I. FINANCIAL SUMMARY AND OVERVIEW

Through the third quarter our unaudited results in Computer Services show a profit of $384,000. October was again profitable according to my preliminary reports by 954 thousand dollars which means on a year-to-date basis, the group is showing a profit of $1,338,000. Revenues have been running about 4% under budget and our forecast for the remainder of the year is that this will continue.

This next chart shows a three year comparison by kind of services. 1970 figures are actual. 1971 represents our latest forecast and 1972 is the preliminary budget. This budget cannot be finalized until other group budgets have been completed.

You will also note that the forecast for the year shows we will be about breakeven or slightly unprofitable for the last two months of the year since our year-to-date profit of $3 million is close to the total year's forecast.

Several factors enter into this. First of all, school starts fall off dramatically beginning in November and, of course, December is a very bad month for data services and consulting services in addition to education services.

Not only does the chart indicate considerable progress over the three years, it should be remembered that the numbers also include significant investments in new businesses. For example, in 1971 we had significant investments in international CYBERNET services. In 1972 both domestic and international CYBERNET services will be at breakeven or better. The numbers for 1972, however, include the airlines
division which was not part of services in 1971 or 1972. The three million dollar loss includes also start up of the medical data services and financial data services in 1972, and this is all part of the investment plan to significantly broaden our base in services to achieve more stability in the future. In summary, we are now in the position we started out to achieve 18 months ago for the Services Group -- that of returning a small profit and still make significant investments for future growth since we felt and still feel that 1971-1972 are years of critical change in our industry.

II. OPERATIONS REVIEW

Each board meeting we have reviewed period and year-to-date results. Also, from time-to-time, we have talked about some of the problems and characteristics of the services that make up the Computer Services Group. But, by and large, we have not given you a very coherent picture and certainly not a very broad view of financial history and projection.

Over the next several board meetings -- using this chart as an introduction -- or at least a reminder -- I will cover some of the characteristics of each of our services business in more detail. Today I will cover maintenance services.

II. MAINTENANCE SERVICES

- Domestic Maintenance Revenue Chart
- Domestic Maintenance Gross Profit Chart
Key Indicators - Ratio analysis.

On operational aspects of the business. We maintain some 30 key indicators for maintenance. Some examples are:

- Revenue/Man
- Monthly Inventory Turns
- Gross Spare Parts Inventory
- Direct Travel per Direct Employee
- Total Cost/Direct Employee
- Material Burden Rate
- Labor Burden Rate
- Employee Turnover
- Overtime Hours/Customer Engineer
- FC0 Installation Cost
- Actual Installation & Warranty Cost
- Maintenance Revenue - Actual & Forecast

Here for example is the indicator on revenue per man. As you can see we budgeted for a declining figure this year. This was because anticipated increases in terminals and small systems, which require higher relative content of labor per dollar of revenue, have materialized at a slower rate than budgeted.

As you can see this has not occurred. Now that is not necessarily good but this key indicator prompts us to look at related ones such as overtime hours per direct employee, product mix of installed bases and so forth. This in turn not only has direct operational consequences such as hiring/firing and so forth but indirect as well - such as in our plans for training -- both quantity and on what products.
Training, of course, is a very big item in Maintenance Services. Here is a key indicator chart regarding training.

Quality of service is equally important to measure and, as you all realize, I know, it is mostly measured in business very subjectively. At best, management seems to do a sort of integration of all the squeaking wheels to see if they are headed for serious problems or not. During this past year we have begun in Computer Services to try to measure quality more quantitatively and directly. Customer Engineering were the first to start and we have developed a QSI -- Quality of Service Index -- which we measure and review. So far this year we have been establishing some historical trends for the Lower 3000 product line and refining our process. By January we will start on the 6000 and other product lines. By the middle of next year we should have enough history and data so that I can report to you in a meaningful way on the QSI. What we hope we have, of course, is a leading indicator or predictor in the QSI that can tell our field maintenance management of impending serious customer dissatisfaction soon enough so that corrective action can be taken.
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**Nine Months Through September, 1971 Operating Results**

**Computer Services Group**

**Control Data Corporation**
AGENDA FOR MEETING
OF THE BOARD OF DIRECTORS OF
CONTROL DATA CORPORATION

Friday, November 12, 1971 - 8:00 A.M.
8100 - 34th Avenue South
Minneapolis, Minnesota 55420

1. Approval of Prior Minutes
   Board of Directors 9/10/71
   Executive Committee 10/6/71
   Option Committee 9/9/71

2. President's Comments

3. Consolidated Financial Summary

   Computer Systems
   Peripheral Products
   Computer Services
   Marketing

5. Commercial Credit Operations Report

6. Discussion of Financing Status and Plans

7. Ticketron
   Status and Projections
   Extension of Loan Guarantee
   Acquisition of Minority Interest

8. Preferred Stock Dividends

9. Review of Cyberloan Program

10. Increase in Capitalization of CDIFC

11. Sale of Intercompany (Exim) Receivables

12. Transfer of Life Insurance Policy

13. Other Business

14. Executive Session
R. M. Price Speech
Board of Directors Meeting
November 12, 1971

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for 1972, however, includes the airlines division. The airlines division is included in the 1972 projection of data services, but is not in the 1970 or 1971 numbers because it was not part of services during those years. The three million dollar loss includes also start up of the medical data services in 1972, and that is all part of the medical and financial data services. Without those three new activities, both domestic and international data services would be at break even or better for next year. In summary, we are now in the position we started out to achieve 18 months ago -- that of returning a small profit and still make significant investments for future growth. Since we felt and still feel that 1971-1972 are years of critical change in our industry.

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- Commercial Parts Revenue Chart
- Commercial Parts Gross Profit Chart