1979, IN RETROSPECT, WAS AN INTRIGUING YEAR -- IN MANY WAYS IT IS PROBABLY A PRETTY GOOD VIEW OF THINGS TO COME -- A GOOD WARM-UP EXERCISE FOR WHAT WE FACE OVER THE NEXT FIVE YEARS OR MORE. THE INCREASE IN PEOPLE'S UNCERTAINTY WAS CLEARLY EVIDENT. THE SURPRISES AND SUDDEN CHANGES IN THE WORLD AT LARGE DON'T NEED TO BE REPEATED HERE. UNCERTAINTY WAS REINFORCED AS WELL BY THE INTRANSIGENCE OF PROBLEMS LIKE INFLATION, AND AWARENESS THAT THERE IS "NO MAGIC ANSWER TO ENERGY PROBLEMS", IF NOT EXACTLY WIDESPREAD, AT LEAST BECAME VISIBLE. IN THE COMPUTER INDUSTRY, IBM ROCKED MOST OF THE INDUSTRY WITH ITS 4300 ANNOUNCEMENT AND WITH ITS $1 BILLION FINANCING IN EARLY OCTOBER.

AND STILL IT WAS ANOTHER YEAR OF PROGRESS FOR CONTROL DATA. WITH THE COMPUTER BUSINESS REVENUES AND EARNINGS UP 20 PERCENT AND 72 PERCENT RESPECTIVELY AND WITH ROIC IMPROVED FROM 4.8 PERCENT TO 6.9 PERCENT WE CAN BE DAMN PROUD OF WHAT HAS BEEN DONE OVER THE PAST TWELVE MONTHS. THERE IS NO QUESTION IN MY MIND THAT CONTROL DATA MANAGEMENT IS THE BEST EQUIPPED IN TERMS OF ITS PSYCHOLOGICAL FRAMEWORK AND UNDERLYING MANAGEMENT POLICY AND PRACTICES. WE ARE, IN FACT, IF NOT EXACTLY COMFORTABLE WITH ENORMOUS UNCERTAINTY, WE AT LEAST HAVE NO FEAR OF IT AND WE HAVE A BASIC STRATEGY IN TO THE MARKETPLACE AND IN COOPERATING WITH OTHERS THAT IS BETTER THAN ANY.
THE 1979 RESULTS THEMSELVES REFLECT THE FACT THAT OUR BASIC BUSINESS STRATEGY IS SOUND AND COMING TO MATURITY. BUT IT IS ALSO WISE TO REMIND OURSELVES THAT FOR THE MOST PART IT REFLECTS STRATEGIES AND OPERATING METHOD IMPROVEMENTS NOT PUT IN PLACE IN 1979 BUT THOSE PUT IN PLACE THREE, FOUR AND FIVE YEARS AGO -- LONGER IN THE CASE OF SOME MATURING STRATEGIES LIKE DATA SERVICES, THE CYBER 170's AND SO ON.

(CHART I) RC-1
TOTAL COMPUTER COMPANY REVENUES FOR 1979 WERE $2.3 BILLION. THE MOST SIGNIFICANT GROWTH, AS WE HAVE POINTED OUT ALL THRU THE YEAR, WAS IN PERIPHERAL PRODUCTS, UP 36 PERCENT AND IN DATA SERVICES, UP 20 PERCENT. BUT PROBABLY MOST SIGNIFICANT IS THE GROWTH IN EDUCATION REVENUES UP 32 PERCENT FROM 1978 AT $64 MILLION.

(CHART II) RC-5
NET PROFIT BEFORE TAXES FOR THE YEAR TOTALED $135.7 MILLION COMPARED TO $86.2 MILLION IN 1978. THIS REPRESENTS A NET PROFIT MARGIN OF 6.0 PERCENT, AN INCREASE OF 1.4 PERCENTAGE POINTS FROM LAST YEAR. ALTHOUGH WE CANNOT BE SATISFIED WITH 6 PERCENT, IT IS A BIG STEP FROM 4.6 PERCENT.
IN THE INTEREST OF TIME, I WILL SKIP THE GROSS PROFIT AND EXPENSE CHARTS EXCEPT TO MENTION THAT GROSS PROFIT RATE WAS 38.8, UP 1.2 POINTS FROM 1978 AND EXPENSES WERE 6.7 PERCENT OVER BUDGET AS COMPARED TO REVENUE BEING UP 10.6 PERCENT. THE EXCESS OVER BUDGET IN EXPENSES WAS PRIMARILY FOURTH QUARTER EXPENDITURES WHICH WE UNDERTOOK WHEN IT WAS CLEAR THAT WE WOULD SIGNIFICANTLY EXCEED THE PROFIT BUDGET FOR THE YEAR DUE PRIMARILY TO THE PROFITS FLOWING FROM VERY HIGH VOLUMES IN THE PERIPHERAL BUSINESS.

(CHART III) RC-6

TOTAL ASSETS AS OF DECEMBER 31 WERE $1552 MILLION, AN INCREASE OF 19 PERCENT FROM ONE YEAR AGO WHILE REVENUE INCREASED 20 PERCENT. FOR THE YEAR 1979 WE EMPLOYED 61 CENTS OF ASSETS FOR EACH ADDITIONAL DOLLAR OF REVENUE.

THE IMPROVEMENT IN COLLECTION OF TRADE RECEIVABLES IS PARTICULARLY NOTEWORTHY. FOR THE YEAR, WE COLLECTED 42 PERCENT OF RECEIVABLES AVAILABLE TO COLLECT, COMPARED TO 40 PERCENT IN 1978.

INVENTORIES WHICH HAVE BEEN INCREASING STEADILY FOR SEVERAL MONTHS FINALLY DECREASED IN DECEMBER. SO PERHAPS THE ATTENTION THEY'VE BEEN RECEIVING IS BEGINNING TO PAY OFF. TOTAL INVENTORIES AS OF DECEMBER 31 WERE $538 MILLION, UP 34 PERCENT FROM THE $400 MILLION AT THE END OF 1978.
RATIOS AND PROFITABILITY

This chart shows our progress over the past five years in improving our basic operating ratios. It tells a story of which our management team is proud and I truly believe reflects on the part of our management people a long-term view -- a willingness to be a little less laudatory today in order to survive tomorrow and a slow but steady approach to improvement.

HUMAN RESOURCE DEVELOPMENT

Marketing is one specific example of continuing to invest in the future. We brought 209 additional sales representatives into the computer business to bring our total to 2,353, up 9.7 percent from last year.

We also continued to work hard at minority employment which reached 193, an increase over 136 in 1978. Likewise, non-minority women as a percentage of the work force increased from 18.7 to 21.1. One of the principal reasons we were able to increase minority percentages in 1979 was reduced turnover. Historically, Control Data has had a good ability to hire minorities but turnover as is typical is the principal problem. In 1979, we were determined to finally do something about that -- and we did. One program that proved most effective was the "vestibule training" program. The program is
AIMED AT PRE-EMPLOYMENT AND EARLY EMPLOYMENT IDENTIFICATION AND CORRECTION OF BOTH SKILL AND WORK HABIT PROBLEMS. BY THE WAY, MUCH OF THE PROGRAM IS DERIVED FROM OUR EXTERNAL FAIR BREAK PROGRAM. THE EFFECTS OF THIS EFFORT ARE CLEAR IN OUR SYSTEMS BUSINESS WHERE THE PROGRAM REDUCED MINORITY ATTRITION FROM 33.3 IN 1978 TO 23.7 IN 1979.

MANAGEMENT EDUCATION CONTINUED TO BE AN AREA OF MAJOR EMPHASIS -- BUT HAVING DONE MUCH QUANTITATIVELY (THAT IS IN REQUIRING HOURS OF TRAINING) OVER THE PAST TWO YEARS -- 157,000 CBE HOURS IN 1978, 187,000 IN 1979 -- IT IS TIME TO DO MORE TO IMPROVE THE QUALITY AND EFFECTIVITY OF THE MANAGEMENT TRAINING PROGRAM. THIS TASK WAS UNDERTAKEN IN THE FALL, THE MAJOR PROBLEM AREAS IDENTIFIED, AND THE WORK PLAN TO FIX THEM WILL BE FINISHED BY FEBRUARY. AN IMPROVED CURRICULUM WILL TAKE MOST OF 1980 TO IMPLEMENT SO SIGNIFICANT IMPROVEMENT IN THE QUALITY OF THE PROGRAM WILL NOT OCCUR UNTIL 1981.

SUMMARY AND OUTLOOK
IN FACT, THAT LAST OBSERVATION WITH REGARD TO MANAGEMENT EDUCATION APPLIES IN SEVERAL OTHER AREAS AS WELL AND IS MY MAJOR FEELING OF DISSATISFACTION WITH 1979. THAT IS, ALTHOUGH WE IDENTIFIED AND WORKED ON SEVERAL AREAS TO IMPROVE PERFORMANCE, WE DIDN'T COMPLETE ENOUGH OF THEM -- SO THAT 1980 WILL NOT REFLECT THE PROGRESS IN PROFITABILITY WE HAVE SEEN IN
THE PAST. FOR EXAMPLE, A NEW TRADE RECEIVABLES INFORMATION SYSTEM IS FUNDAMENTAL TO ANY FURTHER PROGRESS IN THAT AREA -- IT WILL BE THE END OF THIS YEAR BEFORE THAT SYSTEM IS IN PLACE EVEN THOUGH WE PURCHASED THE BASIC SOFTWARE AS OPPOSED TO BUILDING IT OURSELVES. ALSO, IN THE AREA OF INVENTORY AND PRODUCTION CONTROL, 1980 IS THE YEAR OF IMPLEMENTATION WHEREAS NEED NEW SYSTEMS NOW IN ORDER TO IMPROVE ASSET USE BETTER IN THAT AREA. SIMILAR OBSERVATIONS COULD BE MADE ABOUT FACTORY AUTOMATION IN PERIPHERALS. STRATEGY PROBLEMS IN OUR SMALL SYSTEMS BUSINESS, BUSINESS FORMS, INSTRUMENTS AND CONTROLS, EUROPEAN DATA SERVICES TO NAME THE MOST SIGNIFICANT WERE IDENTIFIED SOME TIME AGO -- THESE WERE ALL WORKED ON VERY HARD IN 1979 AND YET IN EVERY INSTANCE IT WILL TAKE AT LEAST THRU 1980 TO EFFECT THE PLANS.

WITH ALL THAT, I DO NOT IMPLY NEGLECT -- IT IS JUST THAT THE PACE OF PROGRESS IS FRUSTRATINGLY SLOW.

STILL, AS YOU WILL SEE IN MARV ROGERS' PRESENTATION, WE HAVE BUDGETED FOR A LARGE GROWTH IN PROFITS IN 1980. IN FACT, IT IS LARGER THAN THE INCREASE WE BUDGETED FOR IN 1979. SO WE ARE DETERMINED TO CONTINUE OUR IMPROVEMENT IN SPITE OF WORLD UNCERTAINTY AND EVEN OUR OWN SHORTCOMINGS.

THANK YOU -- ANY QUESTIONS?
CONTROL DATA BOARD OF DIRECTORS
JANUARY 11, 1980
R. M. PRICE

1979, IN RETROSPECT, WAS AN INTRIGUING YEAR -- IN MANY WAYS IT IS PROBABLY A PRETTY GOOD VIEW OF THINGS TO COME -- A GOOD WARM-UP EXERCISE FOR WHAT WE FACE OVER THE NEXT FIVE YEARS OR MORE. THE INCREASE IN PEOPLE'S UNCERTAINTY WAS CLEARLY EVIDENT. THE SURPRISES AND SUDDEN CHANGES IN THE WORLD AT LARGE DON'T NEED TO BE REPEATED HERE. UNCERTAINTY WAS REINFORCED AS WELL BY THE INTRANSIGENCE OF PROBLEMS LIKE INFLATION, AND AWARENESS THAT THERE IS "NO MAGIC ANSWER TO ENERGY PROBLEMS", IF NOT EXACTLY WIDESPREAD, AT LEAST BECAME VISIBLE. IN THE COMPUTER INDUSTRY, IBM ROCKED MOST OF THE INDUSTRY WITH ITS 4300 ANNOUNCEMENT AND WITH ITS $1 BILLION FINANCING IN EARLY OCTOBER.

AND STILL IT WAS ANOTHER YEAR OF PROGRESS FOR CONTROL DATA. WITH THE COMPUTER BUSINESS REVENUES AND EARNINGS UP 20 PERCENT AND 72 PERCENT RESPECTIVELY, AND WITH ROIC IMPROVED FROM 4.8 PERCENT TO 6.9 PERCENT WE CAN BE DAMN PROUD OF WHAT HAS BEEN DONE OVER THE PAST TWELVE MONTHS. THERE IS NO QUESTION IN MY MIND THAT CONTROL DATA MANAGEMENT IS THE BEST EQUIPPED IN TERMS OF ITS PSYCHOLOGICAL FRAMEWORK AND UNDERLYING MANAGEMENT POLICY AND PRACTICES. WE ARE, IN FACT, IF NOT EXACTLY COMFORTABLE WITH ENORMOUS UNCERTAINTY, WE AT LEAST HAVE NO FEAR OF IT AND WE HAVE A BASIC STRATEGY IN TO THE MARKETPLACE AND IN COOPERATING WITH OTHERS THAT IS BETTER THAN ANY.
THE 1979 RESULTS THEMSELVES REFLECT THE FACT THAT OUR BASIC
BUSINESS STRATEGY IS SOUND AND COMING TO MATURITY. BUT IT IS
ALSO WISE TO REMIND OURSELVES THAT FOR THE MOST PART IT
REFLECTS STRATEGIES AND OPERATING METHOD IMPROVEMENTS NOT PUT
IN PLACE IN 1979 BUT THOSE PUT IN PLACE THREE, FOUR AND FIVE
YEARS AGO -- LONGER IN THE CASE OF SOME MATURING STRATEGIES
LIKE DATA SERVICES, THE CYBER 170's AND SO ON.

(CHART I) RC-1
TOTAL COMPUTER COMPANY REVENUES FOR 1979 WERE $2.7 BILLION.
THE MOST SIGNIFICANT GROWTH, AS WE HAVE POINTED OUT ALL THRU
THE YEAR, WAS IN PERIPHERAL PRODUCTS, UP 36 PERCENT AND IN DATA
SERVICES, UP 20 PERCENT. BUT PROBABLY MOST SIGNIFICANT IS THE
GROWTH IN EDUCATION REVENUES UP 32 PERCENT FROM 1978 AT $64
MILLION.

(CHART II) RC-5
NET PROFIT BEFORE TAXES FOR THE YEAR TOTALED $135.7 MILLION
COMPAERED TO $86.2 MILLION IN 1978. THIS REPRESENTS A NET
PROFIT MARGIN OF 6.0 PERCENT, AN INCREASE OF 1.4 PERCENTAGE
POINTS FROM LAST YEAR. ALTHOUGH WE CANNOT BE SATISFIED WITH 6
PERCENT, IT IS A BIG STEP FROM 4.6 PERCENT.
IN THE INTEREST OF TIME, I WILL SKIP THE GROSS PROFIT AND EXPENSE CHARTS EXCEPT TO MENTION THAT GROSS PROFIT RATE WAS 39.6, UP 2 POINTS FROM 1978 AND EXPENSES WERE 6.7 PERCENT OVER BUDGET AS COMPARED TO REVENUE BEING UP 10.6 PERCENT. THE EXCESS OVER BUDGET IN EXPENSES WAS PRIMARILY FOURTH QUARTER EXPENDITURES WHICH WE UNDERTOOK WHEN IT WAS CLEAR THAT WE WOULD SIGNIFICANTLY EXCEED THE PROFIT BUDGET FOR THE YEAR DUE PRIMARILY TO THE PROFITS FLOWING FROM VERY HIGH VOLUMES IN THE PERIPHERAL BUSINESS.

(CHART III) RC-6

TOTAL ASSETS AS OF DECEMBER 31 WERE $1552 MILLION, AN INCREASE OF 19 PERCENT FROM ONE YEAR AGO WHILE REVENUE INCREASED 20 PERCENT. FOR THE YEAR 1979 WE EMPLOYED 61 CENTS OF ASSETS FOR EACH ADDITIONAL DOLLAR OF REVENUE.

THE IMPROVEMENT IN COLLECTION OF TRADE RECEIVABLES IS PARTICULARLY NOTEWORTHY. FOR THE YEAR, WE COLLECTED 42 PERCENT OF RECEIVABLES AVAILABLE TO COLLECT, COMPARED TO 40 PERCENT IN 1978.

INVENTORIES WHICH HAVE BEEN INCREASING STEADILY FOR SEVERAL MONTHS FINALLY DECREASED IN DECEMBER. SO PERHAPS THE ATTENTION THEY'VE BEEN RECEIVING IS BEGINNING TO PAY OFF. TOTAL INVENTORIES AS OF DECEMBER 31 WERE $538 MILLION, UP 34 PERCENT FROM THE $400 MILLION AT THE END OF 1978.
(CHART IV)

RATIOS AND PROFITABILITY

This chart shows our progress over the past five years in improving our basic operating ratios. It tells a story of which our management team is proud and which I believe reflects on the part of our management people a long-term view -- a willingness to be a little less laudatory today in order to survive tomorrow and a slow but steady approach to improvement.

HUMAN RESOURCE DEVELOPMENT

Marketing is one specific example of continuing to invest in the future. We brought 209 additional sales representatives into the computer business to bring our total to 2,353, up 9.7 percent from last year.

We also continued to work hard at minority employment which reached 193, an increase over 136 in 1978. Likewise, non-minority women as a percentage of the work force increased from 18.7 to 21.1. One of the principal reasons we were able to increase minority percentages in 1979 was reduced turnover. Historically, Control Data has had a good ability to hire minorities but turnover as is typical is the principal problem. In 1979, we were determined to finally do something about that -- and we did. One program that proved most effective was the "vestibule training" program. The program is...
AIMED AT PRE-EMPLOYMENT AND EARLY EMPLOYMENT IDENTIFICATION AND CORRECTION OF BOTH SKILL AND WORK HABIT PROBLEMS. BY THE WAY, MUCH OF THE PROGRAM IS DERIVED FROM OUR EXTERNAL FAIR BREAK PROGRAM. THE EFFECTS OF THIS EFFORT ARE CLEAR IN OUR SYSTEMS BUSINESS WHERE THE PROGRAM REDUCED MINORITY ATTRITION FROM 33.3 IN 1978 TO 23.7 IN 1979.

MANAGEMENT EDUCATION CONTINUED TO BE AN AREA OF MAJOR EMPHASIS -- BUT HAVING DONE MUCH QUANTITATIVELY (THAT IS IN REQUIRING HOURS OF TRAINING) OVER THE PAST TWO YEARS -- 157,000 CBE HOURS IN 1978, 187,000 IN 1979 -- IT IS TIME TO DO MORE TO IMPROVE THE QUALITY AND EFFECTIVITY OF THE MANAGEMENT TRAINING PROGRAM. THIS TASK WAS UNDERTAKEN IN THE FALL, THE MAJOR PROBLEM AREAS IDENTIFIED, AND THE WORK PLAN TO FIX THEM WILL BE FINISHED BY FEBRUARY. AN IMPROVED CURRICULUM WILL TAKE MOST OF 1980 TO IMPLEMENT SO SIGNIFICANT IMPROVEMENT IN THE QUALITY OF THE PROGRAM WILL NOT OCCUR UNTIL 1981.

SUMMARY AND OUTLOOK

IN FACT, THAT LAST OBSERVATION WITH REGARD TO MANAGEMENT EDUCATION APPLIES IN SEVERAL OTHER AREAS AS WELL AND IS MY MAJOR FEELING OF DISSATISFACTION WITH 1979. THAT IS, ALTHOUGH WE IDENTIFIED AND WORKED ON SEVERAL AREAS TO IMPROVE PERFORMANCE, WE DIDN'T COMPLETE ENOUGH OF THEM -- SO THAT 1980 WILL NOT REFLECT THE PROGRESS IN PROFITABILITY WE HAVE SEEN IN
THE PAST. FOR EXAMPLE, A NEW TRADE RECEIVABLES INFORMATION SYSTEM IS FUNDAMENTAL TO ANY FURTHER PROGRESS IN THAT AREA -- IT WILL BE THE END OF THIS YEAR BEFORE THAT SYSTEM IS IN PLACE EVEN THOUGH WE PURCHASED THE BASIC SOFTWARE AS OPPOSED TO BUILDING IT OURSELVES. ALSO, IN THE AREA OF INVENTORY AND PRODUCTION CONTROL, 1980 IS THE YEAR OF IMPLEMENTATION WHEREAS WE NEED NEW SYSTEMS NOW IN ORDER TO IMPROVE ASSET USE IN THAT AREA. SIMILAR OBSERVATIONS COULD BE MADE ABOUT FACTORY AUTOMATION IN PERIPHERALS. STRATEGY PROBLEMS IN OUR SMALL SYSTEMS BUSINESS, BUSINESS FORMS, INSTRUMENTS AND CONTROLS, EUROPEAN DATA SERVICES TO NAME THE MOST SIGNIFICANT IDENTIFIED SOME TIME AGO -- THESE WERE ALL WORKED ON VERY HARD IN 1979 AND YET IN EVERY INSTANCE IT WILL TAKE AT LEAST THRU 1980 TO EFFECT THE PLANS.

WITH ALL THAT, I DO NOT IMPLY NEGLECT -- IT IS JUST THAT THE PACE OF PROGRESS IS FRUSTRATINGLY SLOW.

STILL, AS YOU WILL SEE IN MARV ROGERS' PRESENTATION, WE HAVE BUDGETED FOR A LARGE GROWTH IN PROFITS IN 1980. IN FACT, IT IS LARGER THAN THE INCREASE WE BUDGETED FOR 1979. SO WE ARE DETERMINED TO CONTINUE OUR IMPROVEMENT IN SPITE OF WORLD UNCERTAINTY AND EVEN OUR OWN SHORTCOMINGS.

THANK YOU -- ANY QUESTIONS?
<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROR BEFORE TAX</td>
<td>3.1</td>
<td>4.8</td>
<td>5.8</td>
<td>6.2</td>
</tr>
<tr>
<td>ROR NET EARNINGS - EXCL. EXTRA</td>
<td>1.3</td>
<td>1.9</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3</td>
<td>2.2</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td>R O I C - INCL. EXTRA</td>
<td>2.3</td>
<td>4.8</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>ASSET/REVENUE</td>
<td>0.83</td>
<td>0.69</td>
<td>0.63</td>
<td>0.63</td>
</tr>
<tr>
<td>R O E</td>
<td>5.5</td>
<td>9.9</td>
<td>14.3</td>
<td>13.6</td>
</tr>
<tr>
<td>D/E</td>
<td>1.33</td>
<td>1.11</td>
<td>1.09</td>
<td>1.03</td>
</tr>
</tbody>
</table>
**COMPUTER COMPANY**

<table>
<thead>
<tr>
<th></th>
<th>1977</th>
<th>1978</th>
<th>1979</th>
<th>1980(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROR BEFORE TAX</td>
<td>3.3</td>
<td>4.6</td>
<td>6.0</td>
<td>6.6</td>
</tr>
<tr>
<td>ROR NET EARNINGS</td>
<td>1.4</td>
<td>1.9</td>
<td>3.1</td>
<td>3.3</td>
</tr>
<tr>
<td>ROIC</td>
<td>2.3</td>
<td>4.0</td>
<td>7.2</td>
<td>7.5</td>
</tr>
<tr>
<td>ASSET/REVENUE</td>
<td>0.83</td>
<td>0.69</td>
<td>0.63</td>
<td>0.63</td>
</tr>
<tr>
<td>ROE</td>
<td>6.0</td>
<td>8.5</td>
<td>14.1</td>
<td>14.4</td>
</tr>
<tr>
<td>D/E</td>
<td>1.116</td>
<td>1.124</td>
<td>1.021</td>
<td>1.01</td>
</tr>
<tr>
<td>COLLECTION RATIO</td>
<td>N/A</td>
<td>.396</td>
<td>.416</td>
<td></td>
</tr>
</tbody>
</table>