

MEMOREX

1974 Annual Report

MEMORY EXCELLENCE

Memorex Corporation
1974 Annual Report

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Financial Highlights
for the years ending December 31, 1974 and 1973
(Amounts in thousands of dollars except per share data)

Introduction

Highlights*	1974	1973	Difference
Revenue:			
Sales	\$ 118,297	\$ 83,991	\$ 34,306
Rental and Service	99,330	92,932	6,398
Total	<u>\$ 217,627</u>	<u>\$ 176,923</u>	<u>\$ 40,704</u>
Net (Loss)	(8,972)	(119,090)	110,118
Cash and Cash Investments	11,783	4,099	7,684
Unsubordinated Notes Payable	163,117	226,022	(62,905)
Shareholders (Deficiency)	(23,677)	(86,857)	63,180
(Loss) Per Common Share	\$ (2.08)	\$ (27.63)	\$ 25.55

*Please refer to the Company's financial statements included in the Form 10-K Annual Report.

Memorex was founded in 1961 for the purpose of producing magnetic tape for computer applications. Its name was derived from a combination of two words, "Memory" and "Excellence." True to the use of the word excellence in its name, Memorex has earned a reputation for quality.

Through the years, a wide range of products have been added; all of them are in the general field of information storage and retrieval. The 5,000 employees of Memorex design, manufacture, market and service products used in data processing, word processing, entertainment, broadcasting, education, training, and archival storage.

Memorex products are utilized by a wide range of customers throughout the world. Applications are as universal as information itself. Customers range from sophisticated computer users and broadcasting networks to educational institutions, small businesses and consumers. Continuous growth has characterized the markets served by Memorex.

To Shareholders



1974 was a year of solid progress for your Company. Progress was achieved amid unsettling changes from within and the hostile forces of inflation, recession and devaluation from without. Throughout, the demand for Memorex products remained strong. This is a credit to the vision, perseverance and dedication to excellence that has been the Company's credo from the beginning. It is upon this tradition that Memorex will continue to build.

Revenues for the year totalled \$217 million, an increase of 23 percent over the prior year's \$176 million. This revenue growth is most encouraging. It came about because of several principal reasons:

1. The markets served by Memorex grew at a substantial rate.
2. Demand for the Company's data storage products was strong.
3. Customer confidence in Memorex increased, and the long-term viability of the Company ceased to be an issue.
4. There was increased emphasis on the sale of products as compared to leasing.

Despite the strong increase in revenues, there was a loss for the year of \$9.0 million. Of that total, \$3.3 million was related to currency translation and exchange losses and \$4.8 million was attributable to unusual charges. Although any loss is unacceptable, it is encouraging to note that the year-to-year reduction in operating loss was very substantial. Perhaps even more significant, many old and costly problems were resolved during the year.

The result of increased emphasis on cash management was particularly encouraging. Despite the loss, the substantial debt service and the revenue growth, cash balances actually increased by more than \$7 million. This was made possible by the major revision in credit agreements. But it could not have been accomplished without the contributions of employees throughout the Company. Total debt was reduced by \$62,900,000, and shareholders' equity improved by \$63,180,000 from a deficit of \$86,857,000 at the end of 1973 to a deficit of \$23,677,000 at year-end 1974.

In view of the major, deep-seated problems that faced your Company as it entered 1974, first priority was necessarily given to the resolution of current operating difficulties. However, we took positive actions to establish and expand a solid base for future profitable growth. Among the more significant accomplishments were:

- The new credit agreements.
- The establishment of an attitude of confidence and "can do" within the Company.
- Re-organization to effectively allocate resources to better serve customer needs.
- Improved management effectiveness through the organization, staffing and development.

- Diversification through more effective participation in OEM, consumer, word processing, add-on memories and third party maintenance markets.
- Discontinuance of non-profitable products and activities.
- Reduction of costs and expenses ranging from facilities and energy to overhead.
- Offset of increased costs with effective price increases.
- Enhancement of Memorex's reputation as the leading independent supplier of premium quality storage products.
- Investments in future growth were maintained and long-term strategies developed.
- IBM litigation was vigorously pursued.

As Memorex enters 1975, a number of significant internal problems have yet to be resolved. The forces of inflation, recession and devaluation will doubtlessly persist. IBM continues to pose a substantial potential threat by virtue of its monopolistic and predatory practices.

However, your Company took steps toward a major turnaround in 1974 despite such adverse circumstances. This improvement must be credited to the initiative and efforts displayed by talented Memorex employees throughout the world. Our collective objective is to make 1975 the year of profit restoration.

A handwritten signature in black ink, appearing to read "R. C. Wilson".

R. C. Wilson
President and Chairman
March 25, 1975

Corporate Organization

Leadership of the Company was assumed May 15, 1974, by Robert C. Wilson when he became President, Chief Executive Officer and Chairman of the Board. He succeeded Laurence L. Spitters who had led the Company since its founding in 1961. Mr. Wilson was formerly President and Chief Executive Officer of Collins Radio Company.

The continuing rapid growth of Memorex has transformed it in recent years from a large small company to a small large company. This growth, coupled with ever increasing product and market complexity, created the need for a new approach to management and control.

A new organization structure and a new management team were put in place to enable the Company to more effectively serve its customers and to control its operations. The new organization consists of five operating groups and four staff functions. Three of the operating groups are product oriented and two are geographically oriented. Each group has profit responsibility. In order to provide for additional focus on selected market segments, each group in turn has a number of profit centers under the leadership of a general manager. This approach has enabled the organization to rapidly come to grips with major problems and to capitalize on significant opportunities.

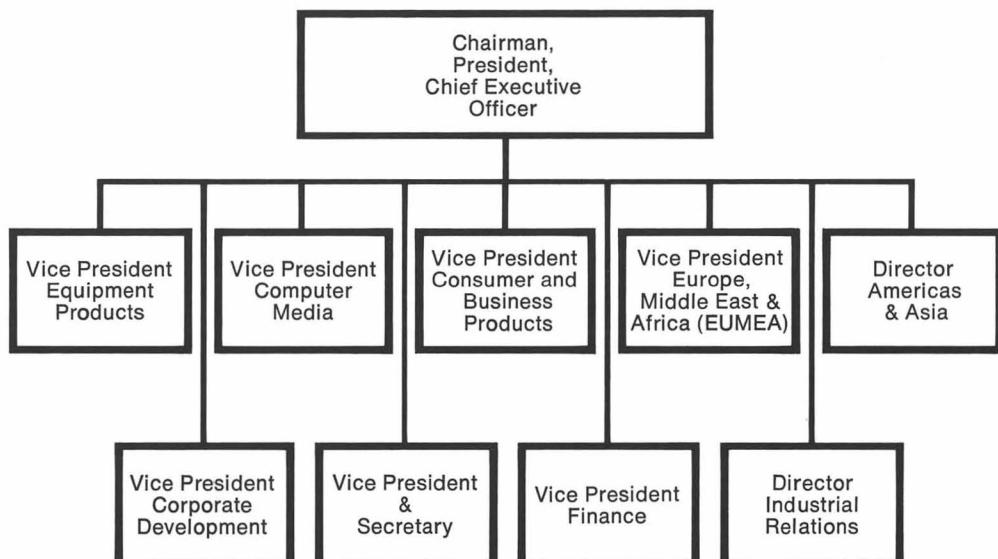
The basic approach followed provides each profit center with the resources and authority required to accomplish its objectives in serving assigned markets. The four operating staffs include activities that are unique to the corporate level and those pooled activities that can be performed most effectively at the corporate level. They serve both the corporation and the operating groups:

- Industrial Relations has the responsibility of optimizing the effectiveness of the most important resource of all—people.
- Finance has direct responsibility and authority for all financial and treasury activities throughout the Company. They are accountable for financial integrity.

- Corporate Development is responsible for assuring adequate attention to futures. This includes strategic planning, resource allocations, and the pursuit of business opportunities not assigned to individual groups.

- Vice President and Secretary has responsibility for all legal matters including the IBM litigation.

This new organization structure has enabled Memorex to attract outstanding talent. The combination of the organization structure, delegation of authority and excellent staffing has facilitated planning, decision making, and controls. It has contributed to the establishment of adequate disciplines throughout the Company. Thus, the 1974 report in many respects is the story of the new organization structure and the leaders who have made it operate effectively.





George L. Bragg
Vice President

Mr. Bragg, 42, was elected Vice President, Corporate Development in May. He joined Memorex from Collins Radio Company where he served as Director of Business Develop-

ment. Previously, he was Executive Director of Corporate Development for Rockwell International.

One of the most significant accomplishments in 1974 was the completion of new credit agreements with senior lenders which permitted sizeable reductions in debt, substantially improved shareholders' equity and provided greater freedom of managerial action.

During 1974, all worldwide programs and investment opportunities were analyzed. This analysis led to the redirection of some programs and the acceleration of others. Memorex invested more than \$45 million during the year in its future including additions to its leased equipment base, new product development, production and process improvements and market expansion.

A general corporate strategy was developed which will lead to a formal long-range planning program during 1975. A wide range of possible business affiliations is being reviewed. The Company will continue to search for and be receptive to new business opportunities throughout the world. For example, the Memorex worldwide marketing and servicing capability is unique among independent suppliers of information processing equipment. Special marketing relationships with several companies were established during the year that should achieve significant mutual benefit.



Robert L. Erickson
Vice President and
Secretary

Mr. Erickson, 45, was elected Vice President and Secretary in May. He was formerly Vice President, Legal and Secretary of Collins Radio Company. Previously,

Mr. Erickson served as attorney for Northwestern Bell.

One of the most important assets of the Company is its pending legal action against IBM. Memorex estimates damages from the illegal and predatory action of IBM to be in excess of \$1 billion and seeks to recover treble damages (\$3.1 billion) under the Clayton Act as well as costs and attorneys' fees. The Company also seeks the injunctive relief necessary to restore effective competition in the data processing industry. Memorex considers its claims to be meritorious and intends to pursue them vigorously even though it may require five years or more to conclude the litigation.

In order to provide effective, full time leadership for the support of the litigation a separate legal support organization has been established. Vice President John Eastling has been assigned responsibility for the activity under the direction of Mr. Erickson. This activity will have the added benefit of freeing line management to run the business.

Prior to 1974, all Company legal support was provided by outside counsel. With the establishment of in-house capability, the responsibility for legal matters was assigned to Mr. Erickson. Under his direction, substantial progress has been made in clearing up old legal problems in a cost effective manner. Of even greater significance is the investment being made in avoidance of future legal problems through communication and review of all internal legal procedures and practices.

The Company has built a large data base and library of information for use in its suit against IBM. Vice President John R. Eastling (L) directs this critical litigation support activity.

Thousands of pertinent documents have been put on microfilm and computer indexed for quick and convenient retrieval.





Henry C. Montgomery
Vice President

Mr. Montgomery, 39, was elected Vice President, Finance in November. He was formerly Vice President-Controller of Fairchild Camera and Instrument Corporation. Previously,

Mr. Montgomery served in financial management capacities with International Telephone & Telegraph Corporation, McKinsey & Co., Laird Enterprises and Arthur Andersen & Company.

Emphasis was placed on financial controls and financial integrity throughout the Company. An Audit Committee of the Board of Directors was established under the leadership of Vester T. Hughes, Jr. An internal audit activity was reestablished and a comprehensive program of operations tracking, forecasts and reports was instituted.

All accounting procedures and assets were reviewed and adjustments made where indicated, consistent with the objectives of complete financial integrity. Although substantial progress was made during 1974, the establishment of fully professional financial support and control will continue to receive priority attention throughout 1975.

Although faced with continuing inflationary and cost pressures, the Company experienced its first year of positive cash flow during 1974. This resulted in cash and cash investments rising to \$11,783,000 from \$4,099,000. At the same time, Memorex met all note repayment requirements and funded sizeable investments in its future. At year-end unused credit facilities of \$5,250,000 were also available for general corporate purposes.

During 1974, a finance subsidiary was formed in Europe for the purpose of providing financial services to the European operations of the Company. This financing subsidiary is designed to provide the Corporation with improved abilities to finance the growth of European operations and minimize the risk and exposure from foreign currency transactions.



John G. Pew
Director

Mr. Pew, 37, joined Memorex in 1970, serving initially as a Senior Financial Analyst, and later as Assistant to the President. In 1972, he participated in the Federal Government's

Executive Interchange Program. Mr. Pew was appointed Director of Industrial Relations in 1973.

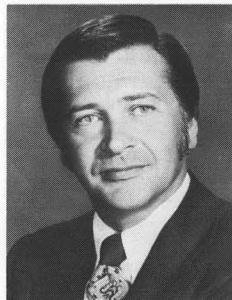
Attitude, reflecting understanding and commitment, is the vital ingredient in determining the ultimate success or failures of any Company. During 1974, employees at all levels were challenged to build a new Memorex. Their response was generally good. Many of the accomplishments of 1974 are the direct results of initiatives taken by motivated employees throughout the Company.

Professional management was strengthened during the year through the initiation of a professional management development program. Many members of management completed the program in 1974 and the remainder will do so in 1975. The program should provide a foundation for continued improvement in managerial effectiveness and teamwork.

The Company's commitment to its employees was further evidenced by the establishment of a contributory pension plan late in 1974. In addition to providing longer security for its employees, the Plan has greatly assisted in attracting and retaining the most skilled and capable people available. Over 150 prior employees returned to Memorex during the year which reflected a growing confidence in the Company's future. The Memorex Equal Employment Opportunity Program was reaffirmed to assure that the talents and contributions of all employees were recognized, with advancement based upon ability and performance.

The Company hires and promotes on the basis of competence. James C. Chatman, Senior Placement Specialist, specializes in the minority recruitment and affirmative action programs of the Company.





Roger W. Johnson
Vice President

Mr. Johnson, 40, was elected Vice President and General Manager, Equipment Products Group, in November. Previously he held executive and management positions with Singer Co. and General Electric Co.

1974 was a good year for Memorex's equipment business. Worldwide demand was strong and new products, such as highly advanced disc drives and controllers met with favorable market reaction. Important new customers represent a broad spectrum of applications: these include Eastern Air Lines, Burlington Industries, Bank of America, General Telephone & Electronics, Association of America Railroads and the United States Postal Service. The selection of Memorex by these major organizations indicates a recognition of superior value.

Disc Storage Systems

Increased orders for the 3670 Disc Storage Subsystem in 1974 solidified the Company's position as the leading independent manufacturer of plug compatible disc storage products marketed to end users. Continued excellence in memory was directly responsible for placements of over 2,000 3670 disc drives since the product was introduced less than two years ago. The 3670 Subsystem is plug and media compatible with the IBM 3330 Disc Storage Facility and attaches to IBM System/360-370 computers.

Major product introductions during the year included the 3673 Disc Controller which allows Memorex drives to attach to certain System/370 models previously restricted to IBM drives. No other independent equipment manufacturer offers this access capability providing customers an unequalled degree of flexibility and reliability in disc drive operations.

The new 3672 Storage Control Unit, used with the 3673, provides a number of desirable and exclusive performance features.

Memorex was the only independent peripheral manufacturer to deliver the technically advanced "double density" disc module in 1974. The unit, the 3675, achieved outstanding performance in customers' operations due to its proprietary head design. Disc drive heads read and write data on rapidly revolving disc packs. The 3675's heads are designed to "fly" higher than those of competing drives thus reducing the possibilities of "head crashes" which diminish the performance of lower "flying" competitive head designs. Consequently, the Company believes its 3675 is the best designed and most reliable "double density" module available.

The 3675's are proving extremely dependable in service. They were marketed shortly after IBM's "double density" introduction and are available far sooner than independent competitive machines. This is a tribute to the ability and farsightedness of the Company's design, engineering and manufacturing functions.

Memorex's 3670 family of products is the only independent storage equipment which is usable with the 3850 Mass Storage System. The Company's superior product planning and development talent made possible the immediate attachment of Memorex's 3670 Disc Subsystem to the 3850 System from the day of its introduction. This is yet another indication of the added value of Memorex products and customer support.

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An effective marketing program resulted in sizable outright sales of earlier generation products replaced by Memorex's current disc products. Initiatives taken by the Company opened new markets for 3660 disc drives including attachments to System/3 and to selected mini-computers. The successful attachment to an East European CPU system located in Frankfurt, Germany, may also represent a significant future market for Memorex. The success of this program is another demonstration of the inherent value of Memorex products over long periods of time.

Add-On Memory Systems

The Company included the advanced technology of solid state semiconductor memories into its product line in 1974 with the introduction of the new 6000 Series Add-On Memory Systems. The 6000 Series expands the internal memory capacity of System/360-370 Central Processing Units at substantial cost savings over IBM equivalents.

Launching the 6000 Series program was especially important because it marks a significant new direction for the Company—the first major peripheral equipment manufactured by another company to be marketed and serviced by Memorex. The Company is examining opportunities to offer additional high quality products on a similar basis to more profitably utilize its worldwide marketing and service capabilities.

OEM Market Development

Sales to OEM customers increased in 1974. Several contracts were received by the Company for flexible disc drives and for 3660 disc drives which are expected to result in sizeable orders. Memorex is the leading supplier of flexible disc drives to OEM customers.

The formation of the OEM Division in 1974 indicates the Company's new emphasis and commitment to this important purchase-oriented market.

The Company provides OEM customers with sources and support that in total are unique among OEM Disc Drive suppliers:

- Memorex understands the requirements of OEM customers.
- Memorex is a fully integrated manufacturer of all critical disc drive components including disc packs, magnetic read/write heads, printed circuit boards and other disc drive hardware.
- Memorex maintains worldwide field service and spare part support.
- Memorex has developed advanced "double density" 200 megabyte product technology with outstanding field performance.
- Memorex supplies worldwide marketing and service support for its customers' final products when appropriate.

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1. Stan Stegemeyer, Director of Head Manufacturing, and Ray Herrera, Director of Storage Device Development, examine the proprietary disc drive read/write head which has earned for Memorex storage products a strong reputation for superior performance and reliability.
2. Pennsylvania Power and Light's field service offices access a central computer with Memorex Communications Terminals interfaced through a Memorex 1270 Terminal Control Unit. Data for the Utility's computer operations are stored on Memorex drives.

3. Memorex standard and double density disc drives help keep track of virtually all of the freight car movement in North America for the Association of American Railroads.

4. Eastern Airlines relies on Memorex Disc Storage equipment to store information on passenger reservations, seat availability and flight schedules, marking the first time an independent's storage products have been used on any air carrier's on-line reservation system.

5. Wang Laboratories, Inc., Tewksbury, Mass., uses Memorex flexible disc files and media in association with its System 2200 Small Business Computer and high speed printer. Memorex is the only independent to manufacture both the flexible disc file and its media.

6. Memorex's 3670 Disc Storage System offers total plug compatibility and provides exclusive performance features, including "double density" capacity.

Data Communications Equipment

The 1270 Terminal Control Unit allows computers and communication terminals to "talk" to each other. Its unique "Auto-speed" and "Code Convert" features enable the 1270 to automatically recognize and translate varying transmission speeds and languages of terminals and computers. Demand for 1270 Terminal Control Units remained strong in 1974.

The Memorex 1200-Series Communications Terminals maintained a sizeable customer rental base during the year because of the products' inherent overall qualities and flexibility of use. Among the design innovations most important to users are: excellent human interfaces; variable print and transmission speeds of up to 120 characters per second; and the acceptance of both continuous forms and single sheets to a width greater than most other keyboard printers.

The Company's diagnostic service center at Santa Clara provides terminal customers with testing services to determine or locate the existence of special problems in their communication networks. This valuable service typifies the Company's continuing after-sale support.

Computer-Output Microfilm

The Memorex 1600-Series Computer-Output-Microfilm System continues to be one of the most widely installed on-line COM in service. The 1600-Series COM System, which is plug and media compatible with the IBM 1403 printer, captures data output from IBM System 360/370 computers directly onto microfilm. The rapidly rising cost of paper during 1974 expanded customer interest in COM applications. Technical and economic advantages of the 1600 Series COM are still unmatched by competitive systems.

Field Engineering and Third-Party Maintenance

The Memorex Field Engineering organization is responsible for worldwide customer support, including the installation and maintenance of all computer peripheral equipment marketed by the Company. It enjoys an outstanding reputation for technical competence and responsive customer service. The Field Engineering experience, geographic coverage and technical capabilities are unique among independent peripheral manufacturers. Responsive, high quality service was provided to over 3000 different customers in 4500 different geographic locations.

The Company announced entry into the third-party field engineering and maintenance business during 1974, and was successful in launching several promising new programs. This activity will provide additional opportunities to utilize the Company's worldwide maintenance capabilities in a new and profitable manner.

1. Memorex flexible disc files are the most widely used independent drives in OEM data entry applications.

2. Memorex's 1600 on-line COM System converts computer output directly onto microfilm. It features a patented fiber optics technology, outstanding reliability and operational simplicity.

3. Electronic components are loaded into Memorex printed circuit boards at one of several "speed lines" in Santa Clara.

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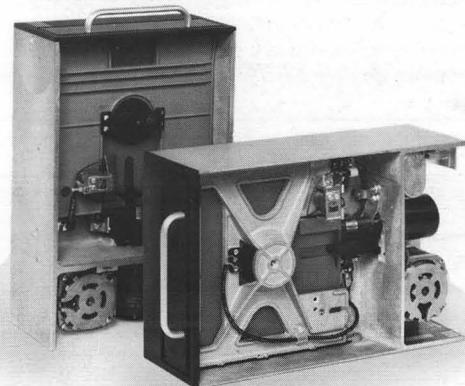


4. Memorex's 1270 Terminal Control Unit is among the most widely installed independent communications controller in the world due to its many unique performance characteristics. The 1200-Series Communications Terminals provide significant proprietary design features which add to its reliability and versatility.

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Eau Claire and Nogales

Memorex's manufacturing facility in Eau Claire, Wisconsin, specializes in the design and production of sophisticated multi-layered printed circuit boards for the Company's peripheral equipment products. While initially supplying PC boards for internal use only, Eau Claire's success in advanced circuitry technology has been developed into a growing outside market in 1974. New marketing programs for greater expansion have been initiated. A sign of the facility's product acceptance is the quality of its outside customers who include Control Data Corporation, Cray Research and Univac. The Company also operates an electronic assembly facility in Nogales, Mexico, providing high quality components to the Santa Clara operation.



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5. Field Service representative Richard Neihaus inserts a flexible disc cartridge into one of 30 Memorex disc controllers at National CCS Inc., a computer time-sharing company.

6. A skilled technician completes a critical final assembly step on the 3670 Disc Drive at the Company's Santa Clara manufacturing facility.

7. A technician needs the help of a high powered microscope to assemble read/write head components for the Memorex 651 Flexible Disc File. The head assembly tolerances are less than the thickness of this page.

7





James Dobbie
Vice President and
General Manager

Mr. Dobbie, 44, was elected Vice President and General Manager-Computer Media in January 1975. He was previously Executive Vice President-Varian Data Machines.

It is a startling fact that over \$1 billion is spent each year on "consumables" for data processing installations. A substantial part of this expenditure is for magnetic recording media. This is the large and steadily growing market that the Computer Media Group serves.

Computer Media is responsible for the development, manufacturing and marketing of magnetic recording media that includes both computer tape and disc products, as well as the precision plastic components utilized in housing, loading and packaging media products.

The Computer Media Group supplies tape in various levels of completion to other Company organizations and OEM suppliers. Its marketing is handled through OEM accounts, distributor agreements, other Memorex groups such as International, and Memorex's large U.S. end user sales force.

Magnetic tape is generally sold, while the market for the disc products is split between sales and lease. Lease revenues in disc are growing because of wide customer acceptance, extended rental life, and the addition of high performance products such as the Mark X and Mark XI disc packs.

Tape

Memorex, as one of the largest independent suppliers of quality computer tape, sells three major types to meet a broad range of customer applications:

- Memorex IV, one of the first computer tapes on the market, is also one of the most widely used throughout the world. Its high speed and high density capabilities provide excellent cost performance.
- Quantum, sold with a lifetime guarantee, is engineered specifically for high reliability and long life requirements.
- Cubic™ tape, introduced in 1974, has a 25 percent thicker base than any other computer tape. This thickness virtually eliminates edge damage, the major cause of tape failure. Demand for Cubic has been outstanding.

While a reel of tape or a disc pack appears to be a relatively simple product to make and market, the technical competence required to produce consistently high quality computer media is very great. Computer tape, for example, begins with raw plastic film and disc packs with aluminum substrates. A large number of critical and complicated processes are then required to produce finished products with the integrity required for the storage of valuable data.

Problems of sheer volume, combined with extraordinary standards for consistency add up to a major technological challenge. The computer media user has grown accustomed to storing more and operating faster with the expectation of ever increasing reliability. Meeting this challenge is a continual renewal of the Company's commitment to excellence.

1



Disc Packs

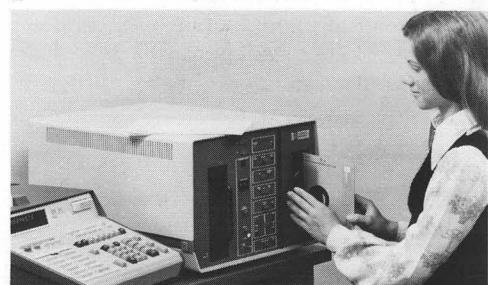
The Mark X pack, for Memorex 3670 drives and compatible with IBM 3330-1 drives and equivalent systems, was well received through 1974 because of its consistently dependable performance.

The Mark XI, new in 1974, is a 200 mega-byte double capacity pack for use in the Memorex 3675 and IBM 3330-11 "double density" drives. This new pack is manufactured by a proprietary process which builds in greater data integrity and extends disc durability. Its introduction enhanced the Company's technological leadership in disc packs and positioned it to take maximum advantage of the anticipated large growth of the evolving double capacity storage market.

Disc Cartridges

Memorex's disc cartridge product line continues to be one of the most reliable in the industry. The Company markets two types; the Mark IIIF, a front-loading disc cartridge, and the Mark IIIT, a top-loading disc cartridge. Both are fully compatible with Systems/3 computers and similar disc file systems used in other mini-computer installations.

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OEM Media Products

A number of OEM customers depend on Memorex for magnetic tape, disc packs, cartridges, flexible discs and subsets of these products. Expanded demand for quality media products by this market, and a corresponding emphasis within the Computer Media Group in OEM operations, point to an expected higher level of volume in this important source of revenue and profit. Besides the demonstrated historical high quality of its computer media, Memorex enjoys the unique advantage of being the only independent company which makes both the equipment read/write heads and the media for assured excellent compatibility.

In 1974, a new product sold mainly to OEM's, the Markette, was introduced. This new data input device utilizes a combination disc-tape technology and is commonly known in the industry as the Floppy or Flexible Disc. It is an alternate to punch cards and other data entry devices. As new small computers, such as the System 32, come on stream, a very large market is being created for it. Memorex supplies both compatible and non-compatible discs, but the bigger volumes promise to be in the compatible line. Quality level of the Markette is now one of the best in the industry and marketing outlets are being aggressively pursued with OEM's and distributors. Mini-computer manufacturers are also considered important possible OEM's for this type of product and Memorex is actively pursuing contracts in this area.

Comdata

The Comdata Division of Memorex designs, manufactures and markets plastic and metal components for tape, disc and micrographic products. These components are used for protection and storage of the media and many actually become part of the dynamic transport of the media in the recording system, contributing important values to these products.

As automatic loading becomes more prevalent, the level of component sophistication and the need for media component design in a total system approach

increases dramatically. This also increases the ratio of component value to total product cost, providing additional growth.

3. KRON-TV, the NBC affiliate television station in San Francisco, uses Chroma 90 video tape.

4. Precision balancing is necessary to assure consistent quality performance of Memorex Disc Packs, which spin at speeds up to 3,600 revolutions per minute.

5. The Memorex Mark X Disc Pack, being loaded into a 3670 Disc Drive, stores more than 100-million bytes of data on its 20 recording surfaces—equal to the information contained in approximately 1,250 standard sized novels.

6. Carbon backing is applied to a jumbo reel of video tape to give it durability before it is slit into one inch widths.

1. Memorex markets a full line of computer media products for use with computer peripherals, including tape, packs, cartridges and flexible disc media. In 1974, Memorex was the only independent to introduce a "double density" disc pack.

2. Tektronix's Information Display Division, of Beaverton, Oregon, incorporates Memorex flexible disc files and media in its Model 31 programmable calculator to provide mass memory.

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Robert Jaunich II
Vice President and
General Manager

The Vice President and General Manager for Consumer and Business Media, Mr. Jaunich, 35, joined Memorex in 1970 from Procter & Gamble, where he was a brand manager.

The Consumer and Business Media Group was created in 1974 to more effectively focus the Company's program of diversification into new products, new markets and new customers.

Memorex's reputation for excellence in information media has radiated beyond the Company's traditional market areas. Triggered by one of the most memorable consumer advertising campaigns in recent years, Memorex has become a household name. From the jingo "Is it live or is it Memorex?", fully 60 percent of all males in this country over the age of 18 are now aware of the Memorex label.

Consumer and Business Media has used this point of departure to launch a wide range of information media products for the consumer, the entertainment and broadcast industries, education and training, and business communications.

Consumer Products

The Group's best known and best selling product is audio tape in cassette, eight-track and reel-to-reel formats. 1974 was the year that decisively established Memorex as the second leading audio tape supplier in the United States. Excellence of product quality and marketing programs, coordinated with a memorable advertising campaign, responsive customer service, and selective price increases were prime factors in this strong showing. At the same time, new products, such as recording head cleaning cassettes and storage albums, were introduced into a ready made market that appears to have substantial growth possibilities.

An important achievement in the consumer product area in 1974 was the development of new markets and the strengthening of its organization to serve these markets. This continuing broadening of the marketing base will facilitate introduction of new products as they are developed.

The domestic marketing expertise helps the Company prepare for the emerging opportunities in the international markets.

Professional Products

Memorex manufactures and markets a wide range of video and audio tape products. These include video tape and audio tape used in the professional broadcast and recording industries; video tape for closed circuit television; industrial applications and training; audio training tape cassettes and duplicator tape sold primarily to industrial, education and government markets; and the convenient, increasingly popular video cassette cartridge.

Sales of closed circuit television tape increased sharply in 1974, and the Company enters 1975 with expanded production capabilities to meet this demand.

Revenue improved substantially for other professional products; especially in blank duplicator tape, which is sold to recording companies who record and reissue under their own label.

Video market experts see the long delayed demand for video cassettes coming to realization. Increasingly, producers of training and educational materials are turning to video cassette packaging in response to customer demand for convenience and reliability.

2



1

Is it live or is it Memorex? Who knows?

In our most recent test, we asked Ella Fitzgerald's old friend and longtime jazz arranger, Nelson Riddle, if he thought it was Ella live, or Ella as recorded on a Memorex cassette. He couldn't tell. We think that's a strong endorsement of our exclusive MRX₂ Oxide formulation. In fact, since we introduced MRX₂ Oxide, a lot of other ferric tapes have been scrambling to find something to beat it. Nobody has.

MRX₂ OXIDE
Memorex 60 cassettes for use on all equipment
MEMOREX Recording Tape.

3



Memorex is one of the few manufacturers with the required sophisticated technology to manufacture this product.

Beyond the immediate market, as the cost of video cassette player-recorders continues to decline, the enormous potential for home entertainment and self-improvement education and training on video cassette may be realized.

Word Processing

"Word Processing" is a new term in the business world used to describe the merging of the traditional processes of generating written information with the new technologies borrowed from the computer and information processing fields. Today, a letter or a report may arrive on the secretary's desk stored on a belt of magnetic tape or miniature audio cassette. It may not be typed on paper but displayed on a TV screen, stored in a miniature memory or recorded on microfilm. There are compelling economic reasons for getting all information into common storage and retrieval media so that people and machines can have access to the same information. Word processing is a natural extension of Memorex's marketing and technical capabilities.

1. Very effective advertising and promotion have played an important role in the growth of Memorex's audio tape business. The "Is It Live Or Is It Memorex?" campaign and the earlier "Shattering Glass" theme established Memorex as a household word.

2. Memorex sells a broad line of supplies for the expanding word processing market. A leading manufacturer in this large market, Memorex's products are compatible with the most popular makes of business machines.

3. Total environmental control is maintained in the manufacture of magnetic cards and other magnetic media products.

4. Attractive display stands help promote Memorex audio tape in thousands of retail outlets across the country.

Memorex magnetic cards' cost and performance features helped establish the Company as the leading independent supplier of these cards for use in automatic typewriters.

6. Vince Cestra controls the process which slits audio tape into .150 inch-wide strips for placement in cassettes.

During 1974, the Company established itself as a prime supplier in this rapidly developing market. The association of the Memorex name with excellence predisposes the potential customer to try a new Memorex product, but it is the product and the customer service offered by the Consumer and Business Group that is generating repeat business.

Several new products were brought to market in 1974, including a toner for all new generation Xerox copiers, a tape cassette for office dictation machines, IBM-compatible typewriter ribbons and magnetic card coding pens. Customer reception of another new product, "writable" surface magnetic cards for use in IBM automatic typewriters, helped establish Memorex as the leading independent supplier of magnetic cards.

Memorex Word Processing products are fully compatible with the most widely used brands of office equipment. For example, Memorex offers separate toners for IBM and Xerox copiers, magnetic cards for IBM, Xerox, and Remington Reactron automatic typewriters, and dictation belts, tape cartridges, and typewriter ribbons for IBM equipment.

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Memorex has outstanding sales, service, and distribution capabilities in most major countries outside of the United States. In order to effectively serve customers in these countries, Memorex has established companies in many of them and distribution structures in others. The Memorex companies are managed and staffed nearly exclusively by nationals. The excellence of these organizations is reflected in the fact that they generate about forty percent of total Memorex worldwide revenues.

In order to effectively support these country and distribution organizations and to develop other international markets, two international groups have been established. The first is headquartered in Liege, Belgium, and is responsible for Europe, the Middle East and Africa. It is abbreviated as EUMEA. The other has headquarters in Santa Clara and is responsible for Canada, Latin America, Japan, Australia and Asia. It is known as the Americas and Asia Group.



William S. McCalmont
Vice President and
General Manager,
EUMEA

Mr. McCalmont, 43, is Vice President and General Manager of EUMEA. He has been with Memorex since 1969, joining the Company from Control

Data Corporation where he held the position of Manager, Northern European Operations.

Prior to 1974, EUMEA headquarters was located in London, while the manufacturing and distribution facility that serves EUMEA was located in Liege, Belgium. During the year, EUMEA headquarters was moved to the Liege facility.

The effect of this move was to co-locate all of the marketing, sales and financial personnel with the manufacturing, service and distribution activities. Benefits derived from this move include improved customer service, faster communication and reduced overhead costs.

During the year, Memorex maintained its position as a leading supplier of information storage and retrieval products in traditional markets. In addition, product, service and marketing activities were expanded.

- OEM support activities were enhanced at Liege consistent with the renewed dedication to effectively serving OEM customers.
- Maintenance service was provided for products other than those manufactured by Memorex.
- Disc drives were sold to the Eastern Europe market consistent with applicable regulations.
- Consumer audio products were successfully marketed in the United Kingdom for the first time.
- Video tape markets were developed in the Middle East and Africa.

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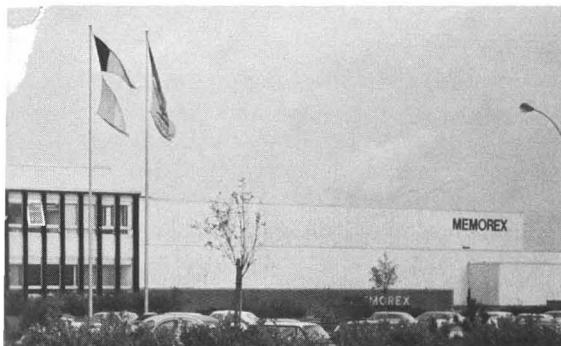


1. EUMEA Headquarters, Liege, Belgium.

2. A large number of Memorex disc drives serve Datamont, the extensive data processing subsidiary for the huge Montedison industrial complex in Italy.

3. Fuji Photo Film Co. of Japan attaches the 3670 Disc Storage Subsystem and the 1270 Terminal Control Unit to its 370 System for revenue and inventory control functions. Fuji, the first manufacturer in Japan to operate an on-line information system, is one of the world leaders in film production.





2



3



Richard L. Renne
Director and General
Manager, Americas
and Asia

held the position of General Manager, Far East.

The establishment of a separate group covering Americas and Asia gave recognition to the growing importance of the markets it serves. Because of its location in Santa Clara, this group is able to utilize the resources of all of the domestic groups in providing effective support for country and distribution activities throughout the geography it serves. During the year, a number of initiatives were taken to expand product, service and marketing activities.

- In Japan, the Company strengthened its position as the leading supplier of plug-compatible peripheral equip-

ment. In addition, it began test marketing of a computer directed label printer.

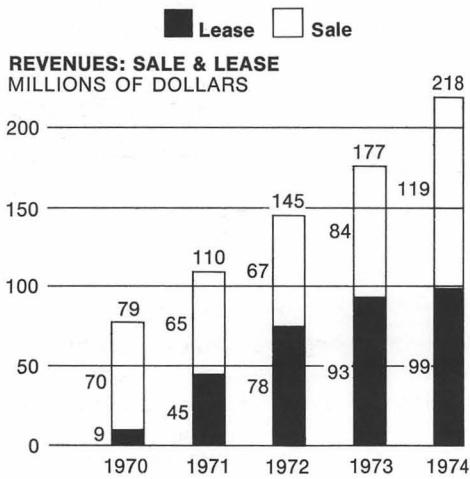
- In Canada, the company installed additional communication control units and now has more installations than any other independent supplier. In addition, word processing products were successfully introduced to the Canadian market.
- In Australia, the installation of keyboard printer terminals passed the century mark.
- A number of major installations of Computer Output Microfilm equipment were made in Argentina.
- In Puerto Rico, Memorex concurrently liberated cash and enhanced market coverage by selling its operations to local entrepreneurs.



Financial Review

Revenues

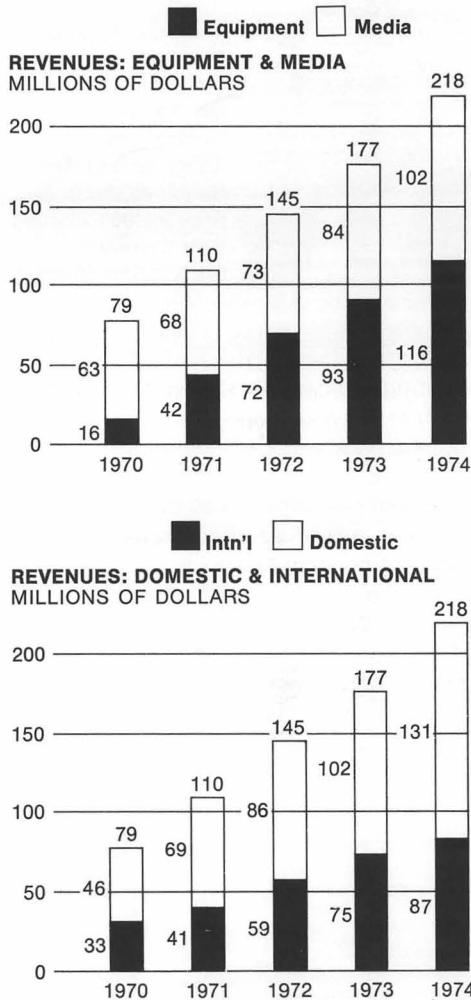
Memorex worldwide revenues increased more than \$40 million in 1974 to \$217,627,000, a 23% gain over 1973 revenues of \$176,923,000. This improvement in revenues was accomplished despite the difficult economic environment that prevailed throughout the world for most of the year. Increased activity in all product categories accounted for the jump in revenues. Sales of computer peripheral equipment provided the greatest growth, reflecting the Company's strategic emphasis on outright sales of these products, coupled with a more moderate growth rate for the investment in equipment for lease.



Fourth quarter 1974 revenues were \$59,569,000, an increase of 23% over revenues of \$48,439,000 in the similar 1973 period. Loss for the quarter was \$2,533,000, or 59 cents per share. Loss for the fourth quarter of 1973 was \$13,813,000, or \$3.20 per share.

Total Revenues (000's)
Net Loss (000's)
Loss per Common Share

Sources of revenues continue to be diversified, avoiding a dependence on a single market area. Revenues are divided nearly evenly between equipment products and media products. Domestic operations contribute approximately 60% of total revenues with international operations accounting for the balance.



	Three Months Ended December 31		Year Ended December 31	
	1974	1973	1974	1973
Total Revenues (000's)	\$59,569	\$48,439	\$217,627	\$176,923
Net Loss (000's)	(2,533)	(13,813)	(8,972)	(119,090)
Loss per Common Share	\$ (.59)	\$ (3.20)	\$ (2.08)	\$ (27.63)

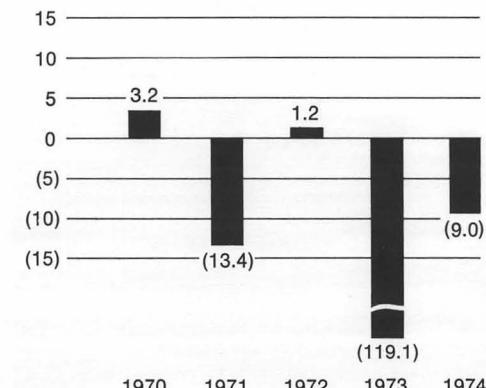
Results of Operations

The loss for the year was \$8,972,000, or \$2.08 per share, compared to the 1973 loss of \$119,090,000, or \$27.63 per share. Significant operational improvements are major contributors to the sharply reduced losses in 1974.

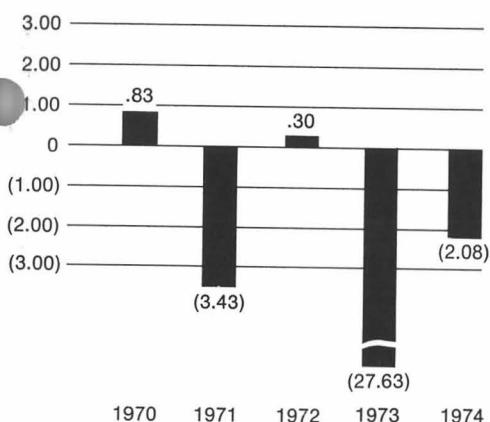
Losses for 1974 were significantly impacted by the weakness of the dollar in foreign exchange markets, coupled with a change in the Company's accounting practice to a preferable method of reporting gains or losses on translation of foreign currency indebtedness. The combined results of these factors were charges to income totaling \$3,265,000 in 1974, of which \$2,153,000 was attributable to the change in accounting practice.

A number of other policy decisions contributed to the loss for the year. Asset adjustment write-offs and additional depreciation of \$7.0 million were taken during the year to reflect properly the economic values of certain products. These write-offs were partially offset by net credits (predominately recoveries) of \$2.2 million from the computer systems program. Additionally, actions taken to resolve operational problems and selectively to reduce facilities and personnel have resulted in significant one-time charges for the year.

PROFIT (LOSS) 1970-1974



EARNINGS (LOSS) PER SHARE 1970-1974



Asset Management

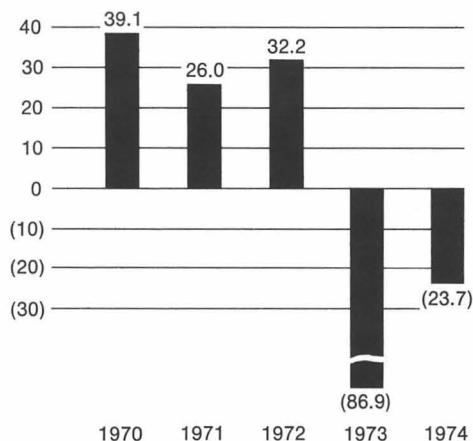
Among the most important accomplishments of 1974 were results achieved from emphasis on asset management. It is particularly noteworthy that 1974 was the first year in the history of Memorex that a positive cash flow from operations was achieved. Cash and cash investments increased nearly \$8 million during the year to \$11,783,000. This substantial cash improvement was accomplished with net cash debt repayments of \$18.5 million, the additional investments required to support the more than \$40 million of revenue growth, and the need to support the 1974 loss and those investments required to provide for the Company's future growth.

Financial Position

Principally as a result of the revised credit agreements with its senior lenders, the Company's financial position was transformed to provide the basis for future financial stability. The principal elements of the revised lender agreements were:

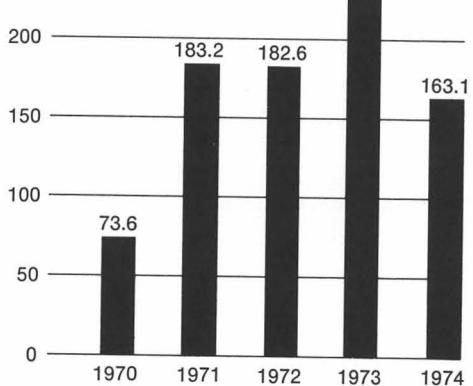
- Conversion of \$40 million of senior debt principal to preferred stock.
- Conversion of \$10.4 million of interest on senior debt to preferred stock.
- Payment of interest on senior debt in preferred stock at 4% through 1977.
- A \$35 million line of credit through 1978 for new equipment placed on lease which can be utilized to the extent of repayments of existing senior debt.

SHAREHOLDERS' DEFICIENCY 1970-1974 MILLIONS OF DOLLARS



Because of the revised credit agreements, the Company's net worth deficit was decreased by \$63,180,000 to \$23,677,000 at year-end 1974.

SENIOR DEBT 1970-1974 MILLIONS OF DOLLARS



In summary, 1974 was the transitional year for Memorex. Critical problems were addressed and their costs absorbed. Management of cash and other assets demonstrated the Company's ability to be successful despite a difficult and changing worldwide economic environment. Lastly, the confidence of its senior lenders in the Company's management, products and growth potential resulted in financial restructuring necessary to permit the Company to realize its future.

	Three Months Ended December 31	
	(Unaudited)	
	1974	1973
Revenue:		
Sales	\$34,726,000	\$24,063,000
Rental and		
Service	24,843,000	24,376,000
	59,569,000	48,439,000
Operating Costs		
and Expenses..	58,526,000	56,504,000
Income (Loss)		
from Operations	1,043,000	(8,065,000)
Interest Expense..	(3,576,000)	(5,748,000)
Net (Loss)	\$ (2,533,000)	\$(13,813,000)
Net (Loss)		
Per Share	\$ (.59)	\$ (3.20)

Notes:

(A) In the fourth quarter 1974, the Company changed its policy of currency translation on foreign currency indebtedness. This change in policy resulted in a charge against income for 1974 of \$2,153,000, of which \$1,207,000 was applicable to the three months ended December 31, 1974. The remainder of \$946,000 was retroactively recorded in the prior quarterly results in 1974. Such change, if retroactively applied to 1973, had no material effect on 1973. The change and its effect on the first three quarters of 1974 are as follows:

Three Months Ended	(Increase) Decrease to Reported Loss	Adjusted Income or (Loss)
March 31	\$ (1,602,000)	\$ (1,607,000)
June 30	—	(5,345,000)
September 30	656,000	513,000
Total	\$ (946,000)	\$ (6,439,000)

The loss for the fourth quarter of 1974 also included other foreign exchange and translation losses of \$973,000.

(B) Included in the fourth quarter 1973 loss were charges against income totalling \$4,465,000: \$3,600,000 in asset revaluation and additional depreciation charges; and \$865,000 in foreign exchange and translation loss.

Annual Meeting of Shareholders

You are cordially invited to attend Memorex's Annual Meeting of Shareholders which will take place on Thursday, April 24, 1975, at 10 A.M., California Time, in the Fiesta Room of the LeBaron Hotel, 1350 North First Street, San Jose, California. Resolutions to be voted by shareholders are described in the Proxy material which accompanies this report.

Memorex Common Stock and 5 1/4 % Convertible Subordinated Debentures Are Traded Over-the-Counter.

Common Stock

Transfer Agents:

First National City Bank
Corporate Trust Department
111 Wall Street
New York, New York 10015

Bank of America-NT&SA
Corporate Agency-Service Center
P.O. Box 37002
San Francisco, California 94137

Registrars:

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

Wells Fargo Bank
464 California Street
San Francisco, California 94120

5 1/4 % Convertible Subordinated Debentures

Transfer Agent & Registrar:

Bank of America-NT&SA
Corporate Agency-Service Center
P.O. Box 37002
San Francisco, California 94137

Memorex Common Stock and 5 1/4 % Convertible Subordinated Debentures are traded over-the-counter. Prior to July 7, 1973, they were traded on the New York Stock Exchange. The following tables show the reported high and low sales prices on the New York Stock Exchange through July 6, 1973, as reported by the Wall Street Journal and the high and low bid and asked prices thereafter on the over-the-counter market as reported by the National Quotation Bureau, Inc.

YEAR	COMMON STOCK				Convertible Debentures			
	Sales Prices		Sales Prices		Sales Prices		Sales Prices	
1973			High	Low			High	Low
1st Quarter			18 1/2	7 1/8			46 1/2	33 1/4
2nd Quarter			8 3/8	2 1/4			38 1/2	12
3rd Quarter (through July 6)			6 3/8	4 1/2			26 5/8	22 1/4
			Bid Prices		Asked Prices		Bid Prices	
			High	Low	High	Low	High	Low
3rd Quarter (from July 7)			4 1/4	2 1/2	4 5/8	2 3/4	14	5
4th Quarter			4 3/8	1 3/8	4 5/8	1 5/8	20	5
1974			High		High		High	
1st Quarter	4	1 3/4	4 1/4	2	18 1/4	13	19 1/4	15
2nd Quarter	4 5/8	3	5	3 3/8	27	13	28	21 1/2
3rd Quarter	4 1/8	1 5/8	4 1/2	2	25 1/2	18	26 1/2	20
4th Quarter	3 1/4	1 3/8	3 3/4	1 3/4	22	18	24	19 1/2
1975			Low		Low		Low	
1st Quarter (through March 20)	4 7/8	1 1/4	5 1/8	1 3/4	36	18	38	19 1/2

No dividends have been paid on the Common Stock.

Management

Directors

Robert C. Wilson
Memorex Chairman of the Board,
President and Chief Executive Officer.

Robert L. Chambers
Chairman of the Board and Chief
Executive Officer, Envirotech Corpora-
tion, Menlo Park, California, manufacturer
of waste control and process equipment.

Alger Chaney
Chairman of the Board, Medford Corpora-
tion, Medford, Oregon, forest products
manufacturer; Vice President and Direc-
tor, Baker, Fentress & Company, San
Francisco, California, a non-diversified,
closed-end registered investment
company.

Philip J. Gomez
President and Director, Western Gear
Corporation, Los Angeles, California,
Manufacturers of mechanical systems,
specialized machines and power
transmission equipment.

Vester T. Hughes, Jr.
Partner, Jackson, Walker, Winstead,
Cantwell & Miller, Dallas, Texas, a law
firm.

Alvin C. Rice
Executive Vice President, Bank of
America National Trust and Savings
Association, San Francisco, California.

T. Robert Sandberg
Vice President (Ret.), Cutter Laboratories,
Inc., Berkeley, California, pharmaceutical
manufacturer and distributor.

Benno C. Schmidt
Managing Partner, J. H. Whitney &
Company, New York City, New York, a
private investment firm.

Theodore Vermeulen
Chemical Engineer; Professor, University
of California, Berkeley.

Board Committees

Executive Committee
Mr. Wilson, Chairman; Members, Messrs.
Schmidt, Rice, Sandberg and Vermeulen.

Audit Committee
Mr. Hughes, Chairman; Members, Messrs.
Rice, Chambers and Chaney.

Stock Options and Compensation
Committee
Mr. Schmidt, Chairman; Members, Messrs.
Rice and Gomez.

Officers*

Corporate Operating Committee

*Robert C. Wilson, President, Chief
Executive Officer, Chairman

*George L. Bragg
Vice President, Corporate Development

*James Dobbie
Vice President and General Manager,
Computer Media

*Robert L. Erickson
Vice President and Secretary

*Robert Jaunich II
Vice President and General Manager,
Consumer and Business Media Group

*Roger W. Johnson
Vice President and General Manager,
Equipment Products Group

*William S. McCalmont
Vice President and General Manager,
Europe-Middle East-Africa Group

*Henry C. Montgomery
Vice President, Finance

Richard L. Renne
General Manager, Americas and Asia
Group

John G. Pew
Director, Industrial Relations

Staff

*Donald M. Campbell
Treasurer

George E. Dashiell
Vice President, Equipment Products
Group Marketing

John R. Eastling
Vice President, Litigation Support
Activity

Arthur W. Fonda
Director, Materials, Energy and
Distribution

E. Douglas Larson
Vice President, Special Assignments,
Equipment Products Group

Hiroshi Nagakura
Vice President of Materials Operation,
Equipment Products Group

*Edward J. Phillippe
Vice President and Controller

James Simpson
Vice President and General Manager,
Liege Operations

Memorex Corporation

Memorex Sales and Service Offices National and International

United States

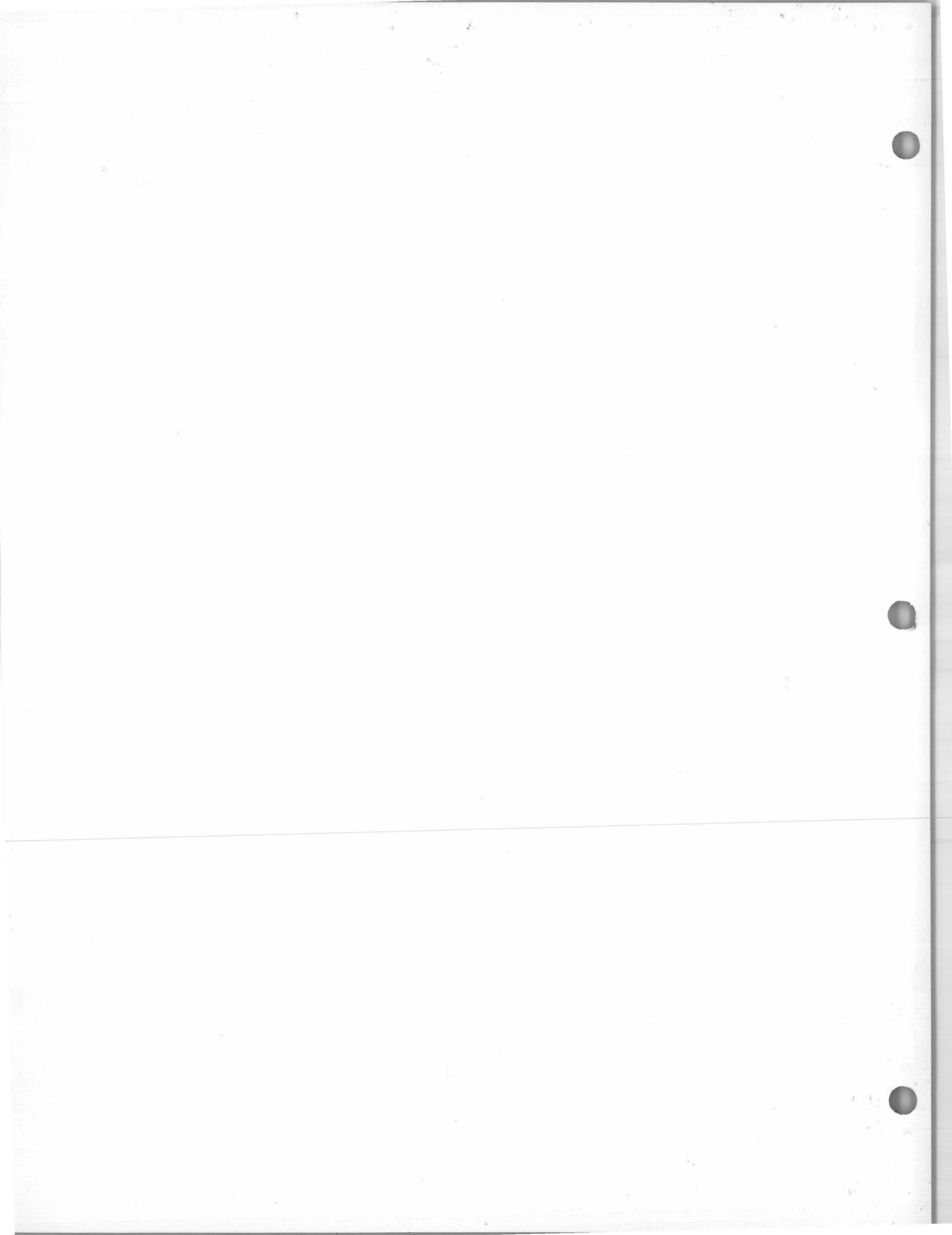
Alabama	Birmingham
Arkansas	Little Rock
California	Los Angeles
	Sacramento
	San Diego
	San Francisco
Colorado	Denver
Connecticut	Greenwich
	Hartford
District of Columbia	Washington
Florida	Jacksonville
	Miami
	Tampa
Georgia	Atlanta
Illinois	Chicago
	Peoria
Indiana	Indianapolis
Kansas	Kansas City
Kentucky	Louisville
Louisiana	New Orleans
Maryland	Baltimore
Massachusetts	Boston
Michigan	Detroit
Minnesota	Minneapolis
Missouri	St. Louis
Nebraska	Berkeley
New York	Omaha
	Albany
	Buffalo
	New York City
	Syracuse
	Rochester
New Hampshire	Hainesport
North Carolina	Greensboro
	Raleigh
	Charlotte
Ohio	Cincinnati
	Cleveland
	Columbus
Oklahoma	Oklahoma City
	Tulsa
Oregon	Portland
Pennsylvania	Philadelphia
	Allentown
	Mechanicsburg
	Pittsburgh
Rhode Island	Providence
Texas	Dallas
	Houston
Virginia	Richmond
Washington	Seattle
Wisconsin	Milwaukee

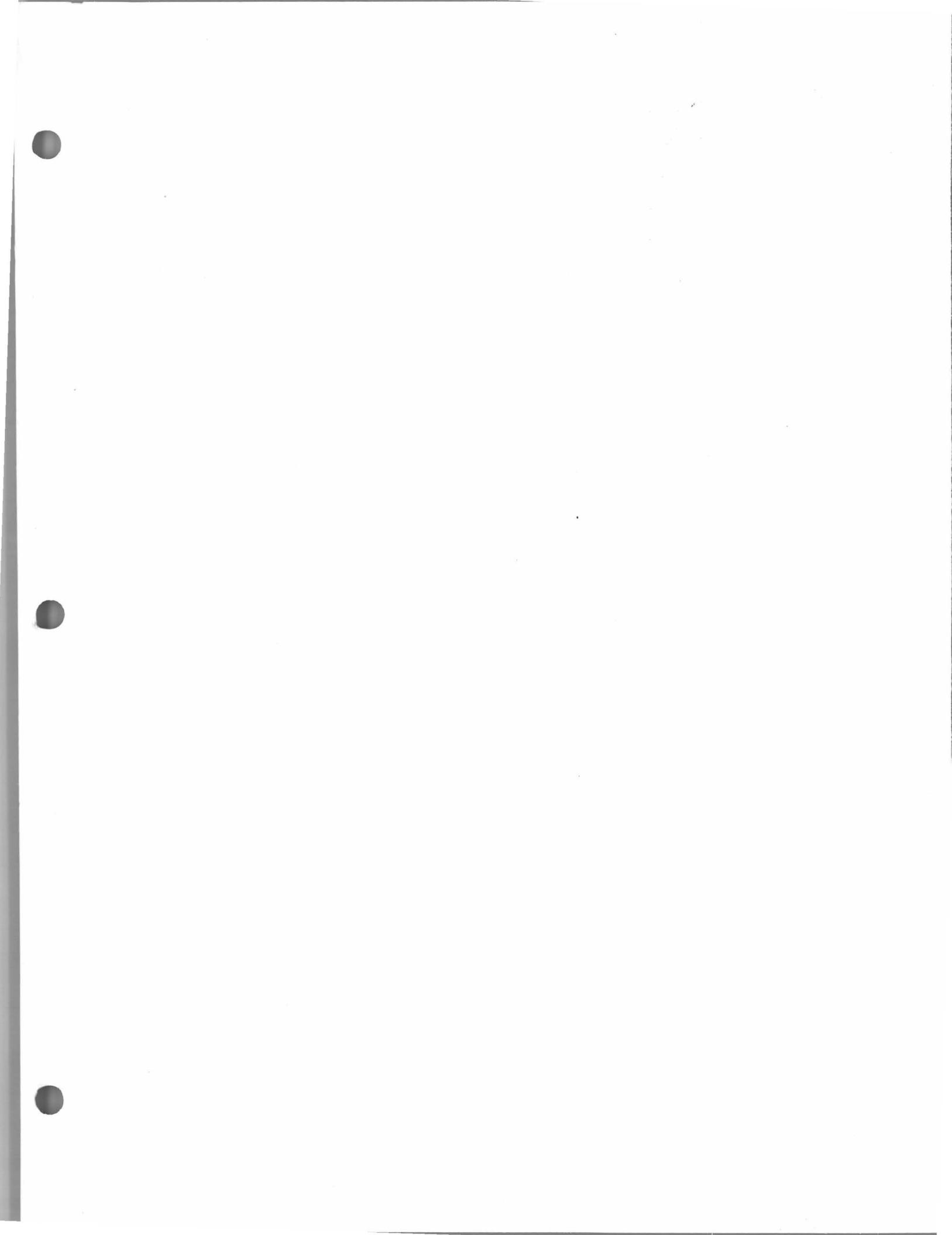
International Offices

EUMEA Headquarters: Liege, Belgium		Americas and Asia Headquarters: Santa Clara, CA., U.S.A.	
Austria	Vienna	Argentina	Buenos Aires
Belgium	Brussels	Australia	Sydney
Denmark	Copenhagen		Melbourne
England	London	Brazil	Saõ Paulo
	Manchester	Canada	Rio De Janeiro
	Coventry		Toronto
Finland	Helsinki		Montreal
France	Paris		Ottawa
	Lyon		Vancouver
Germany	Lille		Edmonton
	Munich	Japan	Tokyo
	Stuttgart		Osaka
	Cologne		Nagoya
	Frankfurt		Kyushu
	Hamburg		Hiroshima
Italy	Milan	Mexico	Mexico City
	Rome	Peru	Lima
	Padua	Venezuela	Caracas
	Turin		
	Bologna		
Lebanon	Beirut		
Netherlands	Amsterdam		
Norway	Oslo		
Spain	Madrid		
Switzerland	Zurich		
Sweden	Geneva		
	Stockholm		
	Malmo		
	Gothenburg		

MEMORY EXCELLENCE

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• 1974 Annual Report

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