I want to take some time this morning to explain a few topics that have recently received considerable media attention. Then, I invite your questions on these and other topics.

As I speak to these issues, I ask that you keep in mind Control Data's three basic strategies: Focus on the markets -- rapidly innovative and long-term market needs; cooperation and joint ventures; and solutions through technology. Focus on the markets means we can anticipate new and growing markets, what they will need, and how we can respond to those needs by developing the appropriate products and services. Cooperation and joint ventures leverage available internal resources. And creating solutions through technology is, of course, simply what we're all about. These three strategies define Control Data and give us the solid foundation from which we can grow.

Now, the first issue. Around the world we are being asked why we left the end user market. The answer is simple and direct -- this market was originally an incremental market to
our basic OEM peripherals business. It no longer is. The amount of investment required to stay in the market is far greater than the return on investment possible. Those precious resources can be used more productively in OEM peripheral product markets which are growing and providing us new opportunities. Even if we had experienced no problems with the 33800, this market held little future for Control Data. We cut our losses; we've moved ahead. That's good business.

Another important issue. We are still asked a great many questions about the strategy of cooperation. We decided on this approach over 20 years ago. It made sense then, although we received a fair amount of cynicism about it. In the last five years, it has almost become conventional wisdom. The strategy has paid off for us in the past and positioned us well for the 1980's and 1990's.

The earliest example of the strategy's success is, of course, the peripherals business. Back in the 1960's, each computer firm made its own peripheral equipment which was obviously expensive and inefficient. So Control Data leveraged its investment by forming a number of joint ventures in peripheral manufacturing -- with NCR, Honeywell, and Bull in particular -- as well as the approach of marketing those products OEM. As a result, we have since become the world's largest independent supplier of peripherals.
In the international markets, Control Data's approach is to integrate its resources and businesses into a local economy -- often through cooperative ventures. So rather than drawing off limited resources, Control Data is striving to expand the economic pie and, of course, to realize a portion in the form of corporate profits.

Central to this approach is a strategy of technological cooperation. The most important factor in the continuing health of any industry is the existence of a large number of competitors and for that to occur, there must be relative ease of entry for those would-be competitors.

But as the cost of maintaining the technological state of the art escalates -- IBM, for example, will spend $10 billion of technical R&D over the next three years -- there is only one strategy which will realistically result in a sufficient number of competitors. That strategy is cooperation.

The only way most of us will be able to remain competitive in the years ahead is by sharing basic resources to develop new technologies in our industry. The cost of trying to go it alone has long since become prohibitive. The waste and duplication of effort in developing basic technologies, for example, now costs us individually -- and the international economy as a whole -- billions of dollars a year.
Not only is it being wasted developing knowledge that already exists, but it's not then available to use in producing value-added technology -- which is the obvious key to continued success in the marketplace.

Without a strategy of cooperation, Control Data, or any company, will be forced into the impossible position of limiting the technologies we could afford to pursue -- leading inevitably to uncompetitive, long-term consequences. It was this fact that led us to take the initiative in forming MCC -- the Microelectronics and Computer Technology Corporation. MCC is a consortium of U.S. technology companies organized to do for-profit research and development in advanced computer concepts.

What does this mean to the growth of a French computer industry? Without cooperation with other companies and other countries, French computer companies will also be forced into a position of developing only those technologies it can afford to pursue. But by accepting offers of cooperation, those companies can use to best advantage the rich technological assets in the hands of others such as Control Data.

A modest example of what I mean exists in the Control Data partnership in France with Eurosoft, in which they hold 60 percent of Euroformatique, a computer software and applications business, and Control Data holds 40 percent.
Similarly, we are in partnership with Bull in MPI to produce computer disks as mentioned earlier. We recently signed an agreement with Electronique S. Dassault to buy their color graphics terminals for the Control Data PLATO computer-based training system, which in turn will be used by Aeroformation to train air flight crews.

Another matter is that of local job creation. Control Data has taken the initiative in efforts in many countries, the last one being the Liege area enterprise program which recently completed its planning phase.

Cooperation can be a complement to government efforts and assist in the creation of jobs and industries with a future by stretching rather than squandering limited resources. Control Data certainly looks forward to increased cooperative ventures in France.

Another question we are frequently asked concerns our decision against the mass production and marketing of a microcomputer. Once again, our answer is based on market focus.

When a technological solution calls for the use of microcomputers, like the CDC/PCAD workstation for example, Control Data adheres to its own strategy. It looks to the
marketplace to incorporate the best micro available, thus saving resources for other market developments. Thus, in France, PLATO computer-based education will use Dassault equipment to better serve the market need.

Any discussion of the computer market leads to the inevitable question of the supercomputer class. True, competition in and outside the U.S. is fierce and the competitors want to chase and surpass the leader. So, we are using the strategy of cooperation and market focus to build the successor to the 205. It is now being designed at ETA Systems, a firm Control Data created last year. ETA's only purpose is to put the next generation of supercomputers on the market by fourth quarter 1986. These will be ten gigaflop machines -- half the size and 12 times the power of anything now in existence.

In establishing ETA, we removed the bureaucratic pressures and roadblocks that can exist in a corporation as large and diverse as Control Data. That action helps assure competitiveness.

Finally, I would like to say a few words about the future of the company's international operations and of Control Data France. Central to any analysis of Control Data is its international capability. The company does business in 47 countries and we have been here in Europe since 1963. In
those 21 years, international operations has contributed significantly to overall growth, and we expect that to hold true in the future.

The method Control Data has chosen for its international growth is one of cooperative enterprise, job creation, and integration into the host economy. France has been a good host to us in the past and we expect to be a good partner to France in the future.

Thank you very much. I will be happy now to answer any questions.