AS YOU HAVE JUST SEEN, OUR EARNINGS FOR THE FIRST QUARTER HAVE
EXCEEDED OUR PLAN; HOWEVER, THEY ARE 5% LESS OF THE EPS LINE
THAN A YEAR AGO.

THE SECOND QUARTER, AS CHUCK ROSKAM POINTED OUT, WILL ALSO BE
DIFFICULT. HOWEVER, THE REAL TEST FOR IMPROVED EARNINGS WILL
BE THE SECOND HALF OF THE YEAR. THERE IS NO DOUBT THAT IT IS
GOING TO BE DIFFICULT TO ACHIEVE OUR GOAL OF $5.16 PER SHARE
VERSUS $4.48 IN 1981. IT WILL LIKEWISE TO ACHIEVE THE BUDGETED
RETURN ON INVESTED CAPITAL OF 8.3%. THE FORECAST AS OF NOW IN
BOTH REGARDS IS LESS THAN THE BUDGET. IN SPITE OF THAT NOT SO
HAPPY REPORT, MOST OF OUR BUSINESSES ARE PROGRESSING QUITE
WELL. A COUPLE ARE HAVING A VERY DIFFICULT TIME. DATA
SERVICES REVENUE GROWTH FOR THE YEAR WILL BE UP 20% FROM LAST
YEAR.
CYBERNET, WHICH SELLS SCIENTIFIC AND ENGINEERING APPLICATIONS, IS RUNNING AHEAD OF PLAN, WHEREAS BUSINESS SERVICES ARE SLIGHTLY BEHIND BUDGET. WE JUST ANNOUNCED OUR NEW 800 SERIES COMPUTER SYSTEMS AND EXPECT ORDERS IN THAT AREA TO IMPROVE. THE ANNOUNCEMENT WAS MADE FIRST TO OUR USER GROUPS AND THEN TO THE MEDIA. THAT REALLY SEEMED TO PLEASE THEM. BY THE WAY, THERE WERE MORE THAN 1,000 PEOPLE AT THE ST. PAUL RADISSON FOR THE JOINT WORLD-WIDE USER GROUP MEETING. NOT HAVING BEEN TO A VIM (AS IT IS CALLED) MEETING IN A NUMBER OF YEARS, I WAS TRULY IMPRESSED. THOSE STATISTICS I'VE BEEN QUOTING IN RECENT YEARS OF 20, 25, 35% SYSTEMS ORDERS COMING FROM NEW CUSTOMERS REALLY CAME ALIVE FOR ME.

THE 170-800 SERIES GOT SURPRISINGLY GOOD PRESS. NEW LARGE MAINFRAME COMPUTER ANNOUNCEMENTS DON'T GENERALLY MAKE MUCH OF A SPASH THESE DAYS. THE ST. PAUL DISPATCH EVEN GAVE US TOP BILLING ON THE FRONT PAGE.
AND AS YOU KNOW, WE'VE ALREADY DELIVERED MORE THAN 16 SYSTEMS.

THEN, TOO, THE MARKETS WE HAVE CONCENTRATED ON ARE HAVING GOOD GROWTH -- EVEN IN BAD TIMES. SO ALL-IN-ALL, WE'RE DOING PRETTY WELL. AT THE SAME TIME, THE FUTURE OUTLOOK FOR THE VERY LARGE COMPUTER MARKET IS FOR GREATLY INCREASED COMPETITION -- BOTH FROM JAPAN AND IBM -- SO WE'LL JUST HAVE TO RUN HARDER THAN EVER, IN SPITE OF A TRULY FINE PRODUCT LINE.

AS MOST OF YOU ARE AWARE, THE MINI-COMPUTER MARKET GROWTH HAS ALSO SLOWED SIGNIFICANTLY -- DEC IS A NOTABLE EXCEPTION. THE MARKET FOR THOSE COMPANIES WHICH SELL LARGELY RAW HARDWARE THROUGH THIRD-PARTY DISTRIBUTORS AND SYSTEMS HOUSES HAVE BEEN MUCH HARDER HIT THAN COMPANIES LIKE DEC OR WANG SELLING SYSTEMS FOCUSED ON SPECIFIC APPLICATIONS. THE PROBLEMS THESE PEOPLE ARE HAVING IS NO SMALL PART OF OUR OEM PROBLEM.

OUR BUSINESS PRODUCTS, PERIPHERAL SYSTEMS, GOVERNMENT SYSTEMS AND ENGINEERING SERVICES AREAS ARE DOING QUITE WELL COMPARED TO PLAN.
THE ONLY MAJOR BUSINESSES THAT FORECAST TO BE SIGNIFICANTLY
BELOW PLAN FOR THE YEAR ARE OEM AND COMMERCIAL CREDIT. WHILE
WE HAVE MAINTAINED OEM MARKETSHARE DURING THE SLOWDOWN,
REVENUES FOR THE YEAR ARE FORECAST TO BE TWO PERCENT LESS THAN
LAST YEAR AND NPBT 20 PERCENT LESS THAN LAST YEAR. WE HAVE
PROGRAMS IN PLACE WHICH WILL ALLOW US TO MINIMIZE THE EARNINGS
IMPACT AND YET WILL ALLOW US TO ADJUST QUICKLY TO ANY UPTURNS
IN THE ECONOMY. COMMERCIAL CREDIT SIMPLY CAN'T ESCAPE THE
PROBLEMS ASSOCIATED WITH RECESSION AND HIGH INTEREST RATES.
THE RATING CHANGE IS SORT OF THE FROSTING ON THE CAKE --
ALTHOUGH THERE MUST BE A BETTER ANALOGY THAN THAT. HOWEVER,
THE IMPACT IS NOT AS BAD AS WAS FIRST PREDICTED. FOR THE FULL
YEAR, IT WILL BE ABOUT $3 - $4 MILLION. EARNINGS ARE FORECAST
AT TEN PERCENT UNDER BUDGET BUT STILL UP FROM LAST YEAR.
WE ARE COMMITTED TO ACHIEVING OUR 1982 GOALS BY MAKING UP FOR THE OEM AND COMMERCIAL CREDIT SHORTFALLS IN EARNINGS THROUGHOUT THE BALANCE OF THE COMPANY. THE ACTIONS WE HAVE IN PLACE WILL INCREASE THE PROBABILITY OF MEETING OUR OBJECTIVES FOR THE YEAR, BUT NOTHING CAN REALLY REPLACE BETTER MARKET CONDITIONS. HERE IS A SUMMARY OF THE MAJOR ACTIONS WE HAVE UNDERTAKEN.

FIRST PEOPLE. WE HAVE SEVERAL PROGRAMS THAT HAVE BEEN IMPLEMENTED TO HELP BALANCE HUMAN RESOURCES AGAINST WORK TO BE DONE. MR. NORRIS IS GOING TO ADDRESS THIS IN A FEW MINUTES IN HIS REMARKS SO I WON'T DWELL ON IT HERE. JUST LET ME SAY THAT THE PROGRAMS WE STARTED LAST YEAR HAVE STOOD US IN A VERY GOOD STEAD, IN PARTICULARLY PERIPHERAL PRODUCTS. OTHER ACTIONS WE HAVE PUT IN PLACE ARE TO REDUCE MERIT SPENDING PROGRAMS. WE HAVE TAKEN ADMINISTRATIVE ACTION TO EFFECTIVELY REDUCE THE MERIT GUIDELINES BY 1%. WE WILL ELIMINATE THROUGH TIGHT
ADMINISTRATION MOST OF THE $7 MILLION SPECIAL MERIT AND
PROMOTION DOLLAR POOL. PERIPHERAL PRODUCTS IS SEEKING TO
REDUCE THEIR INDIRECT WORK FORCE BY 10%. MARGINAL PERFORMERS
WILL BE TERMINATED....OTHERS TRANSFERRED TO DIRECT WORK.

THERE ARE CONSIDERATIONS BEING GIVEN TO OTHER APPROACHES AND
THIS IS AN ON-GOING EFFORT.

WITH THE EXCEPTION OF A FEW KEY STRATEGIC AREAS, ALL
ORGANIZATIONS HAVE IMPLEMENTED COST REDUCTION AND CONTROL
MEASURES THAT INCLUDE SUCH ACTIONS AS HEADCOUNT FREEZES, AND
CONSOLIDATIONS OF ACTIVITIES TO REDUCE COSTS AS CHUCK ROSKAM
MENTIONED. WE HAVE FURTHER INCREASED OUR EFFORT TO IMPROVE
INVENTORY AND RECEIVABLES LEVELS. OUR CAPITAL APPROPRIATIONS
ARE BEING RE-REVIEWED AND REPRIORITIZED. WE ARE CONTINUING TO
INCREASE OUR PRODUCTIVITY IMPROVEMENT EFFORTS. PROCESS FLOW
ANALYSIS IS A TECHNIQUE THAT EMPLOYEES CAN USE WHICH HELPS
SYSTEMATICALLY COLLECT, ORGANIZE AND INTERPRET DATA TO ELIMINATE UNNECESSARY TASKS AND IMPROVE PROCESSES. THE USE OF THIS TECHNIQUE IS BEING SPREAD ACROSS THE COMPANY VERY RAPIDLY.

TO GET AT THE PERIPHERALS INVENTORY PROBLEM, STARTING NEXT WEEK AND CONTINUING OFF AND ON THROUGHOUT THE SUMMER, MOST PLANTS IN PERIPHERAL PRODUCTS WILL BE SCHEDULING A REDUCED NUMBER OF WORK WEEKS FOR THE YEAR. THIS WILL BE ACCOMPLISHED BY CONCENTRATING THE EMPLOYEES EARNED VACATION DAYS AROUND HOLIDAY PERIODS AND SHUTTING DOWN PLANTS FOR ONE, TWO, OR THREE WEEKS. IN SOME OF THE NEWER LOCATIONS WHERE EMPLOYEES HAVE NOT BEEN EMPLOYED LONG ENOUGH TO EARN VACATION, THE PRODUCTION LINES WILL BE SHUT DOWN AND THE EMPLOYEES WILL BE ASKED TO COME TO WORK FOR TRAINING AND PRODUCTIVITY IMPROVEMENT SESSIONS.

THE BUSINESS DEVELOPMENT ORGANIZATION IS THE ONLY MAJOR ORGANIZATION IN WHICH WE STILL PLAN HEADCOUNT INCREASES. THE
INCREASES WILL BE IN SALES AND CERTAIN TECHNICAL AREAS. MOST OF THE ADDITIONAL PEOPLE WILL COME FROM IDENTIFIED EXCESS PEOPLE WITHIN THE OTHER OPERATIONS. OBVIOUSLY BUSINESS DEVELOPMENT ALSO HAS A FREEZE ON ALL NON-ESSENTIAL HEADCOUNT. TOM MILLER AND HIS PEOPLE ARE IDENTIFYING OTHER AREAS TO REDUCE COSTS. BY JULY, CONTROL DATA INSTITUTES WILL HAVE COMPLETED CONVERSION OF ITS PLATO COURSES TO THE CD110. THE SAVINGS COMPARED TO ON-LINE PLATO TO DELIVER THE COMPUTER PROGRAMMING COURSE IS ______. THE EXECUTIVE STAYWELL PROGRAM, INTRODUCED TWO YEARS AGO, HAS BEEN WORKED OVER TO REDUCE DELIVERY COST WHILE MAINTAINING EFFECTIVENESS. FOR EXAMPLE, EACH EXECUTIVE WHO WAS IN THE PROGRAM IS ASSIGNED TO A NURSE WHO HELPS THE EXECUTIVE IDENTIFY AND MONITOR HIS HEALTH NEEDS. WE USED NINE OF THESE NURSES, SIX OF WHOM WERE OUTSIDE CONSULTANTS. THE SERVICES OF THESE CONSULTANTS HAS BEEN DISCONTINUED. SO WHILE ONE NURSE NOW HELPS MANY MORE EXECUTIVES, THE PROGRAM IS WELL ENOUGH ESTABLISHED NOW THAT THIS CHANGE WILL NOT REDUCE ITS
EFFECTIVENESS. SIMILARLY, AT THE 14 PLANT LOCATIONS WHERE STAYWELL IS BEING DELIVERED, THE ON-SITE STAFF HAS BEEN REDUCED FROM TWO TO ONE.

OUR INTERNATIONAL ORGANIZATION HAS IDENTIFIED SIX OF OUR MOST SIGNIFICANT REVENUE PRODUCING COUNTRIES FOR THOROUGH IN-DEPTH REVIEWS. TO AID IN THE PROCESS, MANAGEMENT ASSISTANCE TEAMS, COMPRISED OF TOP LEVEL MANAGEMENT PEOPLE, HAVE BEEN ASSIGNED TO HELP THE COUNTRIES IN THE PROCESS. EVERY ASPECT OF HOW BUSINESS IS CONDUCTED TODAY WILL BE REVIEWED WITH AN OBJECTIVE OF DETERMINING HOW EVERY ASPECT CAN BE IMPROVED DURING 1982. MARKETING, ADMINISTRATION, SUPPORT AND ASSET MANAGEMENT WILL BE ADDRESSED IN MINUTE DETAIL.

THERE ARE OTHER COST CONTROL ACTIONS, BUT THAT AT LEAST IS AN OVERVIEW. THE GOAL IS TO GET THE NET EARNINGS BACK UP TO BUDGET AND REDUCE ASSETS (AND INVESTED CAPITAL) BELOW BUDGET
 WHICH WILL ALLOW US TO NOT ONLY REACH BUDGETED EARNINGS PER SHARE BUT MAINTAIN OUR PROFITABILITY RATE FROM LAST YEAR. AT THIS MOMENT, WE'RE NOT THERE -- AND IN ANY EVENT, IT WILL REQUIRE SOME IMPROVEMENT IN MARKET CONDITIONS TO MAKE IT. IN ANY EVENT THE APPROACH REMAINS TO INVEST IN OUR LONG-TERM FUTURE WHILE DOING EVERYTHING WE CAN TO IMPROVE EARNINGS FOR THE CURRENT YEAR.

QUESTIONS?