

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended October 2, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-5075

EG&G, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts 04-2052042
(State or other jurisdiction of (I.R.S. employer identification no.)
incorporation or organization)

45 William Street, Wellesley, Massachusetts 02181
(Address of principal executive offices) (Zip Code)

(617) 237-5100
(Registrant's telephone number, including area code)

NONE

(Former name, former address and former fiscal year,
if changed since last report)

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 X No

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at October 30, 1994
Common Stock, \$1 par value	55,124,000
	(Excluding treasury shares)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three and Nine Months Ended October 2, 1994 and October 3, 1993

(Unaudited)

(In Thousands Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	Oct. 2, 1994	Oct. 3, 1993	Oct. 2, 1994	Oct. 3, 1993
Sales:				
Products	\$188,746	\$168,054	\$ 547,868	\$514,127
Services	148,114	164,200	444,619	465,039
Total Sales	336,860	332,254	992,487	979,166
Costs and Expenses:				
Cost of sales:				
Products	133,434	118,270	384,390	364,386
Services	130,414	139,417	389,478	391,454
Total cost of sales	263,848	257,687	773,868	755,840
Selling, general and administrative expenses	58,287	57,059	177,969	172,057
Goodwill write-down (Note 2)	40,300	-	40,300	-
Restructuring charges (Note 3)	30,400	-	30,400	-
Total Costs and Expenses	392,835	314,746	1,022,537	927,897
Operating Income (Loss) From Continuing Operations	(55,975)	17,508	(30,050)	51,269
Other income (expense), net (Note 4)	(3,382)	(1,110)	(3,836)	(1,432)
Income (Loss) From Continuing Operations Before Income Taxes	(59,357)	16,398	(33,886)	49,837
Provision (benefit) for Federal and non-U.S. income taxes	(2,417)	6,132	6,264	16,929
Income (Loss) From Continuing Operations	(56,940)	10,266	(40,150)	32,908
Income From Discontinued Operations, Net of Income Taxes (Note 5)	8,646	4,947	22,632	22,480
Income (Loss) Before Cumulative Effect of Accounting Changes	(48,294)	15,213	(17,518)	55,388
Cumulative Effect of Accounting Changes:				
Income taxes (Note 6)	-	-	-	(7,300)
Postretirement benefits other than pensions (Note 7)	-	-	-	(13,200)
Net Income (Loss)	\$ (48,294)	\$ 15,213	\$ (17,518)	\$ 34,888

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS (Continued)

For the Three and Nine Months Ended October 2, 1994 and October 3, 1993

(Unaudited)

Earnings (Loss) Per Share:					
Income (Loss) From Continuing Operations		\$ (1.03)	\$.18	\$ (.73)	\$.58
Income From Discontinued Operations, Net of Income Taxes		.15	.09	.41	.40
Income (Loss) Before Cumulative Effect of Accounting Changes		(.88)	.27	(.32)	.98
Cumulative Effect of Accounting Changes:					
Income taxes		-	-	-	(.13)
Postretirement benefits other than pensions		-	-	-	(.23)
Net Income (Loss)		\$ (.88)	\$.27	\$ (.32)	\$.62
Cash Dividends Per Common Share		\$.14	\$.13	\$.42	\$.39
Weighted Average Shares of Common Stock Outstanding		55,121	56,219	55,321	56,477

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

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As of October 2, 1994 and January 2, 1994

(Dollars in Thousands)

	October 2, 1994	January 2, 1994
	-----	-----
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 56,123	\$ 72,185
Accounts receivable (Note 8)	223,969	225,643
Inventories (Note 9)	130,449	121,581
Other (Note 11)	47,880	33,760
Net assets of discontinued operations (Note 5)	10,514	7,942
	-----	-----
Total Current Assets	468,935	461,111
Property, Plant and Equipment:		
At cost (Note 10)	360,328	327,416
Less - Accumulated depreciation and amortization	238,448	221,320
	-----	-----
Net Property, Plant and Equipment	121,880	106,096
	-----	-----
Investments (Note 11)	21,779	25,920
	-----	-----
Intangible and Other Assets (Notes 2, 12 and 14)	172,766	171,760
	-----	-----
Total Assets	\$785,360	\$764,887
	=====	=====

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Continued)

As of October 2, 1994 and January 2, 1994

(Dollars in Thousands)

Current Liabilities:		
Short-term debt	\$ 61,979	\$ 43,589
Accounts payable	66,044	60,787
Restructuring reserve (Note 3)	24,663	
Accrued expenses (Note 13)	125,817	128,800
Total Current Liabilities	278,503	233,176
Long-Term Liabilities	62,327	54,177
Contingencies		
Stockholders' Equity:		
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
Capital in excess of par value	-	-
Retained earnings	455,829	496,063
Cumulative translation adjustments	12,396	(8,287)
Unrealized gain on marketable investments (Note 11)	4,853	-
	-----	-----
	533,180	547,878
Less - Cost of shares held in treasury; 4,981,000 shares at October 2, 1994 and 3,970,000 shares at January 2, 1994	88,650	70,344
	-----	-----
Total Stockholders' Equity	444,530	477,534
	-----	-----
Total Liabilities and Stockholders' Equity	\$785,360	\$764,887

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

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended October 2, 1994 and October 3, 1993

(Unaudited)

	(In Thousands)	

	Nine Months Ended	
	-----	-----
	Oct. 2,	Oct. 3,
	1994	1993
	-----	-----
Cash Flows From Operating Activities:		
Net income (loss)	\$(17,518)	\$ 34,888
Deduct net income from discontinued operations	(22,632)	(22,480)
Add cumulative effect of accounting changes	-	20,500
	-----	-----
Income (loss) from continuing operations	(40,150)	32,908
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	24,663	-
Depreciation and amortization	26,599	28,934
Losses on dispositions and investments, net	2,969	741
Changes in assets and other liabilities, net of effects from companies purchased and divested:		
Decrease in accounts receivable	8,927	28,322
Increase in inventories	(4,651)	(39)
Increase (decrease) in accounts payable and accrued expenses	(4,293)	5,483
Other	(12,777)	(14,463)
	-----	-----
Net Cash Provided by Continuing Operations	46,489	81,886
Net Cash Provided by Discontinued Operations	20,060	26,374
	-----	-----
Net Cash Provided by Operating Activities	66,549	108,260
	-----	-----
Cash Flows From Investing Activities:		
Capital expenditures	(28,431)	(19,621)
Cost of acquisitions, net of cash and cash equivalents acquired	(32,794)	(31,894)
Other	4,184	3,263
	-----	-----
Net Cash Used in Investing Activities	(57,041)	(48,252)
	-----	-----

EG&G, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Nine Months Ended October 2, 1994 and October 3, 1993

(Unaudited)

Cash Flows From Financing Activities:		
Changes in commercial paper	14,728	(7,993)
Other changes in debt	(1,078)	(8,010)
Proceeds from issuing common stock	1,407	6,675
Purchases of common stock	(19,139)	(24,956)
Cash dividends	(23,290)	(22,077)
	-----	-----
Net Cash Used in Financing Activities	(27,372)	(56,361)
	-----	-----

Effect of exchange rate changes on cash and cash equivalents	1,802	(1,045)
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(16,062)	2,602
Cash and cash equivalents at beginning of period	72,185	69,752
	-----	-----
Cash and cash equivalents at end of period	\$ 56,123	\$ 72,354
	=====	=====

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

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Principles of Consolidation

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes, however, that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. The balance sheet amounts as of January 2, 1994 in this report were extracted from the Company's audited 1993 financial statements included in the latest annual report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current-year presentation for discontinued operations.

In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly the financial position as of October 2, 1994 and the results of operations for the three and nine months ended October 2, 1994 and October 3, 1993 and the cash flows for the nine months then ended. The results of operations are not necessarily to be considered indicative of the results for the entire year.

Effective January 3, 1994, the Company adopted Statement of Financial Accounting Standards (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 did not have a material impact on the Company's financial position or results of operations. Also, the Company adopted SFAS No. 115 on accounting for certain investments in debt and equity securities (see note 11).

(2) Goodwill Write-down

The continued decline in the financial results of the operating elements of the 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(3) Restructuring Charges

 During the third quarter, 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 manufacturing capacity, realignment of 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 approximately 1,000 non-DOE employees; the net workforce reduction will be approximately 800 non-DOE 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 third quarter with a cash outlay of \$0.8 million for termination costs; \$24.7 million of cash outlays will occur in the remainder of 1994 and into 1995.

(4) Other Income (Expense), Net

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

	(In Thousands)			
	Three Months Ended		Nine Months Ended	
	Oct. 2, 1994	Oct. 3, 1993	Oct. 2, 1994	Oct. 3, 1993
	-----	-----	-----	-----
Interest and dividend income	\$ 736	\$ 1,131	\$ 2,189	\$ 2,817
Interest expense	(1,352)	(1,605)	(3,462)	(4,688)
Losses on investments, net (Note 11)	(2,112)	(84)	(2,151)	(81)
Other	(654)	(552)	(412)	520
	-----	-----	-----	-----
	\$ (3,382)	\$ (1,110)	\$ (3,836)	\$ (1,432)
	=====	=====	=====	=====

(5) Discontinued Operations

 During the third quarter of 1994, the Department of Energy (DOE) announced that Idaho Applied Technologies, a joint venture team in which the Company holds a majority interest, had not been selected to manage

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(5) Discontinued Operations (Continued)

 the expanded contract at the DOE's Idaho National Engineering Laboratory. In addition, the Company has 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 Company	December 31, 1995
Energy Measurements, Inc.	December 31, 1995
EG&G Rocky Flats	December 31, 1995
EG&G Mound Applied Technologies	September 30, 1996

Summary operating results of the discontinued operations were as follows:

	(In thousands)			
	Three Months Ended		Nine Months Ended	
	Oct. 2, 1994	Oct. 3, 1993	Oct. 2, 1994	Oct. 3, 1993
Sales	\$411,180	\$413,994	\$1,078,036	\$1,078,061
Costs and expenses	397,878	406,383	1,043,218	1,043,476
Income from discontinued operations	13,302	7,611	34,818	34,585
Provision for Federal income taxes	4,656	2,664	12,186	12,105
Income from discontinued operations, net of income taxes	\$ 8,646	\$ 4,947	\$ 22,632	\$ 22,480

Net assets of discontinued operations consisted primarily of accounts receivable, \$18 million at October 2, 1994 and \$12 million at January 2, 1994, net of operating liabilities.

(6) Income Taxes

Effective January 4, 1993, the Company adopted SFAS No. 109 on accounting for income taxes. As part of adopting the new standard, the Company recorded a one-time, non-cash charge against earnings of \$7.3 million (\$.13 per share) in the first quarter of 1993.

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

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(6) Income Taxes (Continued)

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.

(7) Postretirement Benefits Other Than Pensions

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. As part of adopting the new standard, the Company recorded a one-time, non-cash charge against earnings of \$20 million before taxes, or \$13.2 million after income taxes (\$.23 per share), in the first quarter of 1993.

(8) Accounts Receivable

 Accounts receivable as of October 2, 1994 and January 2, 1994 included unbilled receivables of \$66.2 million and \$56 million, respectively. Accounts receivable were net of reserves for doubtful accounts of \$8.3 million and \$6.1 million, respectively.

(9) Inventories

 Inventories consisted of the following:

	(In Thousands)	
	October 2, 1994	January 2, 1994
	-----	-----
Finished goods	\$ 34,261	\$ 30,864
Work in process	34,857	30,393
Raw materials	61,331	60,324
	-----	-----
	\$130,449	\$121,581
	=====	=====

(10) Property, Plant and Equipment, at Cost

 Property, plant and equipment consisted of the following:

	(In Thousands)	
	October 2, 1994	January 2, 1994
	-----	-----
Land	\$ 16,427	\$ 14,327
Buildings and leasehold improvements	96,971	91,280
Machinery and equipment	246,930	221,809
	-----	-----
	\$360,328	\$327,416
	=====	=====

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(11) Investments

 Investments consisted of the following:

	(In Thousands)	
	October 2, 1994	January 2, 1994
	-----	-----
Marketable investments	\$17,219	\$ 6,838
Other investments	9,339	13,426
Joint venture investments	4,504	5,656
	-----	-----
	31,062	25,920
Less investments classified as other current assets	(9,283)	-
	-----	-----
	\$21,779	\$25,920
	=====	=====

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 equity 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 October 2, 1994, marketable investments classified as available-for-sale had an aggregate market value of \$17.2 million and gross unrealized holding gains of \$7.5 million. At October 2, 1994, \$4.9 million was reported as a separate component of stockholders' equity, representing the unrealized holding gains, net of deferred federal income taxes.

During the third quarter of 1994, the Company wrote down 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. In conjunction with the decision to liquidate certain investments, marketable investments of \$6 million and other investments of \$3.3 million were classified as other current assets at October 2, 1994.

EG&G, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(12) Intangible and Other Assets

Intangible and other assets consisted of the following:

	(In Thousands)	
	October 2, 1994	January 2, 1994
	-----	-----
Intangible assets	\$131,420	\$139,205
Other assets	41,346	32,555
	-----	-----
	\$172,766	\$171,760
	=====	=====

The \$7.8 million net decrease in intangible assets resulted primarily from the \$40.3 million write-down of goodwill and from current year amortization, partially offset by increases due to the IC Sensors and NoVOCs acquisitions (see note 14) and by the effect of translating goodwill denominated in non-U.S. currencies at current exchange rates. The majority of the increase in other assets was due to an increase in prepaid pension expense.

(13) Accrued Expenses

Accrued expenses consisted of the following:

	(In Thousands)	
	October 2, 1994	January 2, 1994
	-----	-----
Payroll	\$ 13,005	\$ 13,375
Employee benefits	44,924	46,121
Federal, non-U.S. and state income taxes	18,885	26,119
Other	49,003	43,185
	-----	-----
	\$125,817	\$128,800
	=====	=====

(14) Acquisitions

In September 1994, the Company acquired IC Sensors, a leading supplier of

micromachined sensing and control components for 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 \$23 million. 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. These acquisitions were accounted for using the purchase method. Their results of operations, which are included in the consolidated results of the Company from the date of acquisition, are not material to the consolidated results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and

 Results of Operations

EG&G, INC. AND SUBSIDIARIES

Results of Operations

The following industry segment information is presented as an aid to a better understanding of the operating results:

	(In Thousands)					
	Three Months Ended			Nine Months Ended		
	Oct. 2, 1994	Oct. 3, 1993	Increase (Decrease)	Oct. 2, 1994	Oct. 3, 1993	Increase (Decrease)
Sales:						
Technical Services	\$158,331	\$164,211	\$ (5,880)	\$464,005	\$483,478	\$(19,473)
Instruments	65,921	60,966	4,955	199,850	163,637	36,213
Mechanical Components	58,076	57,435	641	172,501	183,720	(11,219)
Optoelectronics	54,532	49,642	4,890	156,131	148,331	7,800
Total	\$336,860	\$332,254	\$ 4,606	\$992,487	\$979,166	\$ 13,321
Operating Income (Loss) From Continuing Operations:						
Technical Services	\$ 8,695	\$ 15,717	\$ (7,022)	\$ 32,334	\$ 49,077	\$(16,743)
Instruments	(53,381)	658	(54,039)	(50,444)	2,903	(53,347)
Mechanical Components	3,122	4,905	(1,783)	10,600	14,952	(4,352)
Optoelectronics	(4,399)	3,002	(7,401)	2,793	4,762	(1,969)
General Corporate Expenses	(10,012)	(6,774)	(3,238)	(25,333)	(20,425)	(4,908)
Total	\$(55,975)	\$ 17,508	\$(73,483)	\$(30,050)	\$ 51,269	\$(81,319)

The operating income (loss) from continuing operations for the three and nine months ended October 2, 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 discussion that follows is a summary analysis of the major changes in operating results by industry segment that occurred for the three and nine months ended October 2, 1994 compared to the three and nine months ended October 3, 1993.

Third Quarter 1994 Compared to Third Quarter 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 existing management and operations contracts with the Department of Energy (DOE). Although it intends to meet its obligations under the terms and conditions of current 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

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 selected 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. This evaluation also led to a reduction in the estimated remaining useful life of the 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 2, 3, and 5.

Sales

Sales of \$337 million from continuing operations for the third quarter of 1994 were \$5 million above 1993 levels. Lower Technical Services sales resulted, in part, from a reduction in program expenditures under the new base operations contract at the Kennedy Space Center. In addition, sales returned to more normal levels in the automotive testing business following increases in 1993 caused by the introduction of new industry testing protocols. The \$5 million Instruments increase resulted primarily from higher security products sales. In Mechanical Components, higher shipments of aerospace and transportation products were partially offset by the absence of sales from an operation divested late in 1993. In Optoelectronics, higher shipments of flash products contributed most of the increase.

Income (Loss) From Continuing Operations

In the third quarter of 1994, the operating loss from continuing operations was \$56 million compared to income of \$17.5 million in 1993. The loss from continuing operations included the restructuring charges of \$30.4 million resulting from management's repositioning plan and the \$40.3 million write-down of goodwill.

Restructuring Charges

During the third quarter, 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 restructuring charges of \$30.4 million. The principal actions in the repositioning plan include reduction of manufacturing capacity, realignment of 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 approximately 1,000 non-DOE employees; the net reduction will be approximately 800 non-DOE employees. These combined actions are expected to result in pre-tax savings of approximately \$17 million in 1995 and annualized pre-tax cost reductions 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

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 by the end of 1995.

In Technical Services, lower sales in the automotive testing business

caused most of the decline in income. The decrease also reflected restructuring charges of \$1.6 million and prior years contract settlements of \$1.8 million which were recorded in the third quarter of 1994. The repositioning plan is not expected to have a significant, direct impact on future results in this segment as the cost reductions primarily relate to operations with cost reimbursable contracts. However, the Company does expect to be more competitive in future procurements as a result of the cost reductions.

The Instruments loss of \$53.4 million resulted primarily from the goodwill write-down (\$39.2 million of which is in this segment) and restructuring charges of \$16.5 million. The income contributed by the higher sales of security products and cost reductions in another operation were partially offset by costs associated with delays in new diagnostic product introductions. The goodwill write-down relates to the Berthold businesses acquired in 1989. The repositioning plan is expected to result in annualized cost reductions of approximately \$13 million.

In Mechanical Components, the income resulting from higher sales was offset by changes in accounts receivable provisions in the industrial seal business. The 1994 results included \$2.7 million of restructuring charges. The repositioning plan is expected to result in annualized cost savings of approximately \$3 million.

In Optoelectronics, profits resulting from higher shipments and the continued benefit of cost reductions implemented in 1993 were offset by \$8.6 million of restructuring charges. In addition, the 1994 Optoelectronics results reflected a \$1.1 million write-off of a small unit's goodwill. The repositioning plan is expected to result in annualized cost savings of approximately \$7 million. The Company anticipates future increases in research and development and capital expenditures to support product development initiatives in this segment.

The increase in general corporate expenses was due to \$1 million of restructuring charges, \$1 million of consulting costs that were associated with the repositioning plan and general cost increases. The repositioning plan is expected to result in annualized corporate and other cost savings of approximately \$7 million. The change in other income (expense) was due to the write-down of certain investments 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.

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

Discontinued Operations

During the third quarter of 1994, the DOE announced that Idaho Applied Technologies, a joint venture in which the Company holds a majority interest, had not been selected to manage the expanded contract at the DOE's Idaho National Engineering Laboratory. The Company's contract to manage the facility expired September 30, 1994 and contributed \$240 million of sales and \$7.7 million of operating income to discontinued operations in the first nine months of 1994. The Company has decided not to seek renewal of its remaining four 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 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

Income from discontinued operations, net of income taxes, for the third quarter of 1994 was \$3.7 million above 1993. Most of the increase was attributable to the Rocky Flats contract, reflecting a cost reduction incentive earned in 1994 and an adjustment for lower grades in 1993.

Nine Months 1994 Compared to Nine Months 1993

Sales

Sales for 1994 were \$992 million, a \$13 million increase over 1993 sales. Technical Services sales declined \$19 million, primarily from the reduction in program expenditures under the new base operations contract at the Kennedy Space Center. Instruments sales increased \$36 million, primarily due to the Wallac acquisition late in the second quarter of 1993. The \$11 million decrease in Mechanical Components resulted primarily from the divestiture of an operation late in 1993. Higher shipments of flash products were partially offset by the absence of sales from an operation divested late in 1993, resulting in an \$8 million Optoelectronics increase.

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Income (Loss) From Continuing Operations

The loss from continuing operations was \$30.1 million, resulting primarily from the goodwill write-down of \$40.3 million and the restructuring charges of \$30.4 million.

The \$16.7 million decrease in Technical Services resulted primarily from the impact of lower sales in the automotive testing business and the reduction in available fee at the Kennedy Space Center. In addition, the segment had restructuring charges of \$1.6 million and unfavorable contract settlements in 1994 compared to favorable contract settlements in 1993.

In Instruments, the \$53.3 million decrease resulted primarily from the goodwill write-down of \$39.2 million and the restructuring charges of \$16.5 million. Benefits of cost reductions were partially offset by costs associated with delays in new diagnostic product introductions.

The Mechanical Components decrease resulted from restructuring charges of \$2.7 million and from increased start-up costs for the transportation element of the electromechanical business and the impact of lower sales and inventory write-downs in the industrial seal business.

The Optoelectronics decrease was due primarily to the restructuring charges of \$8.6 million, partially offset by the profits from higher shipments of flash products and the continued benefits of cost reductions implemented in 1993.

The increase in general corporate expenses was due to \$1 million of restructuring charges, \$1 million of consulting costs that were associated with the repositioning plan, separation costs incurred during the first six months of the year and general cost increases. The change in other income (expense) was due to the write-down of certain investments 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.

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.

Discontinued Operations

Income from discontinued operations, net of income taxes, was approximately the same for both periods as the Rocky Flats cost reduction incentive earned in 1994 was offset by lower grades earned on the Idaho contract.

EG&G, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Liquidity and Capital Resources

The Company's cash and cash equivalents decreased by \$16.1 million in the nine months of 1994 while commercial paper borrowings increased \$14.7 million. Net cash provided by continuing operations was \$46.5 million during the period. The Company acquired IC Sensors and NoVOCs, Inc. in September 1994 for net cash of \$32.8 million. The Company invested \$28.4 million in physical plant and equipment during the nine months. The \$8.8 million increase in capital expenditures over 1993 was due primarily to a higher level of investment to support new product development initiatives in the Optoelectronics segment.

The implementation of the repositioning plan commenced during the third quarter of 1994 with a cash outlay of \$0.8 million for termination costs with additional cash outlays of \$24.7 million to occur in the remainder of 1994 and into 1995. In addition, cash outlays of approximately \$10 million will be required to support the repositioning plan in 1995. Anticipated proceeds from asset dispositions and the liquidation of certain investments in 1995 are expected to result in neutral or slightly positive net cash flows from the repositioning plan by the end of 1995. The repositioning plan is anticipated to improve cash flow by an estimated \$20 million starting in 1996. The Company has also implemented an aggressive working capital reduction program.

Discontinued operations generated cash of \$20.1 million for the nine months of 1994. The remaining cash flows from discontinued operations will decrease as the DOE contracts expire in 1995 and 1996.

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 six months.

Effective March 21, 1994, the Company concluded the restructuring 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 and a \$75 million, three-year facility, and serve as backup facilities for the commercial paper borrowing. No amounts are currently outstanding under these credit facilities.

PART II. OTHER INFORMATION

EG&G, INC. AND SUBSIDIARIES

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27

(b) Reports on Form 8-K

Report on Form 8-K dated August 15, 1994 was filed with the commission reporting that on August 3, 1994, the Company was informed by the DOE that the bid of Idaho Applied Technologies, a joint venture comprised of EG&G, Inc., BNFL, Inc. and Fluor Daniel Environmental Services, Inc., for the expanded contract at the Idaho National Engineering Laboratory was unsuccessful.

Report on Form 8-K dated August 26, 1994 was filed with the commission reporting that on August 17, 1994, the Company announced its decision not to seek renewal of its contract with the DOE to continue to manage its nuclear facility at Rocky Flats in Colorado, and that on August 25, 1994, the Company announced it will not compete as a prime contractor to manage the DOE's facility at the Nevada Test Site.

EG&G, INC. AND SUBSIDIARIES

Pursuant to the requirements 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.

By /s/ Thomas J. Sauser

Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date November 14, 1994

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