Since I haven't had a previous chance to do it and even though the year is pretty well underway, let me start by wishing you a very Happy New Year — and you and I can say that to each other with more than usual feeling this year! We've got a lot to look forward to in 1987. For sure, I never want to have another year like 1985 -- year before last -- and I'm sure you don't either. Last year, 1986, was a tough year as well, but it was a year in which we made a lot of progress.

Although we improved steadily in 1986, our final steps in restructuring resulted in a loss for the year. While the loss is substantial, we did show a profit on an operating basis for the fourth quarter which ended December 31st.

That's a dollar loss -- the most publicly visible one -- but there was another loss that's more personal. There are a lot less people in Control Data today. We count the loss in numbers, but we actually measure it in much more personal ways. The people who are no longer here were colleagues, co-workers, friends. But, whether known personally or not, they were people with whom we shared years of achievement and the excitement of Control Data's growth. The "downsizing"
we've been through, even though necessary and positive, does produce some feelings of sadness, of no growth and no progress. If at one time or another in the past two years you've felt that way, I assure you I have too. But we have done what had to be done and we can feel good about that.

I also know that many of you have had a good experience the last two years: we've seen continuing excellent profit performance at Arbitron, Energy Management Systems Division and in the Government Systems Group; a remarkable turn-around in Business Centers and in Magnetic Storage Products. Computer Systems likewise is turning around, and a very large part of that is due to the outstanding performance in international operations with regard to computer systems.

You can take great pride in those things -- I certainly do.

In any event what we've accomplished is to get Control Data on a solid financial footing. We have ourselves in position to return to profitability and excitement -- and fun -- in 1987. This is the year we can really make it happen.

As we start this new year, we have lots of good news to tell.
Good news that we can see and touch. We can say, "Here it is, a new Control Data computer." Many of you have probably heard about it as the S-ZERO which was its development designation; but we'll formally introduce the machine to the public in March as the Cyber 930. It's a machine that sets new standards for price and performance and operates in normal room environment. It's a low-end mainframe we built with R&D dollars at a time when those dollars were not easy to come by. It's a machine that shows the world our commitment, to continue to be a leader in computer technology.

We can say, look at the ETA-10 supercomputer -- the latest generation of high speed data processing systems -- the world's new standard for supercomputer performance. This is computer power you can also see and touch. And this is a picture of the first ETA-10 that was sent to Florida State University at the end of December.

The magnetic disk products business went from a huge loss in 1985 to a profit in 1986. What a turnaround that was. One of the reasons is the quality being built into products like these [show FSD II, EMD, WREN]. We've developed the technological and manufacturing quality to continue to lead the OEM world. Moreover we're getting recognition for that quality. The January 15th issue of Electronic Business has a story crediting
Control Data with, as the headline says, "Doing the Undoable." Now we did that using basic approaches of TQMP, including most importantly, that of individual responsibility and accountability. The rest, as the article says, was an incredible yield change from 33% to 95%.

We have other superior — if somewhat less publicized — products and services too. For example, many of you watching this video are employed in the Mpls./St. Paul area. Well about one of every 12 of your working neighbors in that area get their paychecks through a Control Data Business Center service. Control Data Business Centers process the payroll for some 1.5M people all over the U.S.

These products are just examples. What's more, they are the forerunners of many more to come in every part of the business.

The start of a New Year is always time for taking stock of ourselves — each of us as individuals — all of us as a company. Well, as a company we're something old; we're the heirs to a Control Data that will be 30 years old this coming September. When you look back at our past you see a company that made an early commitment to be the high performance leader in information processing technology — a company that was willing to accept the toughest assignments — a company that
had a special way of treating its employees and feeling for the world in which it operates. That spirit is part of our heritage, along with years of outstanding successes.

We're something new as well. The lessons of the tough times of recent years are also part of our heritage. The hardship brought us closer together -- the way it often does with a family that goes through difficult times together. I once learned "things that hurt, often teach," and believe me, we're all a heck of a lot smarter today than we were two years ago.

Who are we? We're a computer company that delivers high performance. We measure that performance in several ways: in computer power, in data storage capability, in meeting customer's need for information services, in quality. We also measure performance in financial return, in technological leadership, and in the quality of worklife for employees.

By every standard, we're stronger today than when we started 1986, and in many ways stronger than ever. We're poised for new growth in 1987. I know that because I believe in you. How can I not? Look at what you've done the last two years.
The world is impressed by the job we did in 1986 -- we earned respect. We said we'd get through the hard part, and we did. Each one of us made a personal commitment, paid a personal price for the effort, and now it's behind us. You did it. I did it. We did it together.

We are building a new Control Data together. Mindful of the strengths of that heritage, eager to get on with new opportunities. We have our finances in order. We have exciting new products for the new year. The job for 1987 is to show the world we can make a profit. We've got plenty of challenge facing us before we do that. This first three months is especially important. First quarter is always a slow one for the company and this year we've got to make a special effort to overcome that and get things moving fast. That's a challenge to each of you.

This can be a year of pride and excitement for Control Data. Let's show 'em we can do it. Let's make 1987 a truly Happy New Year.