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Remarks at Control Data

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When I came to work for Control Data 25 years ago, I was advised that the best thing that could happen to me would be to have the opportunity of working with Bill Norris. I didn't know then what good advice that was or how closely I would be privileged to work with him through the years, but I do know this: History will recognize Bill Norris as one of the giants of the computer industry and a legendary figure in the annals of corporate America. His unique vision and leadership have made Control Data a great company and have contributed significantly to improving the overall environment in which business operates.

To be named as Bill Norris' successor is a great honor and an even greater challenge. It is not easy to follow a legend. Fortunately, there is an outstanding Board of Directors and top management team in place, and with their help the job of assuring Control Data's continued growth and success will be done.
First I would like to talk briefly about the progress we have made in financial restructuring. As you know, we are in the process of renegotiating the bank credit agreements in order to repay short-term debt and solve a cash flow problem created by a number of unforeseen circumstances last year.

This has been a time-consuming process because of the number of financial institutions around the world who are involved, but the process is proceeding smoothly and we have every reason to expect that it will be successfully concluded in the relatively near future.

Fortunately, Control Data is blessed with assets far in excess of our obligations, so there is no question that the underlying financial strength of the company is adequate to satisfactorily resolve this financing question and get on with the business. At the same time, we are working to put in place a more conservative financial structure, which will mean less debt and certainly less dependence on short-term debt.

As you know, we have made a number of major organizational and operational changes to respond to the rapidly changing conditions in Control Data's business environment in the past 15 months, including the divestiture of a number of activities
and the redeployment of assets to more narrowly focus the business. The total 1985 revenue of the businesses from which we will have exited by the end of the first quarter was some $400M, or 9% of computer business revenues.

We have been restructuring Commercial Credit financial services business and are well along the path to completion. Recently, we completed the sale of the Business Products division of the Peripherals business to Xidex Corporation, and similar business units and investments are being considered. In addition, all indications are that we will have an agreement for the sale of Ticketron within the next month or so. The proceeds of this sale will enable us to repay a substantial amount of short-term debt and increase equity.

The emphasis has been to reduce the scope and improve the health of the core businesses. For those of you not familiar with what they are, let me describe them briefly:

- Peripherals. We intend to continue being a leader in the high-capacity, high performance disk drive business. A real strength for Peripherals is its customer base. Despite the current setbacks, the organization has maintained a broad and loyal customer base. We want to build on that foundation of customer loyalty; it is key to future success.
We also believe we have a competitive advantage in technology, particularly in the areas of producing--on an annual basis--millions of thin-film recording heads that permit greater storage capacities.

Finally, we are changing the culture of the Peripherals organization from one that was essentially demand-driven to a more flexible market-responsive organization.

Computers and supercomputers. Control Data, as you know, has its origins in the scientific computer business. The Cyber 180 product line is a continuation of Control Data's historic emphasis in the scientific and engineering marketplace.

The Cyber 180 line, which was announced in 1984, was one of the most significant computer systems announcements since the company was founded. These Cyber 180 systems are being used successfully in such industries as manufacturing, petroleum, electric utilities, education and environment, as well as by government agencies.

These key industries have been the strategic focus for Control Data for a number of years. Computer-aided design is another area in which significant future growth
is expected. Today, Control Data is the sixth largest vendor of CAD systems, and we expect to improve our position. In control systems for electric power distribution we are the major supplier and will maintain that position.

At Control Data, supercomputers are spelled ETA, the separate company in which we have a majority interest. ETA's basic charter is to develop the next generation supercomputer and have the first unit in the marketplace by the end of 1986. They are continuing on schedule and, in fact, have orders in hand for ETA-10s.

Computer Services. The distinguishing facet of Control Data as a computer company has been its emphasis on the application of computers to solving critical problems. The common denominator of these services is the ability to deliver value-added services which satisfy the information needs of targeted industries. At Arbitron, for example, that means providing marketing information services such as audience measurement to broadcasters and advertising agencies. Believe me there are exciting things ahead for this area of our business.
In Financial Industry Services, that means providing processing and other data services to banks, credit unions and consumer finance companies.

Over the past 28 years Control Data has developed many strengths beyond technology: a loyal customer base, a strong position in several markets, an excellent reputation for innovation, and most of all, we have creative, dedicated employees.

Control Data is a company with great pride in its past and great confidence in its future. Armed with that pride and that confidence and the legacy of Bill Norris’ vision, we are eager to move into a new era.