GREETING

. OUR COMPUTER BIZ HAS THREE MAJOR SEGMENTS
  - SERVICES
  - SYSTEMS &
  - PERIPHERALS

. IN 1975, IN TERMS OF TOTAL VOLUME
  - SERVICES REPRESENT 40%
  - SYSTEMS 35%
  - & PERIPHERALS 25%

. OF THE BIZ

. MY COMMENTS OF COURSE

. WILL DEAL WITH THE SERVICES & SYSTEMS SEGMENTS

SERVICES -- CHART_1

. THE SVS BIZ IS MADE UP OF PROFESSIONAL SVS & DATA SVS

. EACH OF THESE BIZ SEGMENTS

. IN TURN BREAKS DOWN INTO SUBSEGMENTS

. THIS 1ST CHART WILL GIVE YOU SOME PERSPECTIVE ON THE RELATIVE SIZE OF DATA SERVICES

. & THE ELEMENTS OF PROFESSIONAL SERVICES
PROFESSIONAL SERVICES

. PROFESSIONAL SERVICES INCLUDE:

- EDUCATION
- CONSULTING &
- MAINTENANCE SERVICES

. EACH OF THE INDIVIDUAL SEGMENTS IS PROFITABLE

. WITH EDUCATION SVS HAVING MADE A SIGNIFICANT TURNAROUND FROM '73 TO '74

. IN 1975 PROFESSIONAL SVS REPRESENT 20% OF CDC'S COMPUTER BIZ

. THEY ARE CASH GENERATORS FOR THE CORP & HAVE GROWN AT AN AVERAGE ANNUAL RATE OF 24% SINCE 1970

. NEXT YRS GROWTH IS PROJECTED MORE CONSERVATIVELY AT 11%

. IT IS IMPORTANT TO REMEMBER THAT VIABILITY OF THESE BUSINESSES - EXCEPT PERHAPS THAT OF EDUCATION - WAS ESTABLISHED BY UNBUNDLING WHICH BECAME A MARKETPLACE PRACTICE IN 1970

. IT ALSO PROBABLY ISN'T NECESSARY TO REMIND YOU OF THE LEAD ROLE CONTROL DATA HAS PLAYED IN BRINGING ABOUT UNBUNDLING
. SO THE TANGIBLE RESULTS OF OUR WELL KNOWN STRATEGY ARE VERY MUCH EVIDENT IN THE NUMBERS I AM GIVING YOU

SERVICES--DATA SERVICES

. THE REMAINDER OF OUR SVS BIZ IS DATA SVS
. DATA SVS REPRESENT 19% OF CD'S COMPUTER BIZ
. NORMALLY WE TEND TO LUMP ALL OUR DATA SVS TOGETHER IN PRESENTATIONS LIKE THIS
. HOWEVER, IT WILL BE HELPFUL IF WE LOOK AT DATA SVS BY ITS SEGMENTS THAT WAY
. I THINK I CAN GIVE YOU A BETTER FEEL FOR ITS - STATUS
- PROJECTIONS &
- SOME ANTICIPATED ACTIONS ON OUR PART
   (CHART 2)
. NETWORK DATA SVS REPRESENT 56% OF OUR TOTAL DATA SVS BIZ
. INCLUDED IN THIS BIZ SEGMENT ARE THE WORLDWIDE TIMESHARING BIZ OF CYBERNET & SBC
. AS WELL AS THE REMOTE BATCH SVS OF CYBERNET
A FEW HIGHLIGHTS OF THE OPERATING STATEMENT ARE:

- REVENUE GROWTH CONTINUES STRONG -
  - IT WAS 22% 1973 TO 1974
  - AND IS MORE CONSERVATIVELY PROJECTED AT 18%
    1974 TO 1975

- IN 1975 NEW MARKETS ARE BEING OPENED IN
  CANADA & EUROPE

- IN ADDITION TO ENLARGED MARKETING PROGRAMS
  IN THE U.S.

- DEVELOPMENT WILL CONTINUE IN TERMS OF NETWORK
  SOFTWARE IMPROVEMENTS

- AS WELL AS APPLICATIONS PROGRAMS

- MOST APPLICATIONS PROGRAMS ARE NOT DEVELOPED
  INTERNALLY

- BUT RATHER ARE LICENSED OFF-THE-SHELF
  PROGRAMS

- PRODUCED BY OTHERS

- ALSO THE EXTENT OF APPLICATIONS AVAILABLE IN
  CYBERNET & SBC

- IS SUCH THAT WE GET EXCELLENT LEVERAGE OFF
  THEM

- AS WE ENTER NEW GEOGRAPHIC MARKETS
NETWORK SERVICES HAVE A PRETAX RETURN AT THE PRESENT TIME
OF ABOUT 10% ON REVENUES & ABOUT 18% ON ASSETS
LOCAL BATCH DATA SERVICES
ARE THE TRADITIONAL BIZ WHICH WERE THE FORE-RUNNER
OF TODAY'S NETWORK SERVICES COMPANIES
THEY INVOLVED CUSTOMIZED PROGRAMS
RATHER THAN STANDARD APPLICATIONS
THEY INVOLVED LOCAL OVER-THE-COUNTER DELIVERY
RATHER THAN NETWORKS
THEY NORMALLY INVOLVED LARGE DATA PREPARATION STAFFS
THEY ALSO INVOLVED LOSSES ... THEY STILL DO
BUT THEY HAVE PROVIDED THE BASE
FROM WHICH TO MOVE INTO NETWORK SERVICES
WE HAVE THREE PRINCIPAL VESTIGES OF THIS BIZ (CHART 4)
ONE IS OUR OPERATION IN MEXICO
ONE IS THE OPERATION IN BRAZIL
THE 3RD & LARGEST IS THE DPS DIVISION OF SBC
Together they represented 23% of 1974 data SVS revenues.

They operated at a loss in 1974.

This will also be true in 1975.

In 1975 we will replace both the Mexican & Brazilian equip with cyber equipment.

We are already offering Cybernet SVS via satellite into Brazil.

They DPS biz of SBC.

Has been undergoing a transformation for the past five years.

In 1969 SBC had over a hundred mil dollars of this kind of biz — operating at a loss —

The biz has been gradually transformed.

The customized biz greatly reduced.

New package programs are being introduced & timesharing has grown to replace DPS revenues.

Over time we will cease to report this biz segment.

It will be approximately 2 yrs
BEFORE MEXICO & BRAZIL ARE MOVED OVER
IT WILL BE SOMEWHAT LONGER FOR DPS

SOME SPECIFIC COMMENTS ON THE OPERATING RESULTS

REVENUE - ESSENTIALLY NO GROWTH '75 OVER '74

GROSS PROFIT - SOME IMPROVEMENT '75 OVER '74

THIS REFLECTS PRIMARILY AN IMPROVED SITUATION IN BRAZIL

& SOME FURTHER CONSOLIDATIONS IN THE DPS OF SBC

EXPENSE - WILL BE DOWN IN '75 FROM LAST YEAR

THE MOST SIGNIFICANT DIFFERENCES

AGAIN BEING THE SBC CONSOLIDATION & BRAZIL

NET PROFIT - THE '75 LOSS ON THIS BIZ

WILL BE LESS THAN HALF THAT OF 1974

APPLICATION DATA SVS ARE INDUSTRY SPECIFIC DEDICATED DATA SVS

THEY RELATE TO SPECIFIC INDUSTRY APPLICATION NEEDS

THEY INVOLVE FOR THE MOST PART NETWORKS

THEY GENERALLY INVOLVE LONG PERIODS

OF BUILDING UP A SVS BASE BEFORE PROFITABILITY IS REACHED
BUT THEY BECOME QUITE PROFITABLE
FOR THOSE OF YOU WHO HAVE SEEN
THE LEVELS OF SERVICES STRATEGIC RATIONALE
OF CONTROL DATA'S MISSION
YOU WILL RECOGNIZE THIS BIZ SEGMENT
AS THE "APPLICATION SERVICES" LEVEL OF SERVICE
(CHART 5)
INCLUDED IN THIS SEGMENT ARE ACTION DATA SVS
- A SERVICE TO FINANCE COMPANIES
BROKERAGE TRANSACTIONS SERVICES INC.,
AND ARB WITH ITS SERVICE FOR TV & RADIO
BROADCASTING
(CHART 6)
I WON'T COVER THESE BIZ'S IN ANY DETAIL
BUT RATHER SUMMARIZE THEM WITH A FEW REMARKS
ON THE FINANCIAL STATUS AND OUTLOOK
REVENUE - GROWTH CONTINUES IN THESE SVS
EVEN THOUGH THEY ARE RELATIVELY MATURE
A GROWTH OF 17% IS PLANNED FOR 1975
NET PROFIT - RATES WILL ALSO IMPROVE
THE RETURN ON REVENUES IS 13% IN 1975
COMpared to 8.5% IN 1974
THE 1975 RETURN ON ASSETS IS PLANNED AT 41%.

DEVELOPMENTAL DATA SERVICES
THIS FOURTH CATEGORY COVERS THOSE BUSINESSES
WHICH BECOME A PART OF THE PREVIOUS CATEGORY
- APPLICATIONS DATA SERVICES -
OR THEY WILL DISAPPEAR
THEY REPRESENT 6.5% OF OUR DATA SERVICES BIZ
INCLUDED ARE:
- INSURANCE INDUSTRY SVS
- AIRLINES RESERVATION SVS
- TICKETRON
- A HOSPITAL ADMINISTRATIVE SVS
- AUTOMATED WAGERING SERVICE

(CHART 7)

IN SOME INSTANCES
WE HAVE BEEN WORKING FOR SEVERAL YRS
TO DEVELOP THE SERVICE
SOME OF THEM ARE NEW
ALL OF THEM ARE CASH CONSUMERS AND LOSS GENERATORS
AT THE PRESENT TIME
SOME OF THEM HAVE NOT MADE THE CUT AS WE MOVE INTO '75

I WILL NOT TAKE TIME TO DISCUSS EACH OF THESE DEVELOPMENTAL SVS TODAY

BUT SINCE I HAVE SPOKEN TO MANY OF YOU BEFORE ABOUT TICKETRON

I WILL SPEND A MOMENT ON THAT

'74 WAS THE BEST YR EVER FOR TICKETRON

TICKETRON HAS OPERATED "ON PLAN"

WITH REGARD TO
- REVENUE
- EXPENSE &
- NET

LOSSES WERE REDUCED TO LESS THAN ONE-HALF OF THOSE EXPERIENCED IN 1973

TICKETRON WAS THOROUGHLY REAPPRAISED LAST YR

BOTH IN ITS INTERNAL AND ITS EXTERNAL ASPECTS

WE REASSESSED OUR MARKETS

WE HAVE RE-AFFIRMED THE NEED FOR THE TICKETRON SVS

- TODAY AND FOR THE FUTURE.

WE LOOKED HARD INTERNALLY AT HOW WE DELIVER THE SERVICES

AND HOW MUCH IT COSTS
10.

1. PLANS CALL FOR PHASING IN A NEW TERMINAL FOR USE IN TICKETRON OUTLETS BEGINNING IN '75.
2. THE NEW TERMINAL RELIEVES THE NECESSARY COMPUTING WORK DONE AT THE CENTRAL SITE BY APPROXIMATELY 50%.
3. THE SIGNIFICANCE OF THIS IS THAT THE SEAT INVENTORY HANDLING CAPABILITY WILL BE INCREASED FROM 60 - 80% OVER TODAY'S CAPACITY.
4. SINCE ADDITIONAL INVENTORY IS AVAILABLE TO US, THIS ABILITY TO TAKE ON ADDITIONAL SEATS WITHOUT ADDING COMPUTER CAPACITY IS AN IMPORTANT FACTOR IN FUTURE PROFITABILITY.
5. IN TOTAL FOR DEVELOPMENTAL DATA SERVICES, THESE ARE THE OPERATING HIGHLIGHTS.

REVENUE

6. YEAR-TO-YEAR REVENUE COMPARISONS ARE NOT VERY MEANINGFUL WITH THE START-UP/SHUT-DOWN ASPECT OF THE INDIVIDUAL BUSINESSES.
7. THOSE BUSINESSES WE ARE CONTINUING HOWEVER REFLECT A GROWTH OF 18%.
NET PROFIT

1. THE '75 PLAN CALLS FOR A DRAMATIC IMPROVEMENT

2. THE NET LINE -

3. REFLECTING THE DISCONTINUANCES ALREADY DISCUSSED

4. AS WELL AS IMPROVEMENT IN THE OPERATIONS

5. WE ARE CONTINUING

6. WILL BE LESS THAN HALF THE LOSS OF '74

7. THE OUTLOOK IS FOR CONTINUED IMPROVEMENT THROUGHOUT '75 AND '76

8. THE EVALUATION OF THESE BIZ'S

9. IS THAT OVER THE LONG TERM THEY CAN BECOME PROFIT PRODUCERS

10. EQUAL TO OR BETTER THAN CURRENT APPLICATIONS SERVICES

11. IF THAT EVALUATION CHANGES

12. THEY WILL BE CUT

SERVICES _ SUMMARY _ (CHART 1 AGAIN)

13. IN TOTAL THEN

14. SERVICES CONTINUE TO GROW IN REVENUES & PROFITS

15. '74 SAW A 24% INCREASE OVER '73

16. '75 IS PLANNED FOR A GROWTH OF 15%
I will cover our systems biz in 3 segments:

- Instruments & Controls
- Aerospace & Military Products &
- EDP Systems

First let me cover Instruments & Controls

This includes a small instrument biz

The power utility supervisory control systs & water waste control systems

& the Kerotest company which manufactures valves

These biz's in total are profitable

On the other hand

Some product lines are of marginal importance to our short or long term strategy

And will be sold off if we can get the right price

At present instruments & controls are around 9%

Of our systems biz

& are growing at a 10% rate

They are profitable

And improving in profitability
AEROSPACE & MILITARY PRODUCTS

- This biz segment is growing nicely
- Growth rate over the past several yrs has been an average of 17%
- Next yr we are planning on a more conservative growth rate of about 7%
- This biz could be adversely affected by a decline in govt spending

- On the other hand
- Backlogs are at an all time high
- & we expect to enter '75 with 80% of the planned revenue in backlog
- So the only major problem
- Is to not let the biz build up now too rapidly
- With expectations that could lead to trouble in '76 and beyond

- Aerospace revenues are 19% of our systs biz
- We will keep it at approx that ratio
- One important aspect of this biz
- Is the technology throw-off
AMONG RECENT ITEMS IN THIS RESPECT ARE SOME ADVANCED TERMINALS WHICH WILL BE USED IN EDUCATION SVS & ONE FUTURE SMALL COMPUTER PRODUCT LINE

EDP SYSTEMS

THE PICTURE IN EACH OF THE BIZ SEGMENTS WE HAVE SEEN THUS FAR IS SHOWING BOTH SUSTAINED GROWTH & IMPROVEMENT IN MARGINS

THE EDP SYSTEMS PICTURE IS SOMewhat MORE CLOUDED

WHILE OVERALL THE BIZ IS A MUCH MORE SOLID BASIS THAN IN PRIOR YEARS

SHORT TERM RESULTS ARE BEING NEGATIVELY IMPACTED BY THE LARGE PROGRAMS & BY THE CHANGE-OVER TO THE NEW PRODUCT LINE I WILL TOUCH ON THESE MAJOR FACTORS AS WE GO THRU THE OPERATING HIGHLIGHTS FOR SYSTEMS
BEFORE DOING THAT HOWEVER
I WANT TO MAKE A COMMENT OR TWO REGARDING
COMPUTER SYSTYS IN GENERAL
DEVELOPMENTS OVER THE PAST YEAR
ARE SUCH THAT WE NOW HAVE THE POSSIBILITY
TO PURSUE OUR TRADITIONAL LARGE COMPUTER
SYSTEMS MARKET
WITHOUT THE BURDEN OF MAINTAINING SO MANY
OPTIONS
THESE DEVELOPMENTS INCLUDE:
- THE SUCCESSFUL DELIVERY OF TWO STAR
  MACHINES
- THE MARKET INTRODUCTION OF THE CYBER
  170 FAMILY
- IMPROVED ACCEPTABILITY OF THE 7600 &
- PROGRESS IN THE COOPERATIVE PROGRAM
  WITH NCR
THIS WILL GREATLY IMPROVE OUR ABILITY
TO FOCUS AND CONTROL OUR TECHNICAL EFFORT
EXPENSES
OUR CUSTOMER SPECIFIC & APPLICATIONS TECH
EFFORT EXPENSES
OUR CUSTOMER SPECIFIC & APPLICATIONS TECH
EFFORT
WILL BE ANALYZED & MANAGED ON AN INDUSTRY
MARKET BASIS
TO LOOK FOR MAXIMUM PAY-OFF
FOR DATA SERVICES AS WELL AS SYSTEMS

NOW TO THE OPERATING HIGHLIGHTS FOR SYSTEMS

WE EXPECT

- OUTRIGHT SALES OF SYSTEMS
- PURCHASE CONVERSIONS &
- LONG TERM LEASES

TO BE LESS THAN IN '74

RENTALS ON THE OTHER HAND SHOULD BE UP AGAIN

AS THEY HAVE IN EACH OF THE PAST 3 YEARS

WE ARE EXPECTING IN PARTICULAR

THAT THE FIRST TWO QUARTERS WILL BE DOWN IN
TOTAL SYSTEMS REVENUE

UNTIL THE CYBER 170 SHIPMENTS GET INTO FULL
SWING

WE HAVE STRINGENT EXPENSE CONTROLS ALREADY IN
PLACE

TO MINIMIZE THE EXPOSURE

BUT OUR EFFORTS IN THIS REGARD ARE SOMEWHAT
OFFSET

BY THE FACT THAT INVENTORIES FOR SYSTEMS
WILL BE HIGH IN THE 1ST HALF

EVEN THOUGH FOR THE YEAR OVERALL

THEY WILL DECLINE
IN SHORT

WE EXPECT A HARD SQUEEZE ALL THE WAY AROUND UNTIL CYBER 170 DELIVERIES MOVE OUT IN THE 2ND HALF.

ON THE BRIGHT SIDE HOWEVER IS THAT OUR REVENUE COVERAGE IN BACKLOGS GOING INTO '75 WAS HIGHER THAN FOR '74 OR FOR '73. ALTHOUGH PURCHASE CONVERSION & OUTRIGHT SALE REVENUES HAVE HISTORICALLY BEEN ESSENTIAL TO ANY SORT PLAN TO FINANCE CURRENT DEVELOPMENT & MKTG COSTS, WE ARE SLOWLY EASING OUR DEPENDENCE ON SUCH BIZ'S & THE RISING BACKLOG COVERAGE IS ONE MORE RESULT OF A GROWING LEASE BASE.

GROSS PROFIT MARGINS WILL BE ABOUT THE SAME AS '74 ACTUALLY GROSS MARGINS ON THE CYBER 170 WILL BE 9 TO 10 PERCENTAGE POINTS HIGHER THAN ON CURRENT PRODUCT LINES.
BUT WITH '75 REFLECTING REDUCED OUTRIGHT SALE REVENUES

& THE BULK OF CYBER 170 DELIVERIES OCCURRING IN THE SECOND HALF

THERE WILL BE NOT MUCH EFFECT BEFORE 1976

THE TOTAL EXPENSES WILL BE DOWN IN '75 FROM '74

SIGNIFICANT DECREASES WILL OCCUR IN PRODUCT SUPPORT COSTS

AND PRODUCT DEVELOPMENT

THE NET RESULT IS THAT THROUGH A TOUGH APPROACH

TO PEOPLE & EXPENSES

WE SHOULD BE ABLE TO COMPENSATE

FOR THE PROJECTED CONSERVATIVE VOLUME OF BIZ

& IMPROVE THE POSITION COMPARED TO '74

ANY IMPROVEMENT IN VOLUME OF COURSE

SHOULD FURTHER IMPROVE THIS POSITION

RECEIVABLES

OVERALL OUR COMPANY'S RECEIVABLES LEVELS & RATIOS ARE IMPROVING

OUR '75 PLAN CALLS FOR ABOUT 1/2% INCREASE IN TOTAL RECEIVABLES LEVELS
AGAINST A 5% INCREASE IN REVENUE

THE IMPROVEMENT IS REALLY MORE DRAMATIC THAN THESE PERCENTAGES INDICATE

THIS IS IN PART DUE TO OUR MIX

OUR '75 PLAN CALLS FOR A LOWER RATIO OF REVENUE

CREATING LONG-TERM RECEIVABLES

ENABLING US TO INVOICE & COLLECT MORE QUICKLY ON OUR SALES

OUR TRADE RECEIVABLES

THOSE INVOICED TO THE CUSTOMER BUT NOT YET COLLECTED

HAVE AVERAGED ABOUT 28% DELINQUENT

OVER 30 DAYS BEING DEFINED AS DELINQUENT

IN 1974 WE AVERAGED 22% DELINQUENT

& OUR '75 PLAN ANTICIPATES A REDUCTION TO 20% DELINQUENCIES

THIS ACHIEVEMENT IS DUE PRIMARILY TO AN AGGRESSIVE MANAGEMENT PROGRAM MOUNTED LAST YR
INVENTORIES

. WE ANTICIPATE THAT THE LEVEL OF OUR NET INVENTORIES WILL REMAIN ESSENTIALLY FLAT BETWEEN '74 & '75.

. WITH EDP SYSTEMS INVENTORIES DECLINING IN THE LATTER PART OF 1975.

. THIS WILL CONTINUE A TRENDS TOWARD IMPROVING TURNS WHICH BEGAN IN '74.

. CONTINUED THROUGH '74.

. OUR REAL OVERALL TURNS FROM A MANAGEMENT EFFICIENCY STANDPOINT IMPROVED BY ABOUT 3% IN '74.

. & WE ANTICIPATE ANOTHER 5% IMPROVEMENT IN '75.

. THIS WILL BE ACHIEVED PRIMARILY IN OUR EDP SYSTEMS & MAINTENANCE SYS BIZ'S.
SYSTEMS & SERVICES SUMMARY

IN SUMMARY

FOR ALL OF SERVICES AND SYSTEMS BIZ

OUR ASSET IMPROVEMENT PROGRAM IS BEGINNING TO PAY OFF

OVER THE PAST THREE YEARS

OUR ASSETS HAVE GROWN AT 105 MIL PER YR ON THE AVERAGE

IN 1974 THIS RATE WAS 42 MILLION

FOR NEXT YEAR THE RATE WILL BE DOWN FURTHER TO ESSENTIALLY A NO GROWTH SITUATION

EXCEPT FOR THE LEASE BASE ADDITIONS

WE ACTUALLY HAVE A DECREASE

SO OVER THE NEXT 4 TO 5 YEARS

WE CAN SEE A QUITE HEALTHY PICTURE EMERGING WITH THE CASH THROW-OFF OF THE LEASE BASE

BECOMING AN IMPORTANT SOURCE OF FUNDS

FOR OUR SYSTEMS AND SERVICES GROWTH