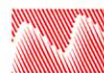


MergerSpecial



MEMOREX TELEX

A publication for Memorex Telex employees worldwide

February 1988

WE'RE TOGETHER!

MEMOREX TELEX MERGER MOVES AHEAD

The merger of Memorex and Telex to create the world's leading supplier of plug compatible communications and storage products and services, is to become a reality.



Giorgio Ronchi



Stephen J. Jatras

"The merger will put us in a position to provide our customers with greatly enhanced services and a wider range of products," said Giorgio Ronchi, named to become chairman of the company's management board, and president and CEO of Memorex Telex.

Elsewhere in this special publication we have outlined the product strategy with which we will be jointly attacking the market place with

even more vigour and success than we did as two separate companies.

We also talk about the formation of the new Computer Supplies group under Sergio Mazza. With existing computer supplies revenues in the region of \$210 million during 1987, this new group will build upon this foundation during the coming years.

"Memorex Telex is projected to have revenues in excess of \$2 billion,

a strong market position by anyone's standards, but we must not rest upon this impressive figure. Nor must we lose the personal touch in the way we do business. Our close relationships with our customers have always been the mainstay of our business and this will continue to be so," said Stephen J. Jatras, vice-chairman of the management board.

"We must use our existing business strengths as stepping stones to bigger and better things. We intend to increase our presence in the market place far beyond that of today," he concluded.

Memorex Telex enters this new era with the backing of the financial community which endorsed our plans by providing the financing that enabled the merger to take place. That support is proof enough of the respect in which our two companies are held and the optimism that the financial world has for our future growth and performance.

"It is now up to us to make our hopes for the future a reality. To this end we need outstanding performances from all of our people, whatever their role in our new company," Giorgio Ronchi said.

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A worldwide concept

Although the legal completion of the merger has not yet taken place, the management board of Memorex Telex has been announced.

Led by chairman and chief executive officer, Giorgio Ronchi, with vice-chairman Stephen J Jatras, the management board will be responsible for guiding Memorex Telex as a whole. Its job is to look at the new company in its entirety and plan its future paths and goals.

During the merger process a number of special task forces were set up to analyse the two companies and to report their findings to the management board with regard to the form that the merged Memorex Telex should take.

Already a lot of their work has been completed and many of their recommendations have been put into action. We are now beginning to see the results of this work around the company.

A great deal of integration has taken place across all our activities, and in this publication we are able to look more closely at some of the elements that will make up the new Memorex Telex.

Elsewhere in this publication, on page 4, we look at the KOBs and the proposed product strategy for Memorex Telex. Here we will briefly look at the people who will be responsible for the various reporting divisions of the new company.

George Bragg. Tulsa, USA.

As president and chief operating officer for Memorex Telex Corporation, George Bragg will be responsible for the three main divisions contained within our US operation:— sales and service, systems and equipment manufacturing. On page 6 we explain in detail the proposed structure of Memorex Telex Corporation.

Richard Clarke. London, England. All corporate finance, administration, human resources, corporate communications and legal affairs are the responsibility of executive vice-president Richard Clarke.

J. E. M. (Mike) Kitching.

Staines, England. As senior vice-president for line support, Mike Kitching has

responsibility for providing operating management support to field sales and service subsidiaries worldwide, with particular reference to operations in the Far East, Australasia and Canada.

Ansel Kleiman. Minneapolis, USA.

Ansel Kleiman is the chairman and chief executive officer of TCI (Telex Communications Inc), which will operate as a stand-alone subsidiary serving its traditional voice communication, education and OEM markets under the TELEX brand name. A brief description of TCI appears on page 7.

A. G. (Bill) Mazza. Milpitas, USA.

Bill Mazza is the senior vice-president with responsibility for operations support.

In this role he will provide project management in the areas of manufacturing and facilities, and will have continuing responsibility for manufacturing operations in Milpitas, and for all media manufacturing.

Sergio Mazza. Milpitas, USA.

The new Memorex Computer Supplies group will be led by president, Sergio Mazza. Serving the world's computer supplies market under the MEMOREX brand name, the structure and aims of the new group are explained in more detail on page 7.

Jean-Claude Zanolli. Paris, France.

Jean-Claude Zanolli is the executive vice-president responsible for marketing and business development throughout the world. This also includes responsibility for all of the KOB (kinds of business) operations.

Giorgio Ronchi. Milan, Italy.

In addition to his role as president and chief executive officer of Memorex Telex, Giorgio Ronchi will also have responsibility for Memorex Telex International. This will be the result of combining the non-US operations in Memorex and Telex World Trade into one group. Through this group we will be able to serve our customers through 25 direct subsidiaries and a global network of distributors. Nine international managers with responsibilities for various geographic

areas will report direct to Giorgio Ronchi. They are:—

Roberto Biffi, vice-president for

Spain, Portugal and Latin America.
John Clarke, vice-president for UK, Denmark, Sweden, Ireland and Norway.

Andre de Greef, vice-president for France, Belgium and the Netherlands.

Carlo Papini, vice-president for Italy and Switzerland.

Johann Seifart, vice-president for Germany and Austria.

Tetsushi Yamada, president of our Japanese operations.

Chris Pelly, general manager Far East.

Keith Thrower, general manager for Canada.

Peter Thompson, general manager for Australia and New Zealand.

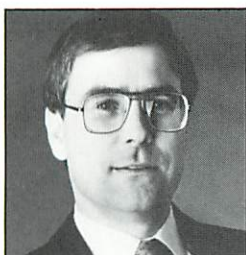


George Bragg, president and COO Memorex Telex Corporation.



Roberto Biffi, vice-president for Spain, Portugal and Latin America.





Keith Thrower, general manager for Canada.



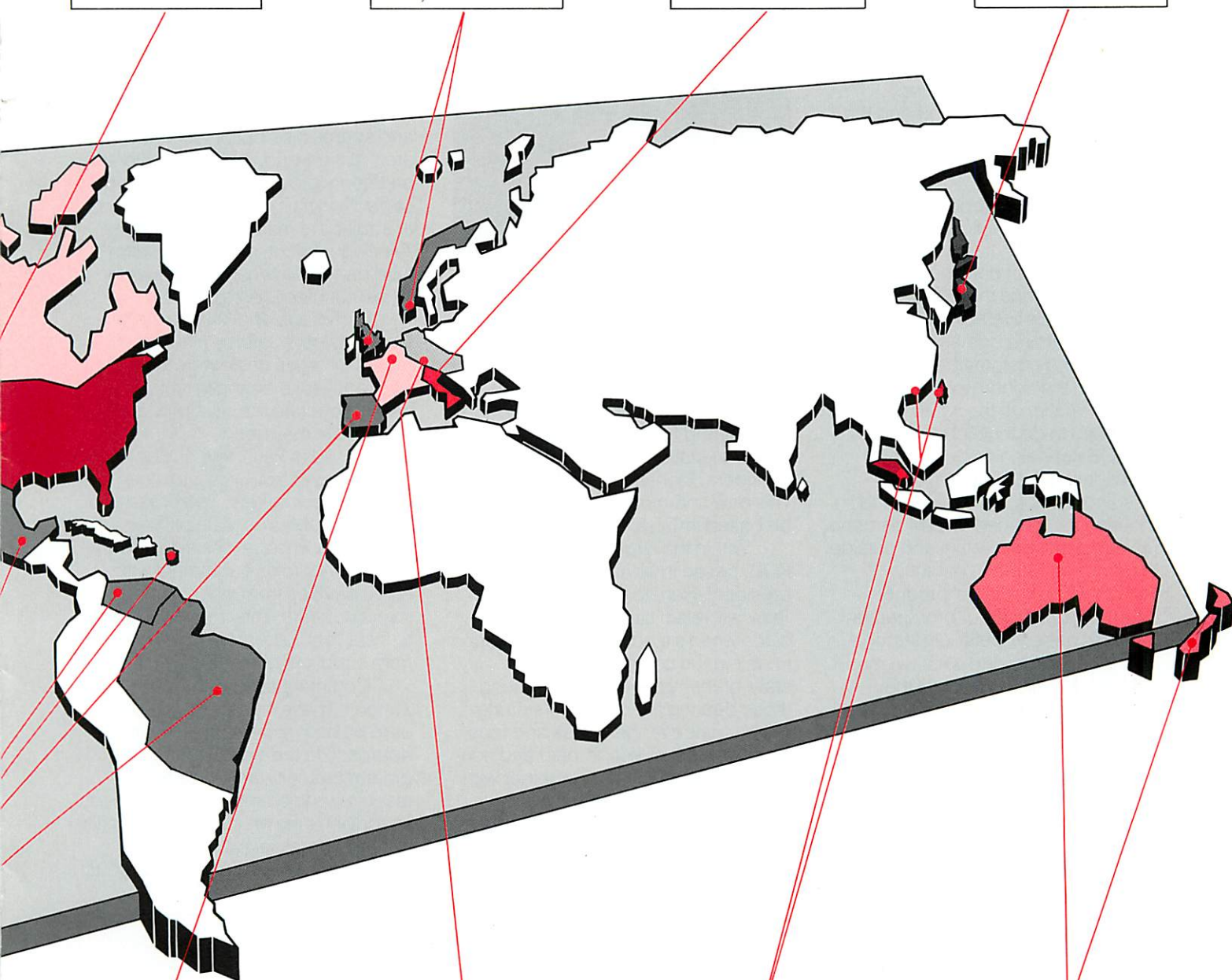
John Clarke, vice-president for UK, Denmark, Sweden, Ireland and Norway.



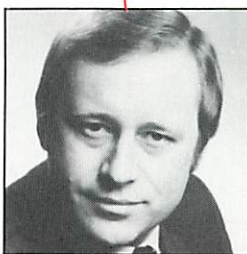
Carlo Papini, vice-president for Italy and Switzerland.



Tetsushi Yamada, president of our Japanese operations.



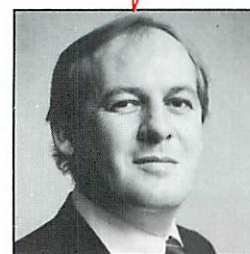
André de Greef, vice-president for France, Belgium and the Netherlands.



Johann Seifart, vice-president for Germany and Austria.



Chris Pelly, general manager Far East.



Peter Thompson, general manager for Australia and New Zealand.

The KOBs...

A number of changes have been made to our KOB operations which we are going to detail here, but before that let us recap on what we mean by the phrase 'KOB'.

KOB stands for kind of business.

Each of the six KOB centres is responsible, on a global basis, for the product planning, engineering, sourcing, marketing support and the distribution of a range of products dedicated to one of our business areas.

All of the KOBs report directly to Jean-Claude Zanolli, who is based in Paris.

By keeping in constant touch with our operations throughout the world, the KOBs are able to determine market needs and demands, along with changing customer requirements. Key staff in the country operations pass information to the KOBs which helps them to do their job effectively.

KOBs are also responsible for consolidating the forecasts from sales and service subsidiaries and procuring the planned level of demand from suppliers, both within and outside the company. KOBs constantly monitor our competitors' product costs to ensure that our procurement strategies are competitively strong.

Having explained what we mean by KOB we shall now look at the changes to the existing operations that will be brought about following the merger.

The Memorex 3270 KOB in California will integrate with the Telex 3270 product planning and engineering functions to provide a new and more powerful group under the leadership of, vice-president,



Doug Kendrick. This KOB will be based in Raleigh, North Carolina.

Similarly the Memorex workstation KOB in California will integrate with the Telex ISYS (Intelligent System Series) product planning and engineering functions to form the new workstation KOB under vice-president, Richard P Slogrove. This new and more powerful KOB will be based in Tulsa, Oklahoma.

Within the large storage systems KOB, based in Milan, under vice-president, Renato Cerutti, Memorex Telex will retain strong links with many of the world's leading manufacturers, enabling the company to source state-of-the-art peripherals. Among those bearing the company's name will be a wide range of disk and tape storage subsystems, impact and non-impact system printers, together with such performance enhancing equipment and features as solid state storage devices and add-in memory.

The System/3X KOB, under vice-president, Jean-Jacques Roetynck,

in Paris, will provide an extensive product basket covering disk and tape storage devices, add-in memory and other system upgrade features, system and communications printers, terminals and workstations.

Based in Milpitas, California, vice-president Bob Berry is responsible for the company's customer engineering KOB. Strategically located in service and spares distribution centres around the world, our 4000 customer engineers provide both routine and corrective maintenance as required. In addition to maintaining Memorex Telex equipment, they also provide third party maintenance facilities for other manufacturers' products.

Brokerage and leasing, under vice-president Jerome Heurtaux caters for those customers looking for package lease arrangements as a way of securing the data processing equipment they need.

Based in Paris, this KOB is expanding its activities into a number of our major markets. Brokerage and leasing enables us to help those customers who are looking for a mix of Memorex Telex equipment with some devices from other manufacturers. They may even want to install equipment which all comes from suppliers other than us.

Commented Jean-Claude Zanolli, "These changes will allow us to be both more flexible in our approach to the market place, with greater capacity, and to be more responsive to changing market needs. In addition they will increase our ability to keep abreast of the latest technology while keeping our product costs competitively low."

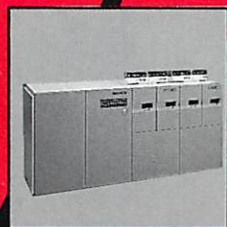
The six KOBs



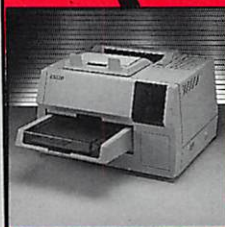
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Workstations



Large storage systems



System/3X



Brokerage and leasing



Customer engineering

...and products



The coming together of Memorex and Telex presents us with a unique opportunity to take the best products of two of the world's leading computer peripherals companies in order to present one industry leading product range.

Decisions have been taken with regard to the majority of our kinds of business, or KOBs, and the new product line information has been passed on to the sales forces around the world.

Even in these preliminary days of Memorex Telex the effects of these changes are being appreciated.

Already our customer base is being informed of the benefits to them of the merger in terms of product, service and flexibility of response to their requirements.

Out in the field our sales people are informing customers about the extensive range of products that

Memorex Telex will be handling. Some of those ranges will be outlined for you here.

The combination of the Memorex and Telex display product lines has produced a new display product family that represents the most comprehensive and up-to-date in the plug compatible industry. A full range of displays from 12" monochrome to 14" combination voice and data terminals will be offered.

Printers have been a significant area of business for both Telex and Memorex, and combining the product lines has given us an opportunity to benefit from the very best product offerings available from the two companies.

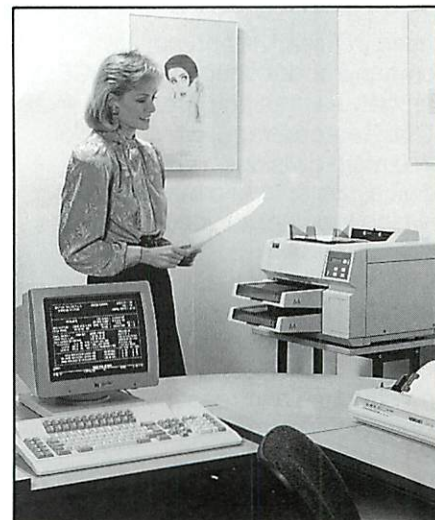
This has allowed us to improve



the overall competitiveness of our printer product offerings across the complete range of printing requirements.

Commenting on the new range, Jean-Claude Zanolli said, "The Memorex Telex printer product line will be stronger and more competitive than any other single vendor's offering in our markets. The opportunities for success in this market are now better than ever."

For the controller market Memorex Telex will be able to use the results of development work that both companies had been undertaking independently in this field. This enables the company to offer a product line that comprehensively covers the current and foreseen requirements of the customer/market.



Both Memorex and Telex already had established a presence in the workstations market worldwide. The merger, therefore, will mean that from one source our customers will be able to access some of the best in proven workstation products and technology.

With the formation of the new group, Memorex Computer Supplies, this will be another area of great growth potential for the future. On page 7 we go into more detail about this exciting development.

The traditional activities of Memorex in the storage market will remain essentially unchanged within the new company. Memorex Telex will be addressing all of the existing market opportunities and will be looking closely at any areas where business growth and expansion may be achieved.



United States of America

A major part of the new company will be the formation of Memorex Telex Corporation, in the US.

Based in Tulsa, Oklahoma, the company, under chairman and CEO, Stephen J Jatras and president and COO, George Bragg, will consist of three main divisions – sales and service, systems and manufacturing – which together cover our activities within the USA.

The heads of these divisions Alfred Mockett, Roy King and Harry Eberly, will all report directly to George Bragg in Tulsa. Here we will look at the new structure and responsibilities of the people within Memorex Telex Corporation.

US Sales and Service

Based in Tulsa, under executive vice-president Alfred Mockett, sales and service will serve our US PCM market customers, exactly as the previously separate Memorex and Telex operations did, but now with more resources and more flexibility of response.

All customer operations, including 3270, workstations, System/3X and storage business areas, will be maintained by this division.

Six regional vice-presidents will be responsible for sales and service. They all report directly to Alfred Mockett.

In addition, Bill Koenig will be vice-president federal systems and George Bennett, who is vice-president national accounts, will also have sales and service responsibilities. George Somer will be vice-president field administration. In order to provide the vital support for the sales and service organisation Bob Farrell will serve as vice-president, US marketing, and Bill Callaghan, as vice-president field support, with responsibility for spares repair, dispatch operations, technical assistance and field service for the national accounts programme, will also direct the customer engineering organization.

Systems

Executive vice-president Roy King, based in Tulsa, will head the new division of Memorex Telex Systems.

This division will be dedicated to bringing information and communication systems solutions to identified vertical markets on a global basis.

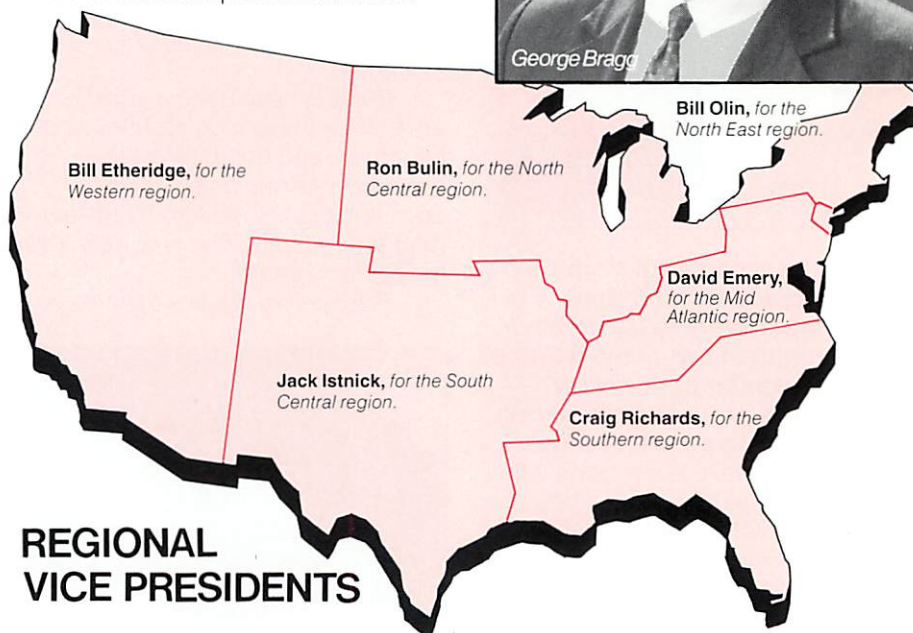
What that will really mean in

practice is that Memorex Telex Systems will be able to look at a particular type of requirement and apply its solutions to similar business situations throughout the world.

The best example of how this works in practice is in the world-wide airline and travel-related market. With the excellent product lines that



George Bragg



the merger will create, Memorex Telex Systems will be able to expand upon Telex's historical strengths and large international customer base. John Schofield as vice-president, airlines and systems integration, will report to Roy King, while David Lea, vice-president, airline sales will report to John Schofield and head the organization's sales efforts.

Jose Sanchez will serve as vice-president for the telephony business. This is an area of activity which represents an outstanding opportunity for revenue and profit growth over the coming years, both with its stand-alone PBX (Private Branch Exchange) business and in the growing, and complementary, voice and data communication systems.

Another element of Memorex Telex Systems which is poised for a period of sustained growth is the OEM division which recently relocated to the Tulsa, Cherokee facility. OEM has established itself as a leading manufacturer in the high performance tape drive market and is well positioned to capture its share of

the future market. Don Wilson, vice-president and general manager, will continue to lead this business.

Manufacturing

Executive vice-president Harry Eberly, based in Raleigh, North Carolina, will have responsibility for all manufacturing on a world-wide basis, excluding computer supplies and communications manufacturing at Milpitas.

In addition to the above there will also be a number of staff functions to support the company's activities.

These are:—

Ed Phillipe, vice-president controller and information systems.

Ed Frank, vice-president treasury.

Steve Wood, vice-president human resources.

Lyle Wilcox, vice-president development.

This new structure will allow us to be much more competitive in the US. Our success in this, the world's largest computer market place, will also strengthen our position on the international scene.

Computer supplies

A significant element in the new Memorex Telex will be a new group formed to address the world market for computer supplies.

The Memorex Computer Supplies group, under president Sergio Mazza, will be responsible for marketing and sourcing computer media, supplies and accessories world-wide. Global computer supplies revenues for Memorex in 1987 were approximately \$210 million.

Commented Giorgio Ronchi, "This new corporate structure will allow the group to focus on the global opportunities in the fast growing computer supplies market."

"Memorex started as a computer media manufacturer and continues to be a leader in the development of magnetic media products. We have since added a broad range of computer supplies and accessories, building on our distribution channels and on our excellent brand reputation."

Based in Milpitas, California, the new group will do business under the existing MEMOREX brand name. The company will market its products through its own sales force, a network of distributors, direct mail and catalogue channels, as well as through mass merchants, office supplies retailers and computer speciality stores.

Products will include MEMOREX branded reel-to-reel computer tape, tape cartridges, a full line of flexible disks, printer and typewriter ribbons, printer papers and such accessories as power protection systems, disk storage boxes and printer stands.

Sergio Mazza, president of Memorex Computer Supplies in his letter to all computer supplies employees world-wide said, "The new group's challenge is simple. When a user needs supplies or accessories for his computer, Memorex must be the obvious choice for value and for quality. We want to be the largest, most profitable supplies organisation in the world."

"We have in place an excellent and experienced management team and look forward with great enthusiasm to 1988 and beyond. Let's work to make Memorex Computer Supplies the brightest part of our new company's future."



Sergio Mazza

TCI

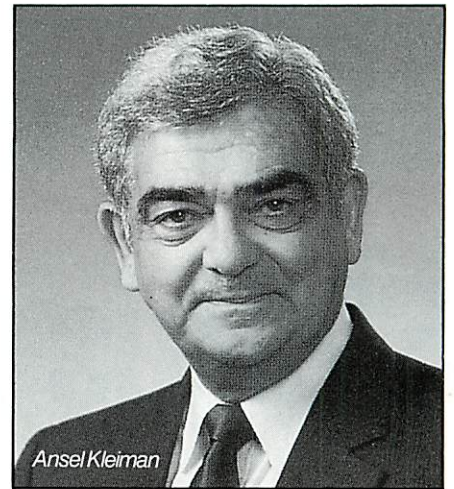
Within Memorex Telex, Telex Communications Inc (TCI) will operate as a stand-alone subsidiary under its chairman and chief executive officer, Ansel Kleiman.

Based in Minneapolis, Minnesota, TCI produces and markets a range of electronic and communication devices for specialized niche markets in four main areas:—
Education and training.
Hearing instruments.
Communication accessories.
Industrial antennas.

During the fiscal year 1987 TCI had revenues in excess of \$76 million from these four key areas of activity.

TCI has established a reputation within its markets for innovative product design and quality of performance.

One of TCI's most recent product introductions is 'Magnabyte' which is the company's first venture with an all-digital product. 'Magnabyte' is, basically, a low cost method of projecting computer images from a PC onto a wall or screen for large



Ansel Kleiman

audience viewing. Fully compatible with a wide range of industry standard PCs, including IBM PC/XT/AT, 'Magnabyte' is expected to be a star performer for TCI over the coming years following its enthusiastic market place reception since its launch only a year ago.

With a wide range of audio and communication products TCI looks set to be a solid contributor to the overall success of Memorex Telex. The product range includes wireless microphones, headsets for aviators, intercom systems, industry leading hearing aid technology, audio-visual presentation equipment.

Publicity

Memorex and Telex are two very well known names in the world of computer peripherals and plug compatible equipment. Separately they have established sound reputations with customers, the market place and interested observers.

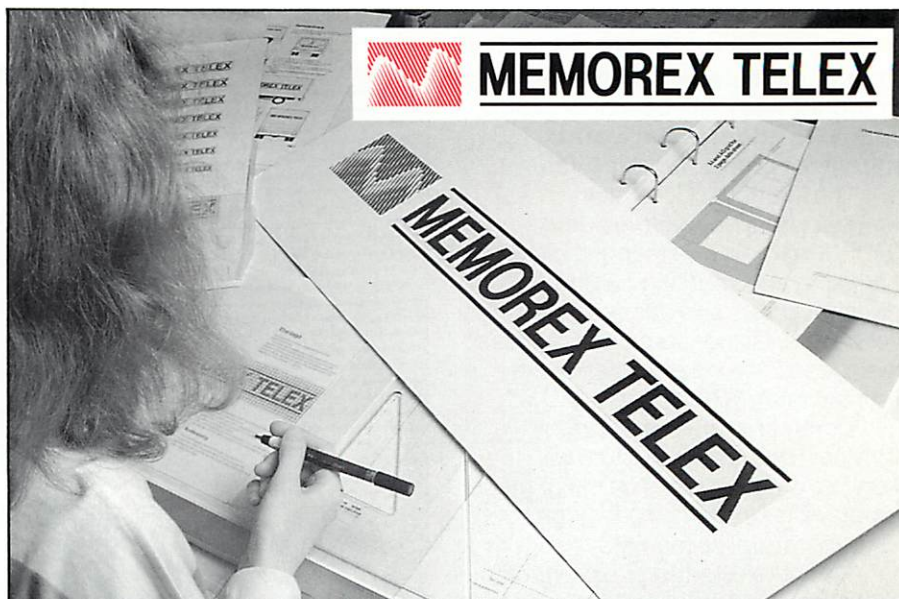
Now the task of promoting them as a single cohesive unit – Memorex Telex – has begun.

A number of actions are in hand and the results of these will soon be seen around the world.

One of the most fundamental actions being undertaken is a new corporate identity programme. This will show the world that the two companies have come together with very real benefits which will be passed on to the customer.

In conjunction with this a new corporate brochure is being prepared to outline the aims and strengths of the new company.

Other actions are in hand which will help to promote our new company on a more direct basis, one of which is a new corporate slide presentation. This will be produced for use by operating companies and will detail



the new structure and its immediate and future benefits to our users.

These are just a few of the things that are being undertaken to publicise and promote what we have achieved by the merger. Over the coming months you will be seeing some, or all of them, so look out for them and help to pass the message on to your contacts outside Memorex Telex.

Internally we are also looking at the new organisation and how we can help to promote the merger.

On this page we have printed details of a competition in which you are asked to provide the title for a world-wide publication for all Memorex Telex employees.

So let's see what you can do to help us promote Memorex Telex.

Shares for all employees

A programme is currently being prepared which will enable any Memorex Telex employee to purchase shares in the company, at \$17 per share.* The price paid in December 1987 when two financial groups purchased stock in the company in a private placement. A formal announcement will be made in due course, though the programme itself may not get underway for a few months yet.

Revealing this plan, Giorgio Ronchi, president and CEO, said, "The management board feels strongly that it wishes to make the stock purchase opportunity available to every employee, so that everyone can share in the ownership of

Memorex Telex. We want our employees to feel this is their company".

Memorex Telex stock does not trade in any financial market at this time, as there has not been a public offering. Giorgio Ronchi pointed out that even after a public offering – and there is no timetable for this – share prices can move both up and down, so no recommendation to buy Memorex Telex stock will be given to employees by the company. "It has to be a personal decision," Giorgio Ronchi concluded.

* Note: There was a 10 for 1 stock split in late 1987.

MergerSpecial

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