

MAY 3, 1978

R.M.PRICE

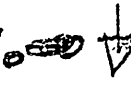
- THANK YOU MR. NORRIS.
- GOOD MORNING LADIES AND GENTLEMEN.
- ALTHOUGH WE HAVE BEEN HAVING A BIT OF TROUBLE
- GETTING SPRING TO ARRIVE IN MINNESOTA THIS YEAR,
- THERE IS QUITE A BIT OF SUNSHINE
- ON OUR COMPUTER BUSINESS THESE DAYS,
- AND THAT MAKES MY REPORT ALL THE EASIER.
- LAST YEAR SAW CONTINUING PROGRESS
- IN ALL THREE OF THE MAJOR SEGMENTS OF THE COMPUTER BUSINESS:  
~~PERIPHERAL PRODUCTS, COMPUTERS AND SERVICES.~~  
*PERIPHERAL PRODUCTS, COMPUTER SYSTEMS AND SERVICES*
- THE HIGHLIGHTS OF THIS PROGRESS
- ARE COVERED IN SOME DETAIL
- IN THE ANNUAL REPORT
- SO I WILL ONLY SPEAK TO A FEW ASPECTS OF THE BUSINESSES
- THAT APPLY TO FUTURE AS WELL AS PRESENT PERFORMANCES.

## - PERIPHERAL PRODUCTS

- THE GROWTH IN PERIPHERAL PRODUCTS' BUSINESS
- OVER THE PAST 14 MONTHS OR SO
- HAS BEEN EXCELLENT.
- SHIPMENTS OF ROTATING MEMORY (DISK) UNITS
- WERE UP 96% LAST YEAR.
- OVER 63,000 ROTATING MEMORY DEVICES
- OF ONE MODEL OR ANOTHER
- WERE SHIPPED IN 1977.
- BEHIND THESE STATISTICS
- LIES THE GROWTH IN THE MINICOMPUTER INDUSTRY
- AND THE INVESTMENT OVER MANY YEARS CONTROL DATA HAS MADE
- IN ADVANCED PERIPHERAL TECHNOLOGY & MANUFACTURING KNOW-HOW.
- SO, WHEN THE MINICOMPUTER BOOM CAME,
- IT FOUND A NATURAL PARTNER
- IN CONTROL DATA'S PERIPHERAL PRODUCTS BUSINESS.
- THE OUTLOOK FOR THIS BUSINESS IN 1978 REMAINS EXCELLENT.

- ONE OTHER THOUGHT REGARDING PERIPHERAL PRODUCTS
- SHOULD BE EMPHASIZED.
- WHILE THE REVENUES & PROFITS
- OBTAINED FROM SALES TO OTHER MANUFACTURERS
- AND SALES DIRECT TO USERS OF OTHER MANUFACTURER'S COMPUTERS
- ARE IMPORTANT <sup>TO US</sup>
- AN EQUALLY IMPORTANT FACT
- IS THAT THE ECONOMIES OF SCALE ACHIEVED THROUGH THESE SALES
- GIVE US MORE <sup>VARIETY,</sup> HIGHER QUALITY, AND LOWER COST PERIPHERAL EQUIPMENT
- FOR OUR COMPUTER SYSTEMS & SERVICES BUSINESSES.
- COMPUTER SYSTEMS.
- A RECENT INDEPENDENT SURVEY OF THE COMPUTER INDUSTRY
- HIGHLIGHTED THE FOLLOWING STATEMENT:
- "THE MOST DYNAMIC SECTOR IN THE MAINFRAME [SECTOR]
- ~~"IN THE MAINFRAME OVER.....LARGE SYSTEMS"~~
- IS IN ~~THE~~ THE LARGE COMPUTED AREA, INCLUDING PRODUCTS
- YOU IN THIS AUDIENCE CAN APPRECIATE WHICH COST \$4 MILLION AND UP.
- THAT CONTROL DATA IS IN THE THICK OF THAT PARTICULAR TREND.
- ORDERS FOR OUR LARGE CYBER 170 MODELS
- HAVE EXCEEDED EXPECTATIONS IN RECENT MONTHS. ↓
- THERE IS A GROWING TREND FOR LARGE CUSTOMERS
- TO USE SEPARATE ENGINEERING COMPUTERS & ADMINISTRATIVE COMPUTERS.

- FOR CONTROL DATA THIS HAS BEEN AN EXCELLENT DEVELOPMENT
- AND IS REFLECTED IN A GROWING CUSTOMER BASE.
- IN 1976 37% OF COMPUTER ORDERS CAME FROM NEW ACCOUNTS,
- LAST YEAR IT WAS 25%.
- *THE GROWING CUSTOMER BASE WAS ALSO REFLECTED*
- AT A RECENT CONTROL DATA USERS CONFERENCE
- *WHERE 1/3 OF THE ATTENDEES*
- ~~THE CHAIRPERSON ASKED ALL NEW MEMBERS TO RISE.~~
- *WERE NEW TO THE GROUP.*
- ~~HALF THE ROOM STOOD UP.~~
- I HAVE LITTLE DOUBT THAT THE CYBER 170
- WILL BECOME THE MOST SUCCESSFUL COMPUTER PRODUCT LINE IN OUR HISTORY.
- MOREOVER OUR PLANS ARE WELL SET
- FOR INCORPORATING NEW HARDWARE AND SOFTWARE TECHNOLOGIES
- OVER THE NEXT SEVEN YEARS.
- THIS CAN BE DONE IN AN EVOLUTIONARY MANNER
- SO AS TO PROTECT OUR CUSTOMERS' INVESTMENT IN APPLICATIONS SOFTWARE,
- SERVICES
- LAST YEAR SERVICES ACCOUNTED FOR 39%
- OF THE TOTAL \$1.5 BILLION COMPUTER BUSINESS REVENUE.
- DATA SERVICES WAS THE LARGEST SERVICE BUSINESS AT \$300 MILLION.
- AND WITHIN THE NEXT FIVE YEARS
- WE EXPECT SERVICES TO GROW TO BE HALF OF TOTAL COMPUTER BUSINESS REVENUE.

- IS THE INCREDIBLE NEED FOR INFORMATION SERVICES
- AS PEOPLE EVERYWHERE
- GRAPPLE WITH THE PROBLEMS OF FOOD,
- JOBS, ENERGY, URBAN DECAY,
- EDUCATION AND HEALTH CARE.
- OUR DATA SERVICES BUSINESS TODAY
- IS 12 TIMES THE SIZE IT WAS
- AT THE START OF THIS DECADE;
- IT IS MORE THAN TWICE AS BIG AS ONLY FOUR YEARS AGO,  
• AND GROWTH CONTINUES
- REVENUES IN THE 1ST QUARTER OF THIS YEAR
- WERE UP OVER 20% FROM LAST YEAR --
- AND THAT IN THE FACE OF WEATHER IN JANUARY & FEBRUARY
- THAT PARALYZED MUCH OF U.S. INDUSTRY. 
- ~~WHICH~~ <sup>THAT ALONE</sup> SPEAKS VOLUMES
- FOR THE ESSENTIAL NATURE OF THE SERVICES WE PROVIDE .
- AND THAT IS JUST A START.
- FOR WITHOUT QUESTION
- THE MOST EXCITING PRODUCT IN CONTROL DATA'S HISTORY
- IS COMPUTER BASED EDUCATION -- PLATO.

- THIS PAST YEAR HAS SEEN A LOT OF PROGRESS.
- WE NOW SEE AMERICAN AND UNITED AIRLINES
- USING PLATO AS AN INTEGRAL PART
- OF THEIR PILOT TRAINING PRGRAMS.
- PLATO OFFERS THEM SIGNIFICANT ADVANTAGES
- IN TERMS OF COST
- AND THE ABILITY TO EFFECTIVELY TRAIN PILOTS *continue*
- IN A SHORTER PERIOD OF TIME. ↓
- ~~WE HAVE SEEN THE INSTALLATION~~
- OF A DEDICATED PLATO SYSTEM
- AT THE UNIVERSITY OF DELAWARE.
- THE UNIVERSITY INSTALLED THEIR FIRST PLATO TERMINAL
- IN MARCH OF 1975
- AND DURING THIS PERIOD OF TIME,
- THEY HAVE INCREASED THEIR USAGE
- FROM THREE DEPARTMENTS TO TWENTY-FIVE.

- ALSO, SOME OF THE PHARMACEUTICAL FIRMS --
- IN ORDER TO COMPLY WITH FDA REGULATIONS --
- ARE USING PLATO TO TRAIN THEIR FIELD REPRESENTATIVES. ↓
- THEY ARE FACED WITH THE PROBLEM
- OF TRAINING PEOPLE ACROSS THE UNITED STATES
- AND THEN BEING ABLE TO VERIFY
- THAT EACH INDIVIDUAL TOOK THE TRAINING
- AND ALSO COMPREHENDED THE MATERIAL,
- PLATO IS THE ONLY EFFECTIVE WAY OF DOING THIS TODAY,
- TIME DOESN'T PERMIT ME TO ENUMERATE FURTHER INSTANCES,
- BUT THEY ARE MANY.
- 1978 HAS THUS FAR SEEN
- A CONTINUATION OF THE BASIC TRENDS
- AND OVERALL PROGRESS OF OUR COMPUTER BUSINESS,
- AND FOR THE YEAR
- THE OUTLOOK IS FOR CONTINUED GROWTH
- IN REVENUE AND PROFITS
- IN ALL THREE SEGMENTS.

- IT IS HARDLY NECESSARY TO REMIND YOU
- THAT WE ARE IN A HIGH TECHNOLOGY BUSINESS
- AND LONG-TERM SUCCESS ~~DEMANDS~~
- DEMANDS LARGE TECHNICAL INVESTMENTS.
- IN ADDITION
- OUR BUSINESS IS PREDOMINATELY SERVICES.
- I THINK IT IS FREQUENTLY OVERLOOKED
- THAT EVEN THOUGH THE TOTAL<sup>NUMBERS</sup>~~S~~ ARE LARGE AND IMPRESSIVE
- SERVICES COMPRISES DOZENS
- OF INDIVIDUAL INFORMATION SERVICES
- ANY ONE OF WHICH IS QUITE SMALL --
- A FEW MILLION FOR MOST,
- 10-30 MILLION FOR THE LARGEST.
- GROWING MEANS DEVELOPING MANY NEW SUCH SERVICES
- <sup>AND</sup> IN ADDITION ~~TO~~ <sup>ING</sup> MAINTAIN AND IMPROVING OLD ONES.
- THIS IS A PROCESS WHICH TAKES YEARS.
- REVENUES ARE ADDED LITERALLY A FEW HUNDRED --
- OR AT BEST A FEW THOUSAND - DOLLARS AT A TIME.
- AND NOT EVERY NEW SERVICE IDEA OR APPLICATION
- IS A SUCCESS AT ALL.



- ALL THAT ADDS UP
  - TO INVESTMENT IN TECHNICAL EFFORT AND MARKETING.
  - ~~●~~
  - THERE IS IN ADDITION
  - THE ON-GOING PROGRAM
  - OF IMPROVING OUR MANAGEMENT ADMINISTRATIVE SYSTEMS
  - AND A LARGE REQUIREMENT FOR TRAINING
  - OF MANAGEMENT AND TECHNICAL PEOPLE.
  - ~~●~~
  - FOR THE PAST FEW YEARS
  - WE HAVE BEEN ABLE TO MEET THOSE INVESTMENT REQUIREMENTS
  - AND IMPROVE FINANCIAL PERFORMANCE AS WELL.
  - WE ARE LOOKING FORWARD TO MORE OF THE SAME FOR THE FUTURE.
  - THANK YOU.
-