The Company's Employees Stock Purchase Plan was terminated as of October 31, 1993. During 1993, the Company issued 1.2 million shares under this plan.

#### 16. Financial Instruments

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. At January 1, 1995, the Company had no significant concentrations of credit risk.

The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Company uses forward exchange contracts to hedge certain foreign commitments and transactions denominated in foreign currencies. The contract amount of forward exchange contracts was \$24.5 million as of January 1, 1995. The carrying value as of January 1, 1995 and January 2, 1994, which approximated fair value, was not significant. The terms range from one to three months, corresponding with expected collections or payments. There are no cash requirements until maturity. Credit risk is minimal as the contracts are with very large banks; any market risk is offset by the exposure on the underlying hedged items. When forward contracts are closed, the Company enters into spot transactions to fulfill the contract obligations. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged items. Transactions covered by hedge contracts include collection of receivables from third-party customers, collection of intercompany receivables, payments to third-party suppliers and payment of intercompany payables.

See Notes 1, 7 and 9 for disclosures about fair values, including methods and assumptions, of other financial instruments.

#### 17. Leases

The Company leases certain property and equipment under operating leases. Rental expense charged to earnings for 1994, 1993 and 1992 amounted to \$19.3 million, \$18.7 million and \$20.6 million, respectively. Minimum rental commitments under noncancelable operating leases are as follows:

\$17.5 million in 1995, \$12.7 million in 1996, \$8 million in 1997, \$4.4 million in 1998, \$2.6 million in 1999 and \$4.6 million after 1999. The above information does not include amounts related to leases covered by contracts with the DOE and NASA because the costs are reimbursable under the contracts.

18. Other income (expense), net, consisted of the following:

(In thousands)	1994	1993	1992
	-----	-----	-----
Interest and dividend income	\$ 3,167	\$ 4,043	\$ 3,380
Gains (losses) on investments, net (Note 7)	(4,682)	2,975	(338)
Interest expense	(5,419)	(6,264)	(7,241)
Other	758	254	2,116
	-----	-----	-----
	\$ (6,176)	\$ 1,008	\$ (2,083)
	=====	=====	=====

19. Earnings (Loss) Per Share

Earnings (loss) per common share was computed by dividing net income (loss) by the weighted average number of common shares outstanding. The number of shares issuable upon the exercise of stock options had no material effect on earnings (loss) per share. The weighted average number of shares used in the earnings (loss) per share computations were 55,271,000 for 1994, 56,504,000 for 1993 and 56,385,000 for 1992.

20. Industry Segment and Geographic Area Information

The Company's continuing operations are classified into four industry segments: Technical Services, Instruments, Mechanical Components and Optoelectronics. The products and services of the segments are described elsewhere in the Annual Report. Sales and operating income (loss) from continuing operations by industry segment are shown in the Segment Sales and Income section of this report; such information with respect to 1994, 1993 and 1992 is considered an integral part of this note.

Sales to U.S. Government agencies, which were predominantly to the Department of Defense and NASA, were \$542 million, \$560 million and \$566 million in 1994, 1993 and 1992, respectively. In October 1993, the Company was selected by NASA to continue as the base operations contractor at the Kennedy Space Center. The contract has a potential term of 10 years, including options, contains reductions in contract value and has resulted in reductions in the annual fee.

Additional information relating to the Company's operations in the various industry segments follows:

(In thousands)	Depreciation and Amortization Expense			Capital Expenditures		
	1994	1993	1992	1994	1993	1992
	-----	-----	-----	-----	-----	-----
Technical Services	\$ 7,447	\$ 8,422	\$ 7,991	\$ 7,314	\$ 6,315	\$ 5,650
Instruments	11,621	9,213	8,131	5,398	6,555	4,768
Mechanical Components	6,091	6,870	7,755	6,197	5,598	5,290
Optoelectronics	10,690	12,417	11,595	17,748	8,469	6,305
Corporate	941	920	820	620	923	433
	-----	-----	-----	-----	-----	-----
	\$ 36,790	\$ 37,842	\$ 36,292	\$37,277	\$27,860	\$22,446
	=====	=====	=====	=====	=====	=====

(In thousands)	Identifiable Assets		
	1994	1993	1992
	-----	-----	-----
Technical Services	\$129,995	\$127,917	\$133,351
Instruments	220,232	256,117	217,792
Mechanical Components	93,721	97,317	112,272
Optoelectronics	193,302	142,630	142,543
Corporate and Other	155,879	140,906	140,619
	-----	-----	-----
	\$793,129	\$764,887	\$746,577
	=====	=====	=====

Corporate assets consist primarily of cash and cash equivalents, prepaid taxes and investments.

Information relating to geographic areas follows:

(In thousands)	Sales			Operating Income (Loss) From Continuing Operations		
	1994	1993	1992	1994	1993	1992
U.S.	\$1,026,970	\$1,049,131	\$1,063,753	\$ 57,679	\$ 96,495	\$ 87,899
Non-U.S.	305,586	270,285	256,328	(33,744)	18,562	10,781
Corporate	---	---	---	(34,882)	(27,573)	(29,895)
	\$1,332,556	\$1,319,416	\$1,320,081	\$ (10,947)	\$ 87,484	\$ 68,785

(In thousands)	Identifiable Assets		
	1994	1993	1992
U.S.	\$ 341,725	\$ 305,344	\$ 333,533
Non-U.S.	295,525	318,637	272,425
Corporate and Other	155,879	140,906	140,619
	\$ 793,129	\$ 764,887	\$ 746,577

Over 75% of the identifiable assets of the non-U.S. operations are located in European Union countries. Transfers between geographic areas were not material.

#### 21. Quarterly Financial Information (Unaudited)

Selected quarterly financial information follows:

(In thousands except per share data)

	Quarters				Year
	First	Second	Third	Fourth	
1994					
Sales	\$325,747	\$329,880	\$336,860	\$340,069	\$1,332,556
Operating income (loss) from continuing operations	12,675	15,012	(54,961)	16,327	(10,947)
Income (loss) from continuing operations before income taxes	12,654	14,579	(58,343) a	13,987b	(17,123)
Income (loss) from continuing operations	7,813	8,977	(56,940)	8,043	(32,107)
Net income (loss)	14,353	16,423	(48,294)	11,863	(5,655)
Earnings (loss) per share:					
Income (loss) from continuing operations	.14	.16	(1.03)	.15	(.58)
Net income (loss)	.26	.30	(.88)	.22	(.10)
Cash dividends per common share	.14	.14	.14	.14	.56
Common stock market price range:					
High	19.00	16.50	15.88	17.00	
Low	16.38	14.13	14.63	13.75	
Close	16.38	15.00	15.25	14.13	

1993					
Sales	\$319,564	\$327,348	\$332,254	\$340,250	\$1,319,416
Operating income from continuing operations	16,227	19,736	18,695	32,826	87,484

operations before income taxes	15,577	20,064	17,585	35,266	88,492
Income from continuing operations	9,844	12,798	10,266	21,714	54,622
Income before cumulative effect of accounting changes	19,107	21,068	15,213	24,183	79,571
Net income (loss)	(1,393)c	21,068	15,213	24,183	59,071
Earnings (loss) per share:					
Income from continuing operations	.18	.22	.18	.39	.97
Income before cumulative effect of accounting changes	.34	.37	.27	.43	1.41
Net income (loss)	(.02)c	.37	.27	.43	1.05
Cash dividends per common share	.13	.13	.13	.13	.52
Common stock market price range:					
High	24.00	24.50	20.25	18.38	
Low	19.38	18.88	15.75	16.75	
Close	22.50	18.88	16.63	18.38	

<FN>

- a) Includes a goodwill write-down of \$40.3 million, restructuring charges of \$30.4 million, a \$1.8 million write-down of certain investments and a \$1.8 million unfavorable contract adjustment.
- b) Includes inventory provisions of \$2 million, a \$1.3 million provision for environmental remediation costs and a \$2.7 million write-down of certain investments.
- c) Includes one-time after-tax charges of \$20.5 million, or \$.36 per share, due to the Company's adoption of SFAS Nos. 106 and 109.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of EG&G, Inc.:

We have audited the accompanying consolidated balance sheets of EG&G, Inc. (a Massachusetts corporation) and subsidiaries as of January 1, 1995 and January 2, 1994, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended January 1, 1995, January 2, 1994 and January 3, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EG&G, Inc. and subsidiaries as of January 1, 1995 and January 2, 1994, and the results of their operations and their cash flows for the years ended January 1, 1995, January 2, 1994 and January 3, 1993, in conformity with generally accepted accounting principles.

As explained in Notes 12 and 13 to the consolidated financial statements, effective January 4, 1993, the Company changed its method of accounting for postretirement benefits other than pensions and for income taxes. As explained in Note 7 to the consolidated financial statements, effective January 3, 1994, the Company changed its method of accounting for marketable investments.

Boston, Massachusetts

/s/ Arthur Andersen LLP

January 25, 1995

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Arthur Andersen LLP

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

a) DIRECTORS

The information required by this Item with respect to Directors is contained on Pages 3 through 9 of the Company's 1995 Proxy Statement under the captions "Election of Directors" and "Information Relative to the Board of Directors and Certain of its Committees" and is herein incorporated by reference.

b) EXECUTIVE OFFICERS

The information required by this item with respect to Executive Officers is contained in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be disclosed by this Item is contained in Pages 15 - 21 of the Company's 1995 Proxy Statement from under the caption "Summary Compensation Table" up to and including "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Value Option Table" and Notes thereto, and is herein incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is contained on Pages 9 -10 of the Company's 1995 Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" and is herein incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

1. FINANCIAL STATEMENTS

Included in Part II, Item 8:

Consolidated Balance Sheet as of January 1, 1995 and January 2, 1994

Consolidated Statement of Operations for the Three Years Ended January 1, 1995

Consolidated Statement of Stockholders' Equity for the Three Years Ended January 1, 1995

Consolidated Statement of Cash Flows for the Three Years Ended January 1, 1995

Notes to Consolidated Financial Statements

Report of Independent Public Accountants

2. FINANCIAL STATEMENT SCHEDULES

Report of Independent Public Accountants on Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts



Financial statement schedules, other than those above, are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

Separate financial statements of the Registrant are omitted since it is primarily an operating company, and since all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interests and/or indebtedness to any person other than the Registrant or its consolidated subsidiaries in amounts which together exceed five percent of total consolidated assets.

### 3. EXHIBITS

(i) The Company's Restated Articles of Organization, as amended to date, including all Certificates of Vote of Directors Establishing a Series of a Class of Stock were filed with the Commission on July 16, 1992, as an Exhibit to Form-8 Amendment No. 1 to EG&G's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, are herein incorporated by reference.

(ii) The Company's By-Laws as amended by the Board of Directors on April 23, 1991 and on January 22, 1992, were filed with the Commission as Exhibit 14 (a) (3). (ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991.

(iii) The form of certificate used to evidence ownership of EG&G Common Stock, \$1 par value, was filed as Exhibit 4(a) to EG&G's Registration Statement on Form S-3, File No. 2-69642 and is herein incorporated by reference.

\* (iv) The EG&G, INC. 1978 NON-QUALIFIED STOCK OPTION PLAN as amended by the Board of Directors on January 26, 1988, was filed with the Commission as Exhibit 14(a)3.(v) to EG&G's Annual Report on Form 10-K for the fiscal year ending January 3, 1988, and is herein incorporated by reference.

\* (v) The EG&G, INC. 1982 INCENTIVE STOCK OPTION PLAN as amended by the Board of Directors on January 24, 1990, was filed with the Commission as Exhibit B on pages 37-42 of the Company's 1990 Proxy Statement and is herein incorporated by reference.

\* (vi) The EG&G, Inc. 1992 STOCK OPTION PLAN was filed as Exhibit 4(v) to EG&G's Registration Statement on Form S-8, File No. 33-49898 and is herein incorporated by reference.

#### \* (vii) Employment Contracts:

- (1) Employment contract between John M. Kucharski and EG&G dated November 1, 1993.
- (2) Employment contract between Murray Gross and EG&G dated November 1, 1993.
- (3) Employment contract between John F. Alexander, II and EG&G dated November 1, 1993.
- (4) Employment contract between Angelo Castellana and EG&G dated November 1, 1993.
- (5) Employment contract between James R. Dubay and EG&G dated November 1, 1993.
- (6) Employment contract between Dale L. Fraser and EG&G dated November 1, 1993.
- (7) Employment contract between Earl M. Fray and EG&G dated June 20, 1994.

- (8) Employment contract between Deborah S. Lorenz and EG&G dated November 1, 1993.
- (9) Employment contract between Donald E. Michel and EG&G dated June 20, 1994.
- (10) Employment contract between Fred B. Parks and EG&G dated November 1, 1993.
- (11) Employment contract between Donald H. Peters and EG&G dated November 1, 1993.
- (12) Employment contract between Luciano Rossi and EG&G dated November 1, 1993.
- (13) Employment contract between Thomas Sauser and EG&G dated June 20, 1994.
- (14) Employment contract between Edward H. Snow and EG&G dated November 1, 1993.
- (15) Employment contract between Louis P. Valente and EG&G dated November 1, 1993.
- (16) Employment contract between C. Michael Williams and EG&G dated November 1, 1993.
- (17) Employment contract between James O. Zane and EG&G dated November 1, 1993.
- (18) Employment contract between Peter H. Zavattaro and EG&G dated November 1, 1993.

Except for the name of the officer in the employment contracts identified by numbers 3 through and including 18, the form of said employment contracts is identical in all respects. The employment contracts identified by numbers 1 and 2 are identical to each other and are virtually identical to the contracts identified by numbers 3 through 18 except that they provide for a longer contract term. The employment contract between John F. Alexander, II and EG&G is representative of the employment contracts of the executive officers and is attached hereto as Exhibit 10.

\*(viii) Remunerative Plans:

(1) EG&G, Inc. Supplemental Executive Retirement Plan. Information with respect to this item is found following the Notes to Table II on Pages 17-19 of the Company's 1995 Proxy Statement, and such information is herein incorporated by reference.

(2) EG&G, Inc. Management Incentive Plan. Information with respect to this item is found on Page 13 of the Company's 1995 Proxy Statement under the caption "Annual Incentive Plan", and such information is herein incorporated by reference.

- (ix) Power of Attorney (appears on signature page)
- (x) Subsidiaries of the Registrant
- (xi) Financial Data Schedule

\*This exhibit is a management contract or compensatory plan or arrangement required to be filed as an Exhibit pursuant to Item 14(c) of Form 10-K.

(b) REPORTS ON FORM 8-K

There have been no reports on Form 8-K filed during the last quarter of the fiscal year ended January 1, 1995.

(c) PROXY STATEMENT

EG&G's 1995 Proxy Statement, in definitive form, was filed electronically on March 7, 1995, with the Securities and Exchange Commission in Washington, D.C. pursuant to the Commission's Rule 14a-6.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
ON SCHEDULES

To EG&G, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of EG&G, Inc. included in this Form 10-K and have issued our report thereon dated January 25, 1995. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Boston, Massachusetts /s/ Arthur Andersen LLP  
January 25, 1995 Arthur Andersen LLP

SCHEDULE II

EG&G, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE YEARS ENDED JANUARY 1, 1995

(In thousands)	Balance at Beginning of Year	Additions Charged to Income	Accounts Charged Off	Other	Balance at End of Year
Reserve for Doubtful Accounts					
Year Ended January 3, 1993	\$5,525	\$ 254	\$ (920)	\$ 762 (A)	\$5,621
Year Ended January 2, 1994	\$5,621	\$ 737	\$ (755)	\$ 523 (B)	\$6,126
Year Ended January 1, 1995	\$6,126	\$1,255	\$ (1,868)	\$ 307 (C)	\$5,820

<FN>

(A) Includes reserves of \$1,378 related to a company acquired in 1992.

(B) Includes reserves of \$705 related to a company acquired in 1993.

(C) Includes reserves of \$222 related to a company acquired in 1994.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated January 25, 1995, included in this Form 10-K, into Registration Statements previously filed by EG&G, Inc. on, respectively, Form S-8, File No. 2-61241; Form S-8, File No. 2-98168; Form S-8, File No. 33-17466; Form S-8, File No. 33-36082; Form S-8, File No. 33-35379; Form S-8, File No. 33-43582; Form S-8, File No. 33-49898; Form S-8, File No. 33-57606; and Form S-8, File No. 33-54785.

Boston, Massachusetts /s/Arthur Andersen LLP  
March 31, 1995 ARTHUR ANDERSEN LLP

POWER OF ATTORNEY

We, the undersigned officers and directors of EG&G, Inc., hereby severally constitute John M. Kucharski, and Murray Gross, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names, in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our name and behalf in our capacities as officers and directors to enable EG&G, Inc. to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission, hereby rectifying and confirming signed by our said attorneys, and any and all amendments thereto.

Witness our hands on the date set forth below.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EG&G, Inc.

March 31, 1995 By:/s/John M. Kucharski  
-----  
John M. Kucharski  
Chairman of the Board, President  
and Chief Executive Officer  
(Principal Executive Officer)

March 31, 1995 By:/s/Thomas J. Sauser  
-----  
Thomas J. Sauser  
Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

March 31, 1995 By:/s/John F. Alexander, II  
-----  
John F. Alexander, II  
Corporate Controller  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

By: /s/John M. Kucharski  
-----  
John M. Kucharski, Director  
Date: March 31, 1995

By: /s/Dean W. Freed  
-----  
Dean W. Freed, Director  
Date: March 25, 1995

By: /s/Robert F. Goldhammer  
-----  
Robert F. Goldhammer, Director  
Date: March 31, 1995

By: /s/John B. Gray  
-----  
John B. Gray, Director  
Date: March 31, 1995

By: /s/Kent F. Hansen  
-----  
Kent F. Hansen, Director  
Date: March 27, 1995

By: /s/Greta Marshall  
-----  
Greta Marshall, Director

Date: March 24, 1995

By: /s/William F. Pounds

-----  
William F. Pounds, Director

Date: March 31, 1995

By: /s/Samuel Rubinovitz

-----  
Samuel Rubinovitz, Director

Date: March 31, 1995

By: /s/John Larkin Thompson

-----  
John Larkin Thompson, Director

Date: March 31, 1995

By: /s/G. Robert Tod

-----  
G. Robert Tod, Director

Date: March 31, 1995

By: /s/Joseph F. Turley

-----  
Joseph F. Turley, Director

Date: March 24, 1995

EXHIBIT INDEX

- (1) Employment Contract between John F. Alexander, II and EG&G, Inc. is filed herein as Exhibit 10.
- (2) Subsidiaries of the Registrant is filed herein as Exhibit 21.
- (3) Financial Data Schedule is filed herein as Exhibit 27.

## EXHIBIT 21

## Subsidiaries of the Registrant

As of March 24, 1995, the following is a list of the parent (Registrant) and its subsidiaries, together with their subsidiaries. Except as noted, all voting securities of the listed subsidiaries are 100% beneficially owned by the Registrant or a subsidiary thereof.

Name of Company	State or Country of Incorporation or Organization	Number of Parent
1 EG&G, Inc.	Massachusetts	N/A
2 EG&G Alabama, Inc.	Alabama	1
3 EG&G Astrophysics Research Corporation	California	1
4 EG&G (Australia) Pty. Ltd.	Australia	21
5 EG&G Automotive Research, Inc.	Texas	21
6 EG&G Birtcher, Inc.	California	34
7 EG&G Benelux B.V.	Netherlands	78 (77%) 1 (23%)
8 EG&G Canada Limited	Canada	1 (10%) 29 (43.5%) 39 (46.5%)
9 EG&G Chandler Engineering Company	Oklahoma	1
10 EG&G Defense Materials, Inc.	Utah	1
11 EG&G do Brasil Ltda.	Brazil	21 (95%) 90 (5%)
12 EG&G Dynatrend, Inc.	Delaware	1
13 EG&G E.C.	Bahrain	21
14 EG&G Energy Measurements, Inc.	Nevada	1
15 EG&G Environmental, Inc.	Delaware	1
16 EG&G Exporters Ltd.	U.S. Virgin Islands	21
17 EG&G Florida, Inc.	Florida	1
18 EG&G Flow Technology, Inc.	Arizona	1
19 EG&G Gamma Scientific, Incorporated	Delaware	21
20 EG&G GmbH	Germany	21
21 EG&G Holdings, Inc.	Massachusetts	1 (79%) 28 (8%) 23 (6%) 76 (5%) 9 (2%)
22 EG&G Idaho, Inc.	Idaho	21
23 EG&G Instruments, Inc.	Delaware	21
24 EG&G Instruments GmbH	Germany	1
25 EG&G International, Ltd.	Cayman Islands	21
26 EG&G International Marine Services Ltd.	Hong Kong	24
27 EG&G Japan, Inc.	Delaware	21
28 EG&G Java Drive, Inc.	California	1
29 EG&G Judson Infrared, Inc.	Pennsylvania	1
30 EG&G KT Aerofab, Inc.	California	21
31 EG&G Langley, Inc.	Virginia	17
32 EG&G Ltd.	United Kingdom	21 (80.9%) 3 (19.1%)
33 EG&G Management Systems, Inc.	New Mexico	1
34 EG&G Metals, Inc.	Massachusetts	1
35 EG&G Missouri Metal Shaping Company	Missouri	21
36 EG&G Mound Applied Technologies, Inc.	Ohio	1
37 EG&G Omni, Inc.	Philippines	21
38 EG&G Power Systems, Inc.	California	1

EG&G, Inc. Exhibit 21 Page 2

Name of Company	State or Country of Incorporation or Organization	Number of Parent
39 EG&G Pressure Science Incorporated	Maryland	21
40 EG&G Rocky Flats, Inc.	Colorado	1
41 EG&G Sealol Eagle, Inc.	Delaware	43 (51%)

42	EG&G Sealol Ltd. (Sealol Egypt)	Egypt	21 (22%) 25 (78%)
43	EG&G Sealol, Inc.	Delaware	21
44	EG&G Services, Inc.	Delaware	1
45	EG&G Special Projects, Inc.	Nevada	1
46	EG&G Star City, Inc.	Ohio	2
47	EG&G Structural Kinematics, Inc.	Michigan	1
48	EG&G S.A.	France	1 (89.6%) 43 (10.4%)
49	EG&G Technical Services of West Virginia, Inc.	West Virginia	51
50	EG&G Ventures, Inc.	Massachusetts	1
51	EG&G Washington Analytical Services Center, Inc.	District of Columbia	1
52	EG&G, SpA	Italy	21
53	Antarctic Support Associates (Partnership)	Colorado	1 (40%)
54	Asmuss-Sealol (NZ) Limited	New Zealand	21 (25%)
55	Benelux Analytical Instruments S.A.	Belgium	1 (92.3%)
56	Berthold Analytical Instruments, Inc.	Delaware	1
57	Berthold A.G.	Switzerland	59
58	Berthold France S.A.	France	48
59	Berthold GmbH	Germany	1
60	Berthold Munchen GmbH	Germany	71 (60%)
61	Berthold Systems, Inc.	Pennsylvania	1 (30%)
62	Biozone Oy	Finland	88
63	B.A.I. GmbH	Austria	59
64	B.A.I. S.A.R.L.	France	48
65	Dilor SA	France	48 (20%)
66	Eagle EG&G Aerospace Co. Ltd.	Japan	1 (49%)
67	EC III, Inc.	New Mexico	1 (50%)
68	Heimann Optoelectronics GmbH	Germany	71
69	Heimann Shenzhen Optoelectronics Co. Ltd.	China	68 (60%)
70	IC Sensors, Inc.	California	1
71	Laboratorium Prof. Dr. Rudolf Berthold GmbH & Co. KG	Germany	20 (58.0%) 24 (2.3%) 5 (39.7%)
72	NOK EG&G Optoelectronics Corporation	Japan	1 (49%)
73	NoVOCs, Inc.	California	1
74	Pribori Oy	Finland	88
75	PT EG&G Heimann Optoelectronics	Indonesia	21
76	Reticon Corporation	California	1
77	Reynolds Electrical & Engineering Co., Inc.	Texas	1
78	Rotron Incorporated	New York	1
79	Science Support Corporation	Delaware	1
80	Sealol Hindustan Limited	India	43 (20%)
81	Sealol S.A.	Venezuela	43
82	Seiko EG&G Co. Ltd.	Japan	1 (49%)
83	Shanghai EG&G Reticon Optoelectronics Co. Ltd.	China	76 (50%)

EG&G, Inc. Exhibit 21 Page 3

Name of Company	State or Country of Incorporation or Organization	Number of Parent	
84	Societe Civile Immobiliere	France	1 (82.5%) 58 (17.5%)
85	Vactec, Inc.	Missouri	1
86	WALLAC A/S	Denmark	88
87	WALLAC Norge AS	Norway	88
88	WALLAC Oy	Finland	21
89	WALLAC Sverige AB	Sweden	88
90	WALLAC, Inc.	Maryland	1
91	Wellesley B.V.	Netherlands	93
92	Westpart, Inc.	Nevada	43

93	Wickford N.V.	Netherlands	
		Antillies	25
94	Wright Components, Inc.	New York	1



EXHIBIT 10

EG&G, Inc.

EMPLOYMENT AGREEMENT

This Agreement made as of the 1st day of November, 1993, between EG&G, Inc., a Massachusetts corporation (hereinafter called the "Company"), and John F. Alexander, II of Southborough, Massachusetts (hereinafter referred to as the "Employee").

WITNESSETH:

WHEREAS, the Employee has been employed in a management position with the Company; and

WHEREAS, the Employee hereby agrees to continue to perform such services and duties of a management nature as shall be assigned to him; and

WHEREAS, the Employee hereby agrees to the compensation herein provided and agrees to serve the Company to the best of his ability during the period of this Agreement.

NOW, THEREFORE, in consideration of the sum of One Dollar, and of the mutual covenants herein contained, the parties agree as follows:

1. a) Except as hereinafter otherwise provided, the Company agrees to continue to employ the Employee in a management position with the Company, and the Employee agrees to remain in the employment of the Company in that capacity for a period of one year from the date hereof and from year to year thereafter until such time as this Agreement is terminated.  
  
b) The Company will, during each year of the term of this Agreement, place in nomination before the Board of Directors of the Company the name of the Employee for election as an Officer of the Company except when a notice of termination has been given in accordance with Paragraph 5(b).
2. The Employee agrees that, during the specified period of employment, he shall, to the best of his ability, perform his duties, and shall not engage in any business, profession or occupation which would conflict with the rendition of the agreed upon services, either directly or indirectly, without the prior approval of the Board of Directors.
3. During the period of his employment under this Agreement, the Employee shall be compensated for his services as follows:
  - a) Except as otherwise provided in this Agreement, he shall be paid a salary during the period of this Agreement at a base rate to be determined by the Company on an annual basis. Except as provided in Subparagraph 3d, such annual base salary shall under no circumstances be fixed at a rate below the annual base rate then currently in effect.
  - b) He shall be reimbursed for any and all monies expended by him in connection with his employment for reasonable and necessary expenses on behalf of the Company in accordance with the policies of the Company then in effect;
  - c) He shall be eligible to participate under any and all bonus, benefit, pension, compensation, and option plans which are, in accordance with company policy, available to persons in his position (within the limitation as stipulated by such plans). Such eligibility shall not automatically entitle him to participate in any such plan;
  - d) if, because of adverse business conditions or for other reasons, the Company at any time puts into effect salary reductions applicable to all management employees of the Company generally, the salary payments required to be made under this Agreement to the Employee during any period in which such general reduction is in effect may be reduced by the same percentage as is applicable to

all management employees of the Company generally. Any benefits made available to the Employee which are related to base salary shall also be reduced in accordance with any salary reduction;

4. a) During the period of his employment by the Company or for any period which the Company shall continue to pay the Employee his salary under this Agreement, whichever shall be the longer, the Employee shall not directly or indirectly own, manage, control, operate, be employed by, participate in or be connected with the ownership, management, operation or control of any business which competes with the Company or its subsidiaries, provided, however, that the foregoing shall not apply to ownership of stock in a publicly held corporation which ownership is disclosed to the Board of Directors nor shall it apply to any other relationship which is disclosed to and approved by the Board of Directors.
  - b) During the period of his employment by the Company and two years following the Company's last payment of salary to him, the Employee shall not utilize or disclose to others any proprietary or confidential information of any type or description which term shall be construed to mean any information developed or identified by the Company which is intended to give it an advantage over its competitors or which could give a competitor an advantage if obtained by him. Such information includes, but is not limited to, product or process design, specifications, manufacturing methods, financial or statistical information about the Company, marketing or sales information about the Company, sources or supply, lists of customers, and the Company's plans, strategies, and contemplated actions.
  - c) During the period of his employment by the Company or for any period during which the Company shall continue to pay the Employee his salary under this Agreement, whichever shall be longer, the Employee shall not in any way whatsoever aid or assist any party seeking to cause, initiate or effect a Change in Control of the Company as defined in Paragraph 6 without the prior approval of the Board of Directors.
5. Except for the Employee covenants set forth in Paragraph 4 which covenants shall remain in effect for the periods stated therein, and subject to Paragraph 6, this Agreement shall terminate upon the happening of any of the following events and (except as provided herein) all the Company's obligation under this Agreement, including, but not limited to, making payments to the Employee shall cease and terminate:
- a) On the effective date set forth in any resignation submitted by the Employee and accepted by the Company, or if no effective date is agreed upon, the date of receipt of such letter.
  - b) One year after written notice of termination is given by either party to the other party.
  - c) At the end of the month in which the Employee shall have attained the age of sixty-five years;
  - d) At the death of the Employee;
  - e) At the termination of the Employee for cause. As used in the Agreement, the term "cause" shall mean:
    - 1) Misappropriating any funds or property of the Company;
    - 2) Unreasonable refusal to perform the duties assigned to him under this Agreement;
    - 3) Conviction of a felony;
    - 4) Continuous conduct bringing notoriety to the Company and having an adverse effect on the name or public image of the Company;
    - 5) Violation of the Employee's covenants as set forth in Paragraph 4 above; or
    - 6) Continued failure by the Employee to observe any of the

provisions of this Agreement after being informed of such breach.

f) At termination of the Employee by the Company without cause.

g) Twelve months after written notice of termination is given by the Company to the Employee based on a determination by the Board of Directors that the Employee is disabled (which, for purposes of this Agreement, shall mean that the Employee is unable to perform his regular duties, with such determination to be made by the Board of Directors, in reliance upon the opinion of the Employee's physician or upon the opinion of one or more physicians selected by the Company). Such notice shall be given by the Company to the Employee on the 106th day of continuous disability of the Employee. Notwithstanding the foregoing, if, during the twelve-month notice period referred to above, the Employee is no longer disabled and is able to return to work, such notice of employment termination shall be rescinded, and the employment of the Employee shall continue in accordance with the terms of this Agreement. During the first 106 days of continuous disability of the Employee, the Company will make periodic payments to the Employee in an amount equal to the difference between his base salary and the benefits provided by the Company's Short-Term Disability Income Plan. During the twelve-month notice period following 106 days of continuous disability, the Company will make periodic payments to the Employee in an amount equal to the difference between his base salary and the benefits provided by the Company's Long-Term Disability Plan. If the employment of the Employee terminates at the end of such twelve-month notice period, the Company will make periodic payments to the Employee, up to the amount remaining in his sick leave reserve account, in an amount equal to the difference between his base pay and the post-employment benefits provided to him under the Company's Long-Term Disability Plan. Due to the fact that payments to the Employee under the Company's Long-Term Disability Plan are not subject to federal income taxes, the payments to be made directly by the Company pursuant to the two preceding sentences shall be reduced such that the total amount received by the Employee (from the Company and from the Long-Term Disability Plan), after payment of any income taxes, is equal to the amount that the Employee would have received had he been paid his base salary, after payment of any income taxes on such base salary.

h) Notwithstanding the foregoing provisions, in the event of the termination of the Employee by the Company without cause, the Employee shall, until the expiration of his then current employment term or one year from the date of such termination, whichever is later, (i) continue to receive his Full Salary (as defined below), which shall be payable in accordance with the payment schedule in effect immediately prior to his employment termination, and (ii) continue to be entitled to participate in all employee benefit plans and arrangements of the Company (such as life, health and disability insurance and automobile arrangements) to the same extent (including coverage of dependents, if any) and upon the same terms as were in effect immediately prior to his termination. For purposes of this Agreement, "Full Salary" shall mean the Employee's annual base salary, plus the amount of any bonus or incentive payments received by the Employee with respect to the last full fiscal year of the Company for which all bonus or incentive payments to be made have been made.

6. a) In the event that there is a Change in Control of the Company (as defined below), the provisions of this Agreement shall be amended as follows:

1) Paragraph 1a shall be amended to read in its entirety as follows:

"Except as hereinafter otherwise provided, the Company agrees to continue to employ the Employee in a management position with the Company, and the Employee agrees to remain in the employment in the Company in that capacity, for a period of five (5) years less one day from the date of the Change in Control. Except as provided in Paragraph 3d, the Employee's salary as set forth in Paragraph 3a and

his other employee benefits pursuant to the plans described in Paragraph 3c shall not be decreased during such period."

2) Paragraph 5a shall be amended by the addition of the following provision at the end of such paragraph:

", provided that the Employee agrees not to resign, except for Good Reason (as defined below), during the one-year period following the date of the Change in Control."

3) Paragraph 5b shall be deleted in its entirety.

4) Paragraph 5h shall be amended to read in its entirety as follows:

"Notwithstanding the foregoing provisions, in the event of the termination of the Employee by the Company without cause, or the resignation of the Employee for Good Reason, the Employee shall (i) receive, on the date of his employment termination, a cash payment in an amount equal to his Full Salary (as defined below) multiplied by the number of years (including any portions thereof) remaining until the expiration of his then current employment term or five years from the date of such termination, whichever is later (it being agreed that such amount shall not be discounted based upon the present value of such amount), and (ii) continue to be entitled to participate in all employee benefit plans and arrangements of the Company (such as life, health and disability insurance and automobile arrangements) to the same extent (including coverage of dependents, if any) and upon the same terms as were in effect immediately prior to his termination. For purposes of this Agreement, "Full Salary" shall mean the Employee's annual base salary, plus the amount of any bonus or incentive payments received by the Employee with respect to the last full fiscal year of the Company for which all bonus or incentive payments to be made have been made. Payments under this Paragraph 5h shall be made without regard to whether the deductibility of such payments (or any other "parachute payments," as that term is defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), to or for the benefit of the Employee) would be limited or precluded by Section 280G and without regard to whether such payments (or any other "parachute payments" as so defined) would subject the Employee to the federal excise tax levied on certain "excess parachute payments" under Section 4999 of the Code; provided that if the total of all "parachute payments" to or for the benefit of the Employee, after reduction for all federal, state and local taxes (including the tax described in Section 4999 of the Code, if applicable) with respect to such payments (the "Total After-Tax Payments"), would be increased by the limitation or elimination of any payment under this Paragraph 5h, amounts payable under this Paragraph 5h shall be reduced to the extent, and only to the extent, necessary to maximize the Total After-Tax Payments. The determination as to whether and to what extent payments under this Paragraph 5h are required to be reduced in accordance with the preceding sentence shall be made at the Company's expense by Arthur Andersen LLP or by such other certified public accounting firm as the Board of Directors of the Company may designate prior to a Change in Control of the Company. In the event of any underpayment or overpayment under this Paragraph 5h as determined by Arthur Andersen LLP (or such other firm as may have been designated in accordance with the preceding sentence), the amount of such

underpayment or overpayment shall forthwith be paid to the Employee or refunded to the Company, as the case may be, with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code."

5) Paragraph 8 shall be amended to read in its entirety as follows:

"The Employee may pursue any lawful remedy he deems necessary or appropriate for enforcing his rights under this Agreement following a Change in Control of the Company, and all costs incurred by the Employee in connection therewith (including without limitation attorneys' fees) shall be promptly reimbursed to him by the Company, regardless of the outcome of such endeavor."

b) For purposes of this Agreement, a "Change in Control of the Company" shall occur or be deemed to have occurred only if (i) any "person", as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock in the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; (ii) during any period of two consecutive years ending during the term of this Agreement, individuals who at the beginning of such period constitute the Board of Directors of the Company, and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were either directors at the beginning of the period or whose election or whose nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors; (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

c) For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events, except as provided in Paragraph 3d: (i) a reduction in the Employee's base salary as in effect on the date hereof or as the same may be increased from time to time; (ii) a failure by the Company to pay annual cash bonuses to the Employees in an amount at least equal to the most recent annual cash bonuses paid to the Employee; (iii) a failure by the Company to maintain in effect any material compensation or benefit plan in which the Employee participated immediately prior to the Change in Control, unless an equitable arrangement has been made with respect to such plan, or a failure to continue the Employee's participation therein on a basis not materially less favorable than existed immediately prior to the Change in Control; (iv) any significant and substantial diminution in the Employee's position, duties, responsibilities or title as in effect immediately prior to the Change in Control; (v) any requirement by the Company that the location at which the Employee performs his principal duties be changed to a new location outside a radius of 25 miles from the Employee's principal place of employment immediately prior to the Change in Control; or (vi) any requirement by the Company that the Employee travel on an overnight basis to an extent not substantially consistent with the Employee's business travel obligations immediately prior to the Change in Control.

Notwithstanding the foregoing, the resignation shall not be considered to be for Good Reason if any such circumstances are fully corrected prior to the date of resignation.

7. Neither the Employee nor, in the event of his death, his legal representative, beneficiary or estate, shall have the power to transfer, assign, mortgage or otherwise encumber in advance any of the payments provided for in this Agreement, nor shall any payments nor assets or funds of the Company be subject to seizure for the payment of any debts, judgments, liabilities, bankruptcy or other actions.

8. Any controversy relating to this Agreement and not resolved by the Board of Directors and the Employee shall be settled by arbitration in the City of Boston, Commonwealth of Massachusetts, pursuant to the rules then obtaining of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction, and the Board of Directors and Employee agree to be bound by the arbitration decision on any such controversy. Unless otherwise agreed by the parties hereto, arbitration will be by three arbitrators selected from the panel of the American Arbitration Association. The full cost of any such arbitration shall be borne by the Company.

9. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times by either party.

10. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered personally to the Employee or to the General Counsel of the Company or when mailed by registered or certified mail to the other party (if to the Company, at 45 William Street, Wellesley, Massachusetts 02181, attention General Counsel; if to the Employee, at the last known address of the Employee as set forth in the records of the Company).

11. This Agreement has been executed and delivered and shall be construed in accordance with the laws of the Commonwealth of Massachusetts. This Agreement is and shall be binding on the respective legal representatives or successors of the parties, but shall not be assignable except to a successor to the Company by virtue of a merger, consolidation or acquisition of all or substantially all of the assets of the Company. All previous employment contracts between the Employee and the Company or any of the Company's present or former subsidiaries or affiliates is hereby canceled and of no effect.

IN WITNESS WHEREOF, the Company has caused its seal to be hereunto affixed and these presents to be signed by its proper officers, and the Employee has hereunto set his hand and seal the day and year first above written.

EG&G, INC.

(SEAL)

By:/s/John M. Kucharski

-----  
John M. Kucharski,  
Chairman and Chief  
Executive Officer

Employee:/s/John F. Alexander, II

-----  
John F. Alexander, II

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<DEPRECIATION>		243,139
<TOTAL-ASSETS>		793,129
<CURRENT-LIABILITIES>		281,822
<BONDS>		0
<COMMON>		60,102
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		385,264
<TOTAL-LIABILITY-AND-EQUITY>		793,129
<SALES>		1,332,556
<TOTAL-REVENUES>		1,332,556
<CGS>		486,564
<TOTAL-COSTS>		994,609
<OTHER-EXPENSES>		348,894
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		5,419
<INCOME-PRETAX>		(17,123)
<INCOME-TAX>		14,984
<INCOME-CONTINUING>		(32,107)
<DISCONTINUED>		26,452
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(5,655)
<EPS-PRIMARY>		(.10)
<EPS-DILUTED>		(.10)