INTRODUCTION

There have been many exciting times in Control Data's 30-year history but in future years we may well look back on the autumn of 1987 as the most exciting, and most significant, time of all.

At the very least you've got to say the pace and importance of recent events has been very great.

In late September Peripheral Components International (PCI) made an outstanding breakthrough with a $35 million contract to supply thin-film heads to Maxtor Corporation. With the boost of that order and others from companies such as Micropolis and UNISYS, PCI has gone from zero to more than $50 million of external revenue in less than two years. As a stand alone company that would rival the most gee whiz start ups Wall Street has ever seen.

Around the same time we sold the Company's remaining interest in Commercial Credit Company for $320 million. That brings the total Control Data has received from the sale of Commercial Credit to over $1B.
In October Data Storage Products introduced the Sabre 1230—the computer industry's first one billion byte, 8-inch disk drive.

On the heels of that announcement came the Swift family of 3 1/2" rigid disk drives—the highest performance, highest capacity 3 1/2" disk drives in the computer industry today.

Also in October, Control Data announced its intention to acquire the SAMI/Burke market research business to complement Arbitron Ratings and give the Business Services Group another major boost to its market information services. That makes two acquisitions with more than $200M in revenues in less than a year.

ETA Systems got in on the action in a big way by selling its first supercomputer system in Japan to the Tokyo Institute of Technology. And then—at press conferences in New York, Paris and Tokyo—ETA delivered on its promise to take supercomputing to an unheard-of level—with the first air-cooled machine that can provide supercomputer performance for a price under $1 million.

Last—but certainly not least—Control Data posted a profitable third quarter. So that's two for three this year, with big number four coming up. While we haven't had one of those grand slam innings like the Twins, we are in a good position to win this game and achieve profitability -- a major goal we set for ourselves in 1987.
These highlights from the last two months are signs of progress. They're impressive individually. But on top of that, combined they give Control Data much-needed strength and a lot of momentum going into 1988.

I want to talk more about that but first, let me tell you what's ahead on today's program. John Buckner will follow my remarks with a financial report on the Company. Lloyd Thorndyke and Tom Jones will give you the details of the ETA-10-P introduction and its significance to both ETA and the supercomputer industry. And we'll conclude with each of the group presidents helping me answer your questions.

SUSTAINING MOMENTUM

Now, back to the subject of momentum...

Clearly, we've got momentum on our side. When you add up all of the good things that we've made happen this fall, you realize that we're on a pretty good roll and, I'm pleased to say, it's not going unnoticed.

Let me give you a sampling of comments by securities analysts and media people on some of those events I mentioned.
The sale of Commercial Credit was praised by one analyst as an example of Control Data "thinking differently and less defensively" and "willing to take bolder steps."

The same analyst had this to say about the acquisition of SAMI/Burke to complement Arbitron: "For the first time, you've got an integrated, automatic, real-time, accurate portrayal of what happens when an advertiser spends his bucks."

Data Storage Products' entry into the 3-1/2-inch disk drive market prompted one newspaper reporter to write: "...they (the new disk drives) will keep the Company at the forefront of technology." An analyst was quoted as saying that the disk drives were consistent with the excellent job Data Storage Products has done in turning the business around. And I remind you it has been only 2 years since an analyst wrote "even if you could somehow --- bring a miracle worker it would take CDC three years to come up with a new generation of the kind of innovative data storage products it needs."

We billed the introduction of the ETA-10-P as the "supercomputer event of the year" and, judging from the reaction to date, we didn't exaggerate.
After watching a demonstration of the new machine, one analyst said, and I quote: "I walked away impressed—and I'm not easily impressed."

Perhaps, the strongest endorsement of all was this statement by another analyst: "The investment community is so focused on Cray as the supercomputer company that there's a level of skepticism about anyone else. I see a potential here for people to wake up and say, 'Control Data has gotten competitive.'"

It's very gratifying to pick up a newspaper and see bouquets instead of brickbats aimed our way. It's also reassuring to see Control Data receiving the recognition it deserves. Certainly, this positive feedback confirms the belief we've had all along that we have solid, valuable, strategically well positioned businesses which can have competitively advantaged products and services and which as a result it is possible to produce consistent profitability.

In that regard we may have come a long way, but we still have a long way to go.

I found a quote the other day that went something like: "Progress is a tide. If we stand still, we will surely be drowned. To stay on the crest, we have to keep moving."
It seems to me that's particularly appropriate for Control Data today. The challenge is to sustain the momentum we've gained so that we're always on the crest of the tide called progress.

You may be wondering how we can keep the momentum going. There's no magic formula. But there are certainly basic things we can do.

First, we must be creative in the marketplace -- creative in terms of both marketing and selling. The ETA product line announcement is creative marketing. (ref. to Lloyd as "marketeer"). For sure there was aggressive and creative selling involved in getting that Tokyo Institute of Tech. order.

Second, we should be intolerant of fencesitters -- people who don't believe in, or are unwilling to aggressively pursue the future. We don't need those kind of people. They are obstacles in the quest for renewed growth.

Third, we need to abandon the survival mentality that has been prevalent the past two years. I understand why we've had that mentality. But there's no room in today's global marketplace for tentative companies, or tentative people.

And the basic underpinning everything is the understanding of my commitment to "Marketing, Quality and People."
Those values are expressed clearly in a statement of our mission, goals, and commitments. I want to repeat them for you:

The mission of the corporation is to provide its customers with products and services based on computer technologies.

The goal: to build shareholder value through leadership in the creation of sustainable competitive advantage which will lead to above average financial performance.

The three key commitments:

Marketing -- we will respond creatively to customers' current and future needs.

Quality -- we will meet customers' expectations for value and service.

People -- we will practice a management philosophy that empowers the people of Control Data to reach their full potential.

But those words are meaningless if we don't understand their importance to us as individuals and how we behave as executives. Behind them are a lot of details of thinking and behavior that management must exhibit. We've made a lot of progress in defining
what "Marketing, Quality and People" really mean in terms of everyday management behavior. We will relentlessly pursue the task of making those behaviors pervasive throughout management.

CONCLUSION

It may be a cliche to say that nobody has ever gotten anywhere without failure, but its true nevertheless.

You need look no further for proof than the Minnesota Twins. As we all know, the Twins knew failure intimately before they reached the pinnacle of success this season.

The Twins' winning the World Series, as well as our own accomplishments this year, prompted me to think of some comments on staying power made by John Wooden, retired UCLA basketball coach. His UCLA teams won 10 national championships, seven of those in succession. What most people don't remember is that John Wooden coached at UCLA 15 years before he ever won a national championship.

Coach Wooden said, and I quote: "...failure to prepare is preparing to fail. This constant focus on the future is one reason we continued staying near the top once we got there."
He continued: "There is no great fun, satisfaction or joy derived from doing something that's easy. Failure is never fatal, but failure to change might be."

That last sentence especially applies to us in this room: "Failure is never fatal, but failure to change might be." We can't be afraid of change or failure. And, I might add, we can't be tentative either.

We must be creative, aggressive, and willing to take the necessary risks. We built the momentum we now have through creativity and aggressiveness. And we can continue to build on that momentum by being even more creative and aggressive.

Thank you.