THANK YOU, MR. NORRIS.

1976 WAS A YEAR OF SIGNIFICANT PROGRESS IN COMPUTER SYSTEMS AND SERVICES BUSINESS... AND I APPRECIATE THE OPPORTUNITY TO COVER SOME OF THE KEY FACTORS THAT LIE BEHIND LAST YEAR'S 35 PERCENT IMPROVEMENT IN COMPUTER BUSINESS EARNINGS.

FIRST OF ALL, 1976 WAS ANOTHER GOOD YEAR FOR DATA SERVICES. NO SINGLE STATISTIC ADEQUATELY MEASURES THE IMPROVEMENT... OVERALL REVENUE GROWTH OF 12 PERCENT... WITH INDIVIDUAL SEGMENTS GROWING AT RATES OF 18 TO 30 PERCENT... EXPANSION OF THE DATA SERVICES NETWORK WITH THE ADDITION OF 15 NEW DELIVERY POINTS IN NORTH AMERICA... NEW APPLICATIONS... THE FURTHER EXPANSION OF DATA SERVICES IN INTERNATIONAL MARKETS.

SECOND, IT WAS A STRONG YEAR FOR LARGE-SCALE COMPUTER SYSTEMS. ONE INDICATOR IS THE SUBSTANTIAL BUILD-UP IN OUR BACKLOG POSITION... A 16 PERCENT INCREASE WITH 70 PERCENT OF THE 1977 REVENUE BUDGET IN BACKLOG AT YEAR END... AND 46 PERCENT OF ORDERS FOR NEW SYSTEMS CAME FROM NEW CUSTOMERS... THIS IS SOLID EVIDENCE OF THE MARKET'S ACCEPTANCE OF THE CYBER 170 SERIES COMPUTER WHICH I'LL DISCUSS MORE FULLY IN A MOMENT.

AND THIRD, 1976 WAS A YEAR IN WHICH WE INTRODUCED A NUMBER OF NEW SERVICES. HEADING THE LIST IS COMPUTER-BASED EDUCATION AS DESCRIBED EARLIER BY MR. NORRIS. OTHER IMPORTANT
NEW PRODUCTS INCLUDED TELEMONEY, WHICH IS AN ELECTRONIC FUNDS TRANSFER SERVICE ... AND THE INTRODUCTION OF CONTROL DATA'S SUPERCOMPUTER -- THE STAR 100 -- INTO THE DATA SERVICES NETWORK.

NOW LET ME ZERO IN ON COMPUTER SYSTEMS WHICH LAST YEAR PROVIDED REVENUES OF $417 MILLION. I'LL START BY REVIEWSING HOW COMPUTER SYSTEMS FITS IN THE OVERALL CONTROL DATA STRATEGY. AS MR. NORRIS HAS POINTED OUT, THERE ARE THREE DISTINCT ELEMENTS TO THAT STRATEGY: (1) COMPUTER SYSTEMS HARDWARE AND SOFTWARE ... (2) PERIPHERALS AND ... (3) WORLDWIDE DATA SERVICES. THESE BUSINESSES ARE INTERRELATIONED, EACH SUPPORTS THE OTHER. FOR EXAMPLE, COMPUTER SYSTEMS IS A MAJOR USER OF PERIPHERAL PRODUCTS AND IT IS ALSO A SUPPLIER TO DATA SERVICES.

COMPUTER SYSTEMS, PERIPHERALS AND SYSTEMS SOFTWARE ARE ALL PRIME ELEMENTS IN SUCH PROGRAMS AS COMPUTER-BASED EDUCATION ... TECHNOLOGY EXCHANGE ... AND HEALTH CARE, WHICH ARE SO VERY IMPORTANT TO FUTURE GROWTH.

CONTROL DATA'S TWENTY-YEAR HISTORY INCLUDES AN UNQUESTIONED REPUTATION FOR EXCELLENCE IN LARGE-SCALE COMPUTER SYSTEMS. THIS REPUTATION BEGAN WITH THE DELIVERY OF OUR VERY FIRST MAJOR SYSTEM IN 1960, THAT WAS THE FULLY TRANSISTORIZED MODEL 1604.

THAT REPUTATION GREW WITH THE INTRODUCTION IN 1964 OF THE CONTROL DATA 6600. WE HAVE CONTINUED FOR 14 YEARS TO ENHANCE THIS PRODUCT WITH A SERIES OF COMPATIBLE SYSTEMS. IN 1969 WE ANNOUNCED THE MODEL 7600, WHICH, AT THAT TIME, WAS UNIVERSALLY RECOGNIZED AS THE WORLD'S MOST POWERFUL COMPUTER.
THEN CAME THE CYBER 70 PRODUCT LINE IN 1971. IT WAS COMPATIBLE WITH THE MODEL 6600, THUS PROTECTING THE PROGRAMMING INVESTMENT OF OUR CUSTOMERS. IT ALSO OFFERED IMPROVED PRICE AND PERFORMANCE.

NOW I WOULD LIKE TO DESCRIBE WHAT HAS BECOME A GREAT SOURCE OF PRIDE FOR US AT CONTROL DATA.

IN 1974 WE ANNOUNCED THE NEXT CLASS OF SUCCESSOR SYSTEMS TO THE 6600 AND CYBER 70 -- THE CYBER 170 COMPUTER FAMILY. IN THE LESS THAN TWO YEARS SINCE FIRST SHIPMENTS BEGAN IN MID 1975, THE CYBER 170 HAS, SIMPLY STATED, BECOME THE MOST SUCCESSFUL LARGE-SCALE COMPUTER LINE IN CONTROL DATA'S HISTORY.

WITH THE CYBER 170'S WE ARE ABLE TO OFFER ADVANCED SYSTEMS . . . IMPROVED PRICE PERFORMANCE . . . HIGHER QUALITY . . . AND BETTER RELIABILITY THAN ANY PREVIOUS CONTROL DATA OFFERING. IN FACT, HOWEVER, THIS WAS JUST A PART OF A CONTINUING RELIABILITY PROGRAM WHICH SPANS MANY YEARS. IN A SURVEY JUST RELEASED THIS MONTH BY A NATIONAL RESEARCH INSTITUTE, CONTROL DATA RANKED HIGHEST OF ALL MANUFACTURERS IN CUSTOMER SATISFACTION WITH REGARD TO RELIABILITY.

THE IMPROVED QUALITY OF THE CYBER 170 HAS RESULTED IN LESS COSTLY INSTALLATIONS FOR US AND MORE RAPID CUSTOMER ACCEPTANCE. FROM A FINANCIAL STANDPOINT FOR CONTROL DATA, THESE FACTORS HELPED IMPROVE OUR BALANCE SHEET BY REDUCING ASSETS, PARTICULARLY INVENTORIES. POSITIVE CASH FLOW THUS ALSO IMPROVED.
WE ARE CONTINUING TO BUILD ON THE STRONG CUSTOMER ACCEPTANCE OF THE CYBER 170. THIS MARCH CONTROL DATA ANNOUNCED TWO MORE ADDITIONS, ONE ON EACH END OF THE PERFORMANCE SPECTRUM -- THE CYBER 171 AND CYBER 176. THESE ADDITIONS ESTABLISH THE CYBER 170 AS ONE OF THE BROADEST COMPUTER PRODUCT LINES AVAILABLE IN THE INDUSTRY.

THE CYBER 171 IS TARGETED AS AN ENTRY-LEVEL SYSTEM FOR CUSTOMERS IN CONTROL DATA'S TRADITIONAL MARKETS, SUCH AS EDUCATIONAL INSTITUTIONS,... PETROLEUM AND POWER NETWORK CONTROL INDUSTRIES.

THE CYBER 176 REPRESENTS A GROWTH OF ABOUT 18 TIMES THE PERFORMANCE OF THE CYBER 171 WITHOUT THE NEED TO CHANGE OPERATING SYSTEMS OR TO UNDERGO PROGRAM CONVERSION. THIS IS THE WIDEST RANGE OF PERFORMANCE UNDER A SINGLE SOFTWARE SYSTEM IN THE ENTIRE INDUSTRY.

TO SUMMARIZE -- OUR COMPUTER SYSTEMS BUSINESS IS HEALTHY, AND IT IS BECOMING INCREASINGLY PROFITABLE AS MARKET DEMAND FOR LARGE-SCALE SYSTEMS CONTINUES TO INCREASE.

NOW LET ME TURN TO COMPUTER SERVICES WHICH LAST YEAR CONTRIBUTED $500 MILLION OF REVENUES. WE ARE CONTINUING TO EXPAND THIS SEGMENT OF OUR BUSINESS BY BROADENING THE NUMBER AND BREADTH OF APPLICATION PROGRAMS TO HELP CUSTOMERS SOLVE SPECIFIC PROBLEMS.

THROUGH CYBERNET SERVICES, FOR EXAMPLE, WE ARE ABLE TO HARNESS THE POWER OF THE COMPUTER TO PROVIDE PROBLEM SOLUTIONS IN SIX BASIC AREAS -- ELECTRICAL ENGINEERING,... STRUCTURAL
ANALYSIS . . . DATA BASE MANAGEMENT . . . MANAGEMENT SCIENCES . . . ELECTRIC AND TELECOMMUNICATIONS UTILITIES . . . AND FINANCIAL MANAGEMENT.

AN EXAMPLE OF OUR EFFORTS TO HELP DATA SERVICES CUSTOMERS IMPROVE PRODUCTIVITY IS A NEW SERVICE ANNOUNCED IN MARCH THAT IS EXPECTED TO PRODUCE INDUSTRIAL DESIGN ENGINEERING TIME SAVINGS OF AS MUCH AS 75 PERCENT. WE CALL THE SERVICE UNISTRUC . . . IT INTEGRATES ADVANCED STRUCTURAL ANALYSIS TECHNIQUES WITH COMPUTER GRAPHICS. THE RESULT IS A DRAMATIC SAVINGS IN TIME.

INITIAL CUSTOMER ACCEPTANCE OF THIS SERVICE HAS BEEN EXCELLENT.

THIS MARRIAGE Allows AN ENGINEER TO CREATE A DESIGN MODEL ON A GRAPHICS DISPLAY TERMINAL WHILE, AT THE SAME TIME, EXPLORING STRUCTURAL ALTERNATIVES FOR HIS MODEL VIA A REMOTELY-LOCATED COMPUTER.

THE CALL/370 TIME-SHARING SERVICE ALSO BROADENED ITS SCOPE OF APPLICATIONS IN 1976 WITH NEW OFFERINGS FOR THE MANUFACTURING INDUSTRY IN THE MATERIAL REQUIREMENTS PLANNING AREA. OTHER MAJOR CALL/370 APPLICATIONS INTRODUCED LAST YEAR WERE PICTURE PAC, WHICH IS A GRAPHICS APPLICATION THAT PROVIDES AN EASY WAY TO REPRESENT DATA IN ANY KIND OF PLOT OR GRAPH FORM; TWO NEW CREDIT APPLICATIONS WHICH HELP BANK LOAN OFFICERS TO EVALUATE A COMPANY'S ABILITY TO REPAY A LOAN; AND A FEDERAL ASSISTANCE PROGRAM RETRIEVAL SYSTEM, WHICH IS A DATA BASE OF FEDERAL ASSISTANCE PROGRAMS THAT CAN BE ACCESSED BY STATE AND LOCAL GOVERNMENTS.
THERE IS STILL MORE: FOCUS IV, A NEW ON-LINE SERVICE FOR THE CREDIT UNION INDUSTRY; AND A PERSONNEL REPORTING SYSTEM THAT WORKS IN CONJUNCTION WITH OUR PAYROLL SERVICE TO PROVIDE PERSONNEL DEPARTMENTS WITH SENIORITY LISTINGS, PERFORMANCE REVIEW SCHEDULING, TELEPHONE LISTINGS AND A VARIETY OF RELATED REPORTS.

ANY BUSINESS -- LARGE OR SMALL -- IS A POTENTIAL CUSTOMER FOR DATA SERVICES.

THE CUSTOMER MAY BE TOO SMALL TO JUSTIFY PURCHASING OR LEASING A COMPUTER . . . BUT IF HE HAS A TELEPHONE HE CAN GET ALL THE COMPUTING POWER HE NEEDS AND FOR JUST THE TIME HE NEEDS IT.

OR THE CUSTOMER MAY ACTUALLY BE A VERY LARGE USER SUCH AS IDS HERE IN THE TWIN CITIES WITH SEVERAL COMPUTERS OF HIS OWN. SUCH CUSTOMERS USE DATA SERVICES AS A SUPPLEMENT TO IN-HOUSE COMPUTING FOR APPLICATIONS OTHERWISE UNAVAILABLE TO THEM.

SO YOU CAN SEE THAT THE BREADTH OF DATA SERVICES AT CONTROL DATA IS ENORMOUS . . . RANGING FROM SPECIFIC APPLICATIONS FOR A GIVEN MARKET SEGMENT, DOWN TO RAW COMPUTER TIME. WHATEVER THE FORM, THE SERVICE IS AVAILABLE THROUGH THE CONTROL DATA NETWORK. AND THAT NETWORK IS CONTINUALLY GROWING MORE EFFICIENT AND ECONOMICAL AS A DELIVERY VEHICLE.

IT NOW SERVES SOME 180 LOCAL MARKETS AND INVOLVES 38 LARGE MAINFRAME COMPUTERS.
CONTROL DATA'S COMPUTER SERVICES ACTIVITIES HAVE BEEN GROWING AT AN AVERAGE RATE OF 20 PERCENT OVER THE PAST FIVE YEARS. DATA SERVICES IS NOW A QUARTER OF A BILLION DOLLAR BUSINESS AND LAST YEAR REPRESENTED 50 PERCENT OF TOTAL COMPUTER SERVICES.

THE WORLDWIDE DEMAND FOR DATA SERVICES IS HUGE. NO ONE COMPANY DOMINATES BUT WE ARE THE LEADERS. TO MAINTAIN OUR CURRENT LEADERSHIP POSITION, WE WILL HAVE TO RUN HARD, BECAUSE THE MARKET IS GROWING AND CHANGING AS IT EvOLVES. LET'S LOOK BRIEFLY AT THE DIMENSIONS OF THAT GROWTH.

THE COMBINED USE OF DATA SERVICES IN THE U.S. AND WESTERN EUROPE WILL REACH ABOUT $11 BILLION IN 1980. DEMAND IS GROWING AT A RATE OF OVER 15.8 PERCENT, WITH WESTERN EUROPE GROWING FASTER THAN THE UNITED STATES.

WITHIN THOSE PARAMETERS LET ME GIVE YOU A FEELING FOR SOME OF THE GROWTH RATES ASSOCIATED WITH SPECIFIC SERVICES THAT WE OFFER . . . CALL/370 HAS HAD AN AVERAGE GROWTH RATE OVER THE PAST SEVERAL YEARS OF AROUND 18 PERCENT . . . IN 1976 THE REVENUES OF ARBITRON, AN AUDIENCE RATING SERVICE, ROSE 23 PERCENT. TICKETRON, OUR TICKETING AND WAGERING DATA SERVICE, REPORTED A 30 PERCENT INCREASE. CYBERNET DATA SERVICES REVENUES INCREASED BY 13 PERCENT.

LET ME CLOSE WITH A WORD ABOUT 1977.
COMPUTER SERVICES ARE CONTINUING TO GROW IN BOTH REVENUES AND PROFITS. THE MOMENTUM HAS CARRIED OVER INTO 1977. IN THE FIRST QUARTER COMPUTER SERVICES REVENUE WAS UP BY $22 MILLION FROM THE FIRST QUARTER A YEAR AGO. THAT WAS A 20 PERCENT INCREASE. WE EXPECT THIS FAVORABLE TRENDS TO CONTINUE THROUGHOUT THE REST OF THE YEAR.

AND NOW I WOULD LIKE TO INTRODUCE TO YOU MR. TOM KAMP WHO IS PRESIDENT OF OUR PERIPHERALS COMPANY.