

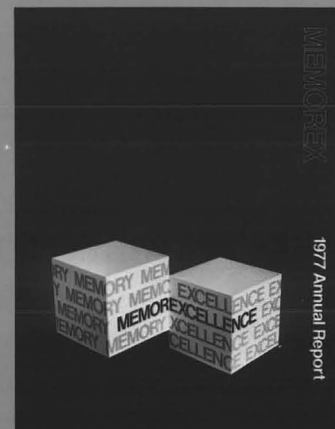
MEMOREX

1977 Annual Report



Table of Contents

Page 1	Financial Highlights
2	Report to Shareholders
4	Large Storage Systems
8	Communications
10	General Systems
14	Computer Media
18	Consumer and Business Media
22	Field Operations Worldwide
28	Corporate Capabilities
31	Financial Review
33	Financial Report



On the cover:

"Memorexcellence" signifies the company's dedication to excellence in information storage and communications products. The building blocks symbolize continuing profitable growth.

Financial Highlights*

For the year ended December 31

	1977	1976	Difference
Revenues	\$450,112,000	\$344,633,000	\$105,479,000
Depreciation and amortization charged to operations	27,122,000	33,203,000	(6,081,000)
Income before extraordinary credit	34,057,000	24,876,000	9,181,000
Extraordinary credit	22,268,000	15,254,000	7,014,000
Net income	56,325,000	40,130,000	16,195,000
Average number of common shares and equivalents	6,613,000	5,674,000	939,000

End of year

Cash and temporary investments	12,021,000	43,803,000	(31,782,000)
Total assets	317,754,000	262,596,000	55,158,000
Notes payable	47,734,000	90,958,000	(43,224,000)
Convertible subordinated debentures	65,687,000	67,218,000	(1,531,000)
Shareholders' equity:			
Preferred stock	65,912,000	62,815,000	3,097,000
Common shareholders' equity (deficiency)	48,105,000	(15,279,000)	63,384,000
Total shareholders' equity	114,017,000	47,536,000	66,481,000
Number of employees	8,823	6,840	1,983

*Please refer to the financial statements included in the 1977 Financial Report which is an integral part of the 1977 Annual Report. Additional financial highlights are on the back cover of the Annual Report.

Report to Shareholders

1977 was a good year, but a strenuous year, for Memorex. Operating results were at record levels. The substantial revenue growth required extra effort throughout the company. In addition, facilities were expanded, new products introduced, acquisitions completed, an improved organization structure installed, and the IBM litigation was vigorously pursued. The people of Memorex worked long and hard to make all of these things happen. As a result of their efforts, your company is well postured for 1978 and is receiving increasing recognition as a quality company.

Revenue was \$450.1 million—an increase of \$105.5 million or 31 percent over 1976. This growth is the result of the expansion of existing markets, entry into new markets, and increased customer support.

Profit before taxes was \$65.5 million, an increase of \$14.6 million or 29 percent over the prior year. Net income after extraordinary items was \$56.3 million—an increase of \$16.2 million or 40 percent over the prior year. Fully diluted net earnings per share of common stock were \$8.83, an increase of 26 percent over the 1976 figure of \$7.01.

Cash requirements were high throughout the year both for working capital and for investments in the future. In December our agreement with the Bank of America was revised to permit reborrowing of voluntary prepayments, and a \$26 million prepayment was made. Largely as the result of this

prepayment, cash and temporary investments were reduced from \$43.8 million at year-end 1976 to \$12 million at year-end 1977.

Debt at year end was \$113 million, compared to \$158 million at year-end 1976. As a result of increased revenue and decreased debt, required debt service as a percent of revenue declined from 11 percent in 1976 to 7 percent in 1977.

Total shareholders' equity increased from \$48 million to \$114 million. This increase, together with the debt reduction, reduced the debt to equity ratio from over three to one at the end of 1976 to one to one at the end of 1977.

There was growing recognition of the operating performance. Memorex became a member of the Fortune 500 largest industrial concerns in the United States. Both Standard and Poor's and Moody's upgraded their rating of our debentures. Perhaps the most significant single event was the relisting of common stock by the New York Stock Exchange. Only one other firm has earned a relisting in the past 20 years.

Of even greater importance than current operations were the actions taken throughout the year to assure continuity of profitable growth.

The organization structure which will serve your company effectively for the next several years has been put in place. It consists of a number of product and geographic building blocks. Each has its own complete business team and the resources required to effectively serve its customers. An

efficient corporate staff provides for economically justified pooled services, professional skills development, coordination, and corporate activities. An Office of the President was established consisting of myself and two Executive Vice Presidents. Together with written strategic plans, policies, systems and procedures, this organization structure provides for continuity of effective and consistent leadership.

The new organization also provides for excellent career pathing and self-development. It will be our continuing objective to earn the dedication of every employee to a career with Memorex. Our efforts to establish a warm and friendly environment and to operate with complete integrity are establishing our reputation as a good place to work. During the past year there were more than 700 internal promotions. In addition, major new benefit programs encouraging each employee to own common stock were established.

During 1977, more significant improvements were made in the product line than the three previous years combined. The most significant was our new large disc drive, the 3650. This is an excellent product and is giving outstanding performance to our customers. Memorex also produced a new 15-75 megabyte disc drive, the 601; a new flexible disc drive, the 550; a programmable communication controller, the 1380; a SuperReel[™] for computer tape; and a one-inch video tape. In addition, Memorex

markets an excellent line of tape drives, "Winchester"-type disc drives, and semiconductor add-on memories. Research and development expenditures were over \$19 million compared to nearly \$14 million in 1976.

Your company was significantly strengthened by the acquisition of two companies—CFI Memories and BST. Each of them has an excellent history of growth. They have outstanding people and fine products. Both serve the small systems market. They have already contributed to our plan to effectively serve that rapidly growing market.

In January of 1978 Memorex agreed to acquire the European operations of Telex Corporation. This acquisition will significantly strengthen our sales and service support to equipment customers in Europe. Revenues of Telex Europe in 1977 were approximately \$39 million. The transaction will be completed with a combination of cash and deferred payments in a total amount approximating the net book value of the assets being acquired.

During 1977 large investments were made in plant and equipment in order to improve both the quality

and availability of our products. These included a new computer center for engineering equipment products, an advanced clean room for production of head disc assemblies, a new coating line and cassette assembly machine for audio tapes, and extensive test equipment for disc drives. Plant additions were made in Santa Clara and Nogales. Ground was broken for a new printed circuit board plant in Eau Claire, Wisconsin, and a new distribution center was completed in Dallas, Texas.

Our litigation with IBM went to trial in January of 1978. A great deal of time and money was expended in 1977 getting ready for the trial. Thanks to the excellent work of our litigation support team, legal counsel, and expert witnesses, we are well prepared and have a strong case. We are hopeful that this jury trial will be concluded in 1978.

During the year, your company made many contributions to our society. Perhaps the single most important contribution was the addition of 2000 jobs. Export sales increased with benefits to both jobs and our balance of payments. Participation in community activities was increased on a broad basis. Contributions by employees to the United Way campaign increased by 40 percent.

The principal threat to the long-term future of American free enterprise in general—and your company specifically—is our government. It is essential that we communicate with the voters and convince them to vote for candidates who will oppose excessive government control and regulation that has already done grievous damage to our system.

The outlook for 1978 is favorable. Although there are a few countries and a few market segments that will have economic difficulties, the overall picture is strong. The weakness of the dollar will tend to make us more competitive in world markets. The principal functions that we provide—information storage and communications—are in demand as customers strive to improve productivity and efficiency. The key to a successful 1978 appears to be the effective execution of our product, facility and litigation programs. By working together, the people of Memorex can make 1978 a winner.



ROBERT C. WILSON
*President, Chairman and
Chief Executive Officer*



Large Storage Systems

Memorex's 3650 Subsystem, with a capacity of 317.5 megabytes, has become the standard of value in direct-access storage.

Inset: Marcelo A. Gumucio, Vice President and General Manager, Large Storage Systems Group



Higher Standards of Value in Disc Storage Products

Memorex enhanced the value to customers of its data processing equipment for medium to large computer systems. Strengthening its product families, the company introduced new high-performance equipment and developed added features on existing products.

The company's dedication to technical excellence was promoted in basic disciplines such as magnetic read/write heads, head positioning mechanisms and computer interface electronics.

To capitalize on the emergence of newer technologies, Memorex broadened its technical capabilities in such disciplines as large-scale integration, thin-film heads, diagnostics programming and communications software. The company thus postured itself to provide still greater customer value through advanced product planning and design.

A special computer laboratory was established to give the development engineering organization added capabilities in such vital areas as computer-aided design and engineering model testing and evaluation.

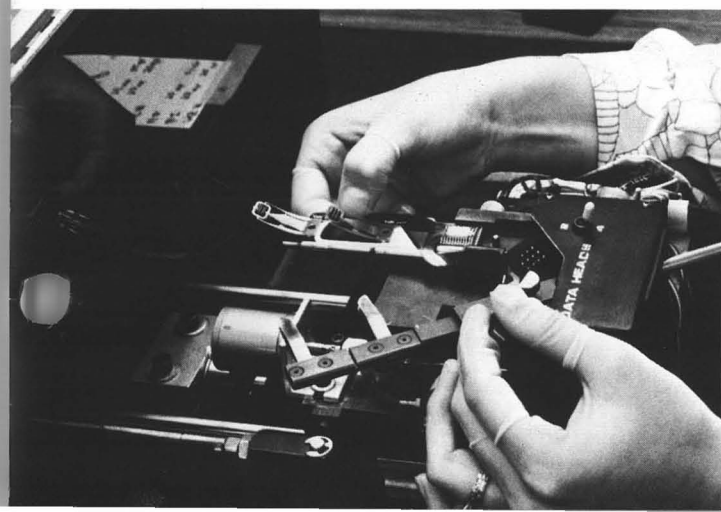
Many of the newer components and parts used in the company's storage products have tolerances measured in fractions of micro-inches. To maintain consistent quality in such products, Memorex has more fully automated many of the critical production and test processes.

In its new printed circuit board plant in Eau Claire, Wisconsin, the company is installing the most advanced manufacturing processes and equipment available to assure the highest quality products.

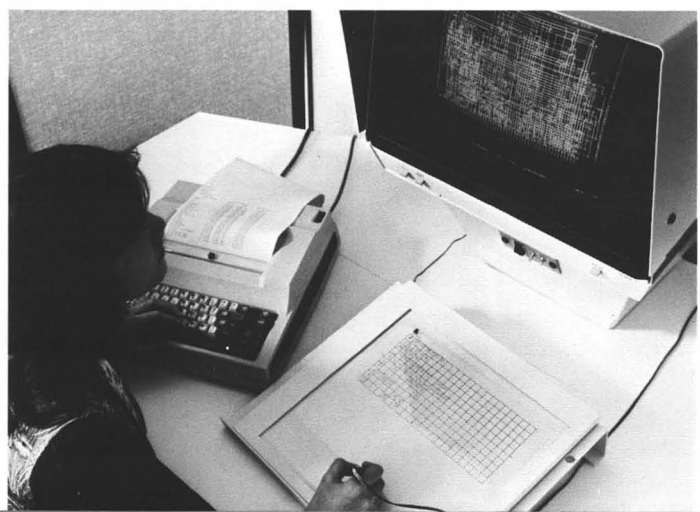
- A. *The Company's new Center for Excellence in Advanced Recording Technology is currently pursuing the thin film technology for higher storage performance.*
- B. *As part of the thorough quality assurance program for Memorex Head-Disc Assemblies, heads are carefully checked in this tester.*
- C. *Large-Scale Integrated circuits, used in the 3650 Disc Drive's read/write heads, are drawn with sophisticated, computer-controlled plotters that improve performance characteristics.*



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Demand for the company's three end-user disc storage subsystems—the 3650, 3670/3675 and 3640/3644—was strong throughout the year.

The 3650 is currently Memorex's largest capacity storage product, offering 317.5 million bytes of data storage per spindle and up to 10.16 billion bytes of on-line storage per subsystem. The advanced drive uses a Memorex-engineered and -built Head-Disc Assembly which combines discs, access arms, read/write heads,

spindle and associated electronics into an environmentally-sealed cartridge. Extensive on-line and stand-alone diagnostics have been incorporated into the 3650 to assure customers the highest data availability.

Orders and shipments of Memorex's highly reliable 3670/3675 Disc Storage Subsystem remained at high levels during 1977. Customers for these 100 and 200 million byte-per-spindle products continued to obtain enhanced throughput from their computer systems due to the improved data access time and added performance available.

The company's 3640 Disc Storage Subsystem, for medium-capacity customer needs, operates with 35- and 70-million-byte data modules. This quality product provides the fastest access time of any equivalent device on the market.

Improved value in medium-capacity, on-line data storage is now offered through the 3644 Disc Storage Subsystem, with a capacity of up to 280 million bytes, using a Head-Disc Assembly similar to that of the 3650.

A. The 367X Disc Storage Subsystems, offering 100- and 200-megabyte capacities, provide exceptional performance, reliability and maintainability.

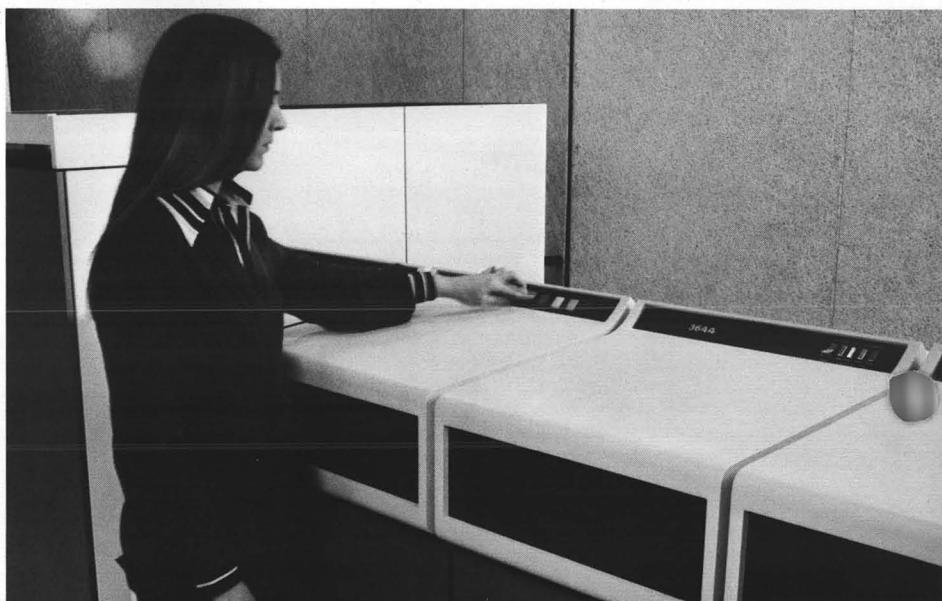
B. At Eau Claire, Wisconsin, high-quality multi-layer printed circuit boards are made for use in Memorex equipment. Here, art work is thoroughly inspected before final acceptance.

C. The new 3644 Disc Storage Subsystem, with up to 280 million bytes capacity, offers high reliability and increased storage capacity for small to medium computers.

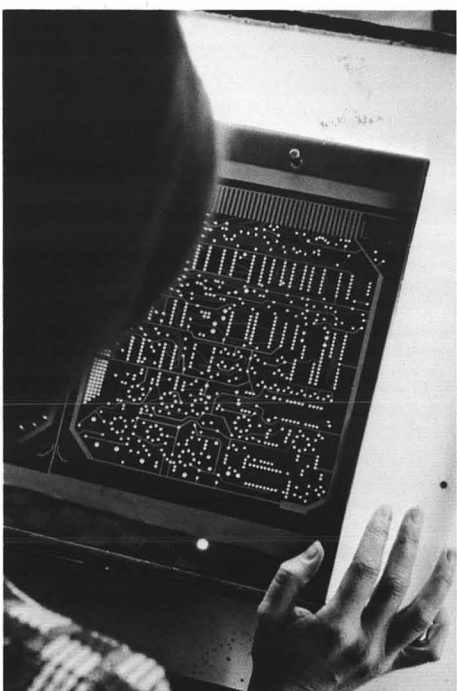


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New Tape Subsystems Provide Higher Performance

Memorex offers a line of superior tape drives and controllers of advanced engineering design to meet today's need for rapid data access in this type of storage equipment.

The Memorex 3220 is a high performance subsystem that offers an extensive range of features for maximum customer value. The 3226 model has a tape speed of 125 inches per second, while the 3228 provides 200 inches-per-second tape speed. Both models incorporate, as standard features,

dual density operation, fully automatic tape loading capability for improved efficiency, and an exclusive Tape Maintenance Monitor that significantly enhances data integrity.

The company also offers the 3221 magnetic tape controller, which controls up to eight drives, and the 3222, controlling up to 16 drives.

Improvements in Semiconductor Memories

Memorex markets a full line of add-on memories to upgrade the internal main memory of large computers.

The new Model 6358 Memory System uses an MOS 8192-bit random access memory component that replaces a 4096-bit chip used in an earlier-generation system. The 6358 provides up to 7.5 million bytes of external storage. A newly introduced Model 6368 offers up to 15 million bytes of external storage.

The new Model 6400 Memory System can upgrade a wide range of system processors from a single cabinet. The 6400 provides up to 4.0 million bytes of system processor storage.

- A. Memorex's 3220 Magnetic Tape Subsystem offers large system customers improved performance and reliability over similar 6250 bpi equipment.
- B. Field engineers install the new 6400 Memory System, which provides upgrades for a wide range of central processing units.
- C. Memorex's 1600 COM System provides a highly cost-effective method of converting computer-generated data onto microfilm.



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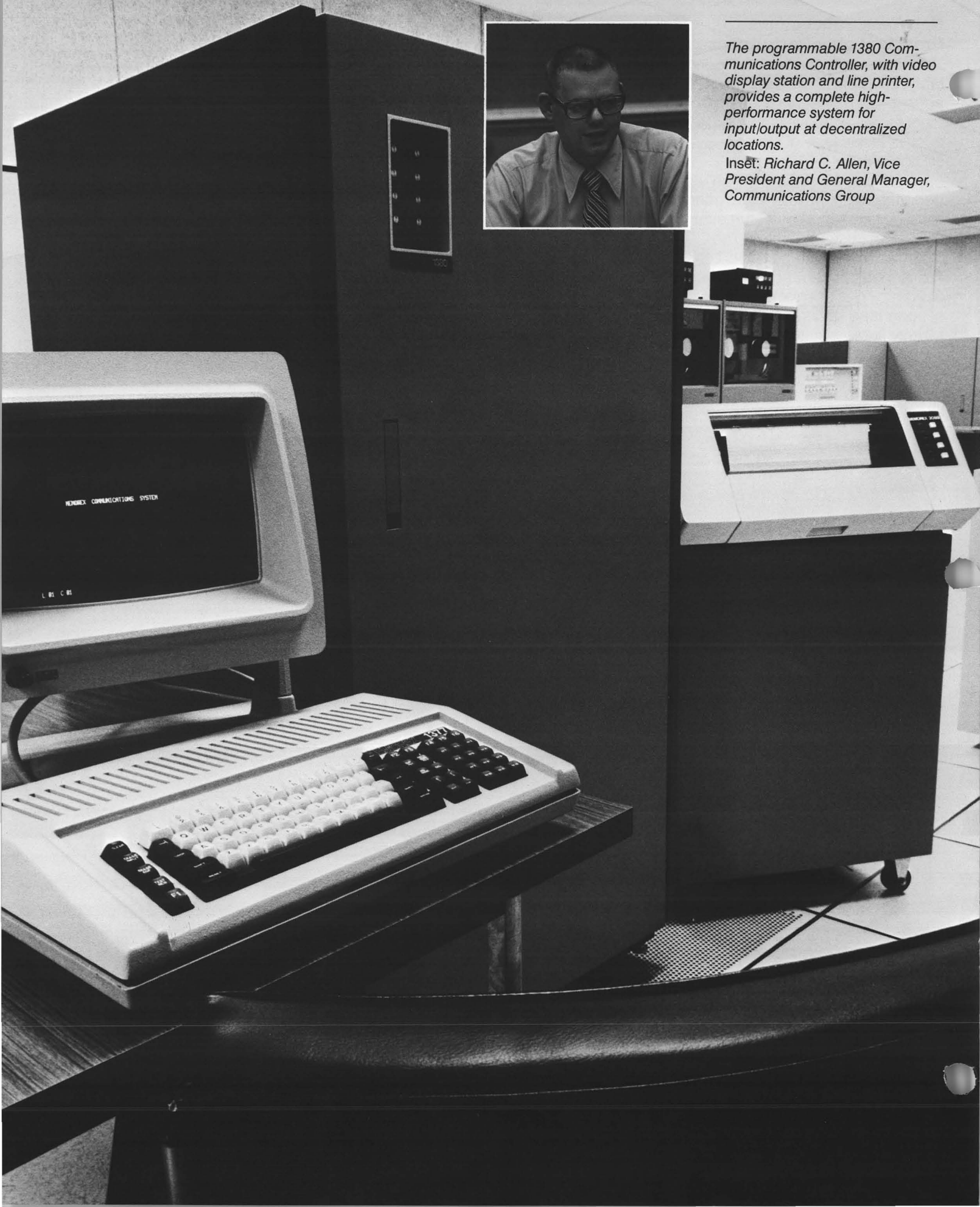
C

Communications



The programmable 1380 Communications Controller, with video display station and line printer, provides a complete high-performance system for input/output at decentralized locations.

Inset: Richard C. Allen, Vice President and General Manager, Communications Group



Expansion in Data Communications

Memorex greatly improved its communications product offerings in 1977.

The company's 1270 Terminal Control Unit, one of the most widely installed devices of its type, continued to serve customers whose communications networks could be handled cost effectively through a hardwired controller. The 1270 was enhanced during the year with the addition of the SABRE code feature, which allows the unit to support large airline reservations systems.

Major improvements were made to Memorex's programmable 1380 Communications Controller line to enhance performance and reliability. A new series of software releases allows the 1380 to support a wider range of terminals.

Memorex offers a complete communications system through the 1377 Video Display Terminal, the 2089 Line Printer, and the 1371 and 1372 local display controllers.

The 1377, which enters and displays data on-line to a computer system, offers customers improved performance and operating advantages. Features such as tiltable screen, non-glare screen and

keyboards, and enhanced data display capabilities make the 1377 a superior value.

The advanced-design 2089 Line Printer produces hard copy output of data on continuous fan-fold paper at speeds up to 410 lines per minute. Customer features include fully formed characters for increased legibility, quiet operation, selectable print speeds and character sets, and internal diagnostic capabilities.

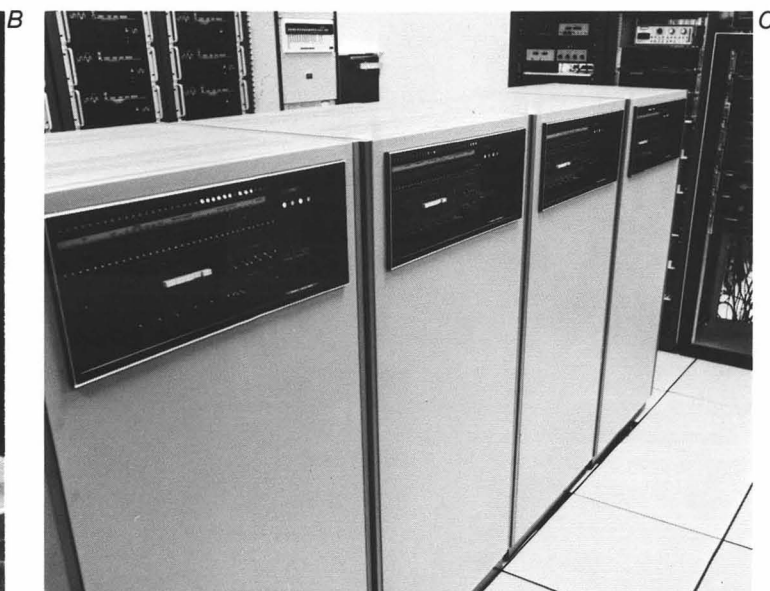
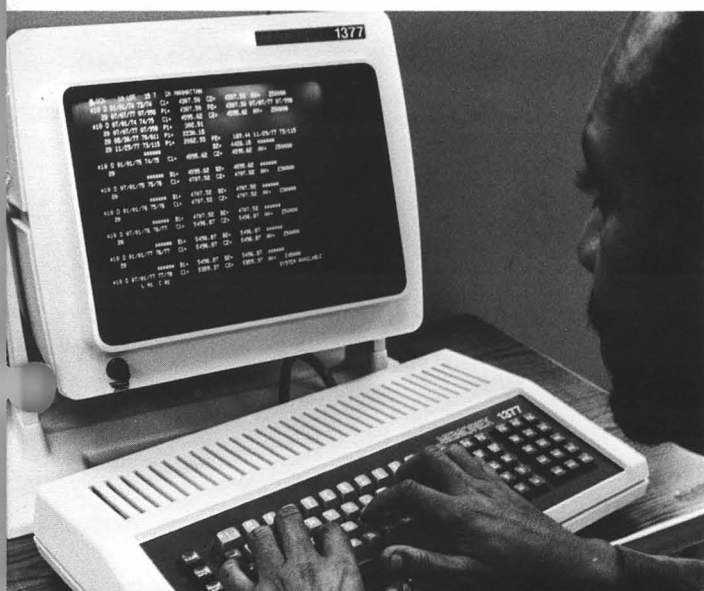
The 1371/1372 controllers individually handle up to 32 Model 1377 terminals and/or 2089 printers, in any combination.



A. The new location for the company's communications operations in Cupertino, California, assures growing space to meet future customer needs.

B. The 1377 Display Station provides a cost-effective means of entering and displaying information on-line to a computer.

C. Memorex's 1270 Terminal Control Unit has become the industry standard in hard wired front-end controllers.

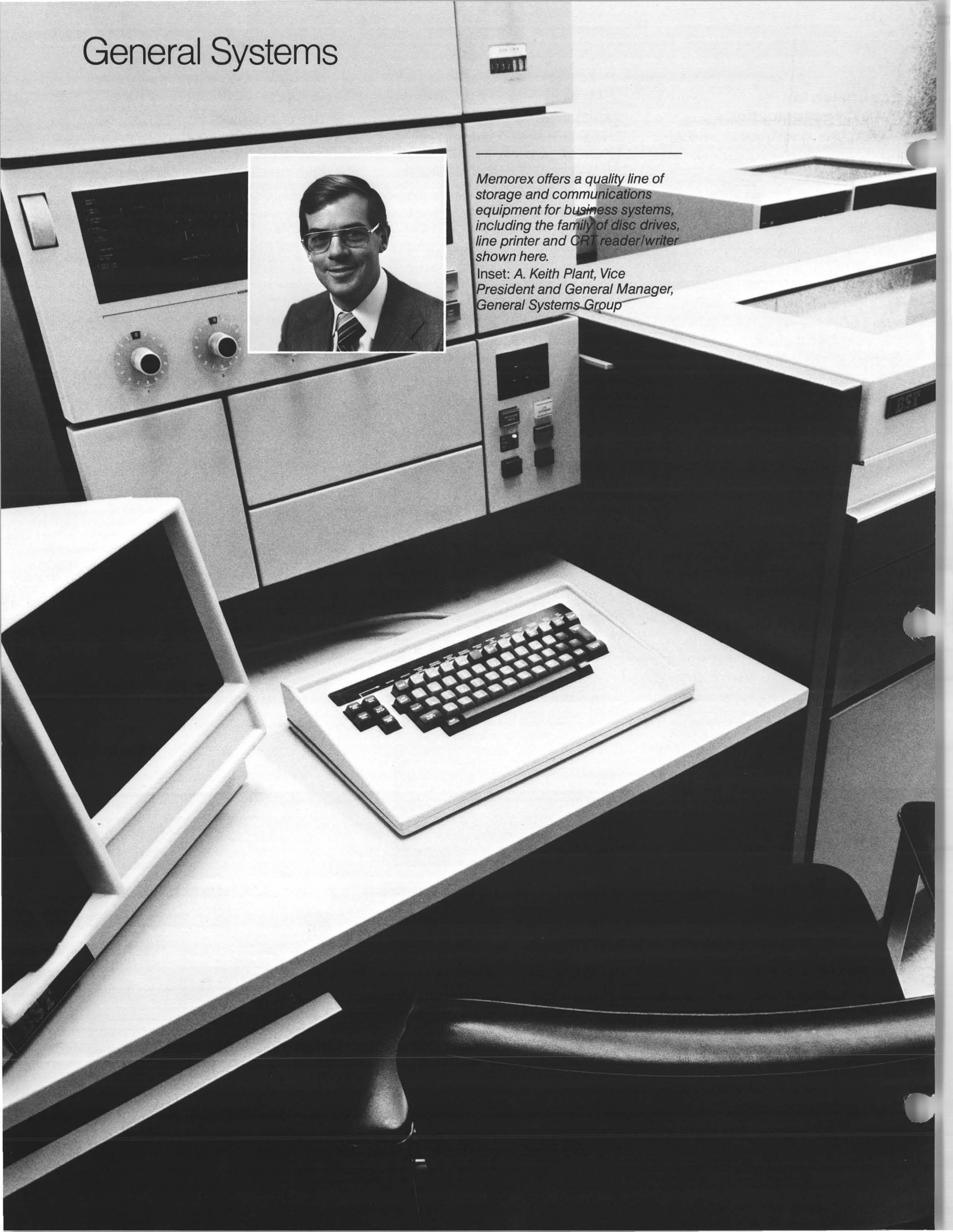


General Systems



Memorex offers a quality line of storage and communications equipment for business systems, including the family of disc drives, line printer and CRT reader/writer shown here.

Inset: A. Keith Plant, Vice President and General Manager, General Systems Group



Growth in General Systems Products

Memorex continued to expand its family of products for the general systems market. An important factor was the acquisition of Business Systems Technology, a supplier of quality information storage and communication products, which has become a Memorex division. BST contributed an effective distribution network in the United States and Canada. New products added to the line included disc storage subsystems, semiconductor memories, line

printers, and data entry subsystems.

Memorex offers three disc storage subsystems for business systems application. Each provides superior customer value and performance.

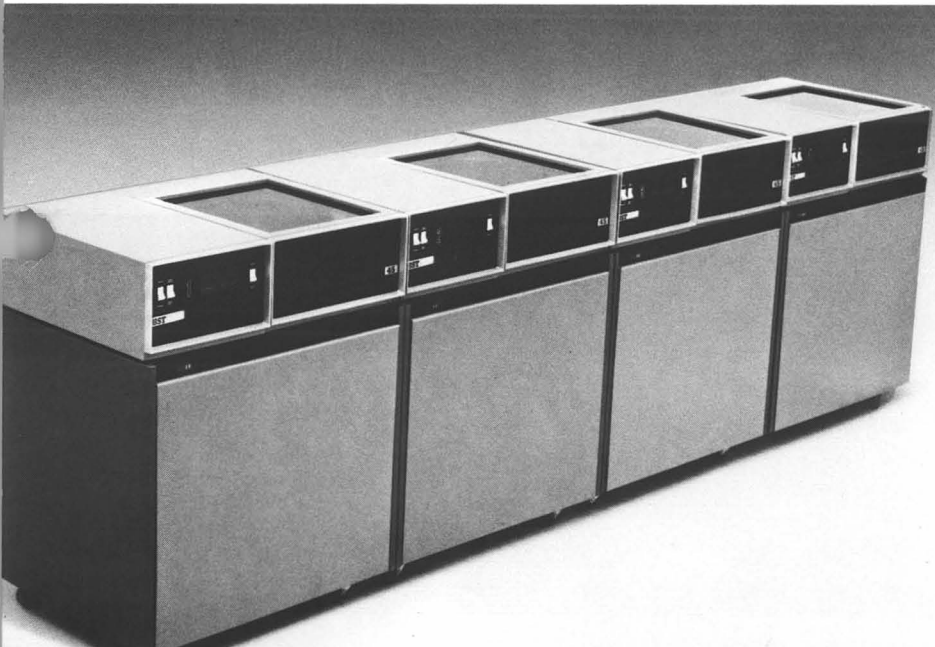
The MRX/45 subsystem is a 20-million byte disc pack drive and controller offering users maximum cost-effectiveness in medium capacity storage.

The 677 subsystem is also a disc pack drive offering a 150-million byte capacity drive and controller for high-capacity applications with the HP 3000 series computers.

The 3640 and 3644 Disc Storage Subsystems, used with the System 3 computer, provide an 80- to 203-million byte capacity.

Memorex provides two models of high-quality flexible disc reader/writers that perform system entry and related functions. The Model 41-1 is a high-performance data input/output device that reads 3000 records per minute.

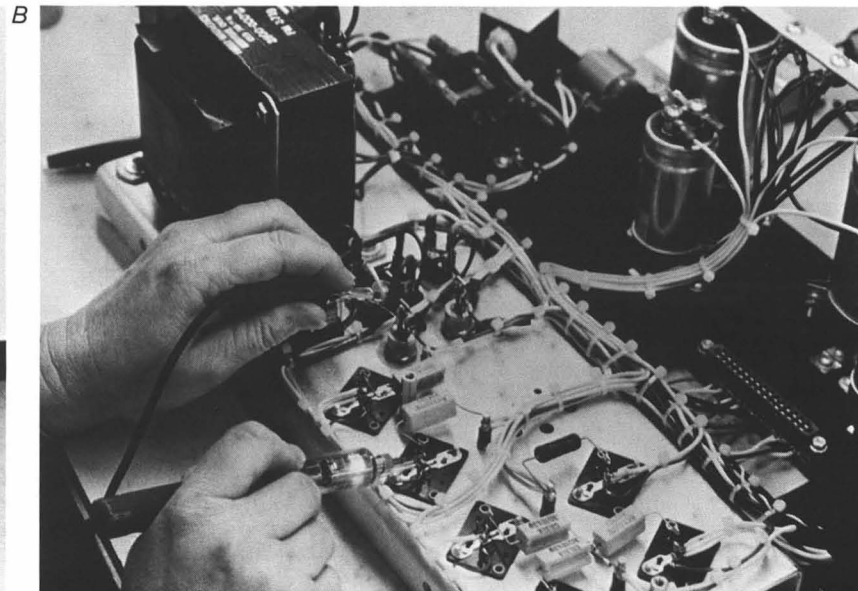
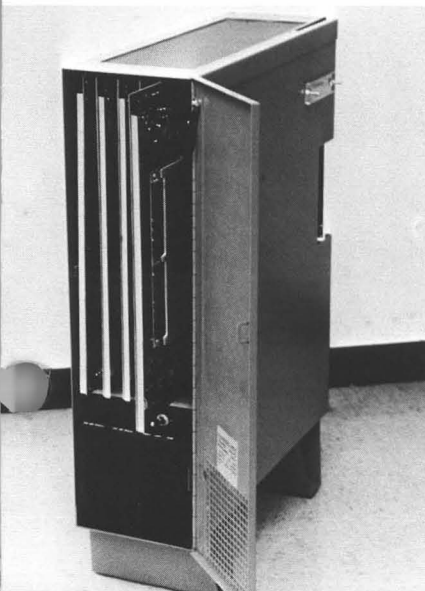
The Model 41-2 is an input/output control station consisting of a diskette unit, a movable keyboard and a CRT display. It allows the user to perform the full range



A. The highly reliable MRX/45 Disc Storage Subsystem provides up to 20 million bytes of data storage for end-users of business computer systems.

B. Business system customers use the MRX/3 Core Memory to enhance the performance of their central processing unit.

C. Assuring high reliability in business systems equipment requires highest quality materials, processes, and testing at each production step. Here, every circuit in product is tested.



of read/write functions, full system control and logging, and diskette data preparation.

The company's superior line of add-on memories for business systems users now consists of a core memory available in capacities to 56 kilobytes, and a new MOSFET memory system offering upgrades to 256 kilobytes.

The Memorex family of excellent business systems line printers offers speeds of 400, 550, 750, and 1200 lines per minute. All models

utilize chain/train technology for maximum dependability.

A complete family of high-quality communications products for entering and displaying computer information is provided with the 1377 Video Display Station, the 2089 Line Printer, and the 1371/1372 remote display controller.

A new low-cost, high-performance Tape Drive, the 3213/3214 magnetic tape subsystem, provides backup for disc files in business computer systems. This product features 1600 bits per inch

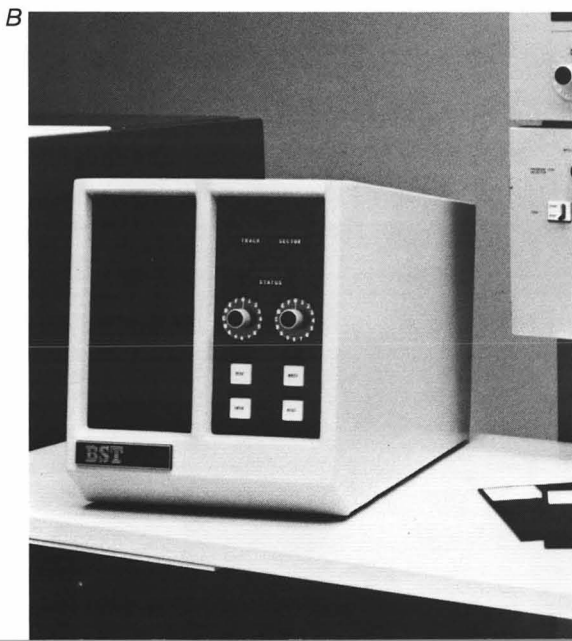
technology and is available in a speed of 45 inches per second. The data transfer rate is 72 kilobytes per second.

Memorex also offers business systems users an advantageous software program called Spool 10/12. It permits up to 25 percent more computer throughput by letting both the CPU and the printer operate at full speed. When used with the Memorex 400 and 750 line-per-minute printers, it significantly improves cost-performance of the computer system.

- A. Memorex offers a growing family of high-speed, impact line printers for the business systems market. These advanced printers operate at speeds from 300 up to 1200 lines per minute.
- B. The MRX/41 Model 1 is a high-performance system entry device for use with business computer systems. It offers customers superior value and up to twice the read/write speed of equivalent diskette input/output products.
- C. The new MRX/3214 Magnetic Tape Subsystem is a high-performance, cost-effective data file back-up device for business computer systems.



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Quality Products for Original Equipment Manufacturers

Memorex provides a growing family of superior rigid and flexible disc drives to Original Equipment Manufacturers (OEM's). The drives offer a wide range of features and capacities from .5 to 317.5 million bytes.

The thoroughly proven 677 disc pack drive offers a storage capacity of 100 or 200 million bytes. The performance and quality characteristics of this fourth-

generation product make it ideally suited for a wide range of small computer system applications.

Memorex's 601 disc drive offers storage capacities of 25, 50 or 75 million bytes. An optional fixed head feature provides up to one million bytes of head-per-track storage. The 657 disc drive, with a large capacity tailored to OEM needs, is a single-spindle version of the 3650 subsystem.

Memorex's family of flexible disc drives are used in a broad range of applications such as word processing equipment, intelligent

terminals, programmable calculators, desk-top computers and others.

The highly reliable Memorex 651 stores up to 2.5 million bits on the company's FD/IV or FD/V Flexible Discs. The 550 drive, using Memorex's Markette™ discs, offers a storage capacity of 243 to 800 kilobytes. This unit features high-strength, lightweight base, double density mode, and exceptional reliability. The new 552 Flexible Disc Drive has the added capability of dual recording heads.



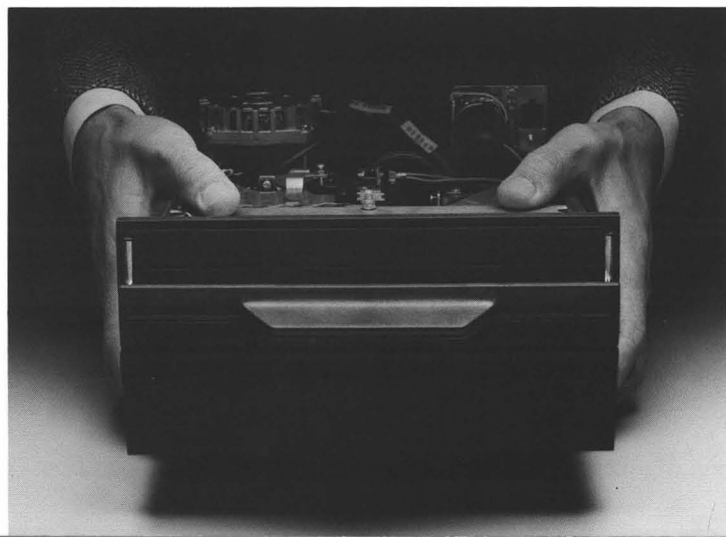
A. The 601 Disc Drive, using an advanced Head-Disc Assembly, offers storage capacities from 25 to 75 million bytes.

B. The 100/200 million-byte 677 Disc Drive provides excellent performance and reliability for business computer systems.

C. Memorex's new 552 Flexible Disc Drive permits reading and recording on both sides of a dual-sided disc cartridge. Using Memorex-developed read/write heads, the 552 provides exceptional reliability.



B



C

Computer Media



Memorex Head-Disc Assemblies (HDA) for the 3650 Disc Storage Subsystem are assembled in a new clean room meeting the highest standards in the industry.

Inset: James Simpson, Vice President and General Manager, Computer Media Group

MEMOREX 3650 HDA
MODE 1200 STD
PART NO. 587400

Investments to Improve Disc Pack Quality

The company's leadership in disc packs was further enhanced during 1977. The Disc Pack facility was expanded to meet growing customer needs, and engineering staffs were enlarged.

In 1977 the company completed the acquisition of CFI Memories, a manufacturer and marketer of disc packs, disc cartridges and other media products. With this addition, Memorex provides the customer a full line of superior disc packs.

The Head Disc Assembly (HDA) for the 317.5-megabyte 3650 disc storage subsystem went into production. Its high data availability, access speed, reliability, and value over life make the Memorex HDA an outstanding factor in the superior performance of the 3650.

The company's data module, Data Mark® 70/70F, provides a storage capacity of 70 megabytes of information on systems such as the Memorex 3640 disc file.

Disc packs such as the Mark VI, Mark X and Mark XI offer storage capacities from 29 to 200 megabytes.

Memorex announced the disc packs (Mark XIII and Mark XV) that are the highest capacity (300 megabytes) customer-removable packs in the industry. The Mark XII, a 200-megabyte pack, is offered in two versions for a variety of large-system drives. The Mark XVIII is also a high-density configuration of 58-megabyte capacity.

Memorex is a leading supplier of compatible disc cartridges for the small disc file market. The Mark IIIF front load model is a marked improvement over standard designs.



A

A. Memorex manufactures over a dozen different disc pack and cartridge models, in storage capacities up to 300 million bytes, to meet a broad range of customer needs.

B. Disc pack components are being tested in the assembly process at Memorex computer media manufacturing plant in Liege, Belgium.

C. Discs are carefully inspected as part of rigid quality assurance in the manufacture of disc packs and cartridges.



B



C

New and Improved Flexible Disc Products

The market for flexible disc files continued to expand rapidly in 1977. Memorex supplies high quality media as well as the equipment for this market.

The Markette family of flexible discs was expanded to meet customer needs in such applications as data entry, distributed data processing, and software development. Customer uses include banking, accounting, airline reservations and word processing.

For both the end user and original equipment markets, Memorex provides single-sided and dual-sided flexible discs for standard use, special discs divided into information sectors for use with sectorized drives, and normal- and high-temperature models for the Memorex 651 flexible disc drives. Advanced, double-density discs are also offered in single-sided, dual-sided and sectorized versions.

The new dual-sided Memorex Markette II (single density) and Markette IID (double density) discs are designed for use on dual-

headed drives such as the Memorex 552 drive.

The dual-sided Memorex 5¼-inch Mini Markette disc is designed for use with word processing equipment. It is an excellent choice for desk-top applications which are not capacity-sensitive.

In 1977 the company entered the market for small-capacity data and word processing recording with a family of digital cassettes and ¼-inch data cartridges.

- A. The Memorex family of digital cassettes assures highly reliable recording with small-capacity digital equipment.
- B. The new high-performance MRX-300 ¼-inch data cartridge has a maximum storage capacity of 2.8 million bytes.
- C. For dual-headed flexible disc drives, Memorex offers two new dual-sided discs—the single-density Markette II and the double-density Markette IID.
- D. The new dual-sided Memorex 5¼-inch mini-Markette disc is provided for office machines.

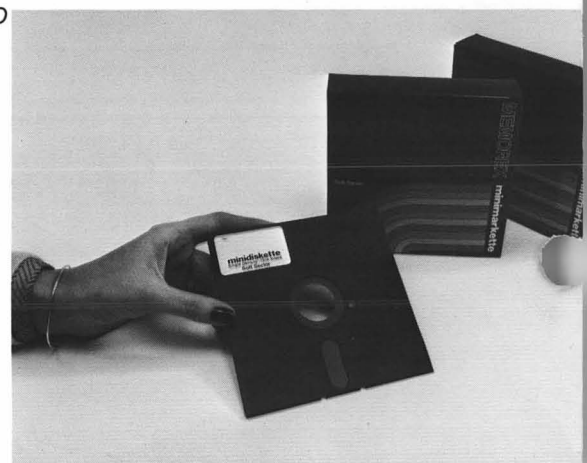


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Industry Leadership in Computer Tape

Memorex is a leader in the development and production of high-quality magnetic tape for information processing.

Three high-quality Memorex computer tapes enable customers to pick the right one for their needs.

Cubic™ tape has a 25 percent thicker base film, which gives data added protection against edge damage. The tape is especially efficient in autoloader and high-speed recording applications.

The best choice for initial data retention and archival storage is Quantum® tape, which is specially coated to provide greater signal readability and reliability of data transfer.

A fourth-generation descendant of the company's first tape, Memorex IV is the industry's best price/performance tape.

In 1977 SuperReel™ was introduced to meet the higher tensions and speeds of modern tape drives. With its "I" beam hub design, the reel withstands tensions of 15 ounces, compared to 8 ounces for standard reels.

Quality Production of Precision Plastics

Memorex manufactures the precision plastics for most of its media products, assuring more stringent quality control. Output expanded during the year as Memorex introduced new products and the demand for reels, cassettes and cartridges increased among original equipment manufacturers.

A continuing program is under way to install sophisticated manufacturing systems that improve yield, quality, and throughput efficiency.



A. At Memorex every reel of computer tape is tested to assure superior performance at higher-than-industry standards.

B. Memorex's line of SuperReel computer tape reels offers superior strength and reliability for high-speed, high-tension tape drives.

C. All critical dimensions of Memorex's unique SuperReel hub are measured on special instruments to assure quality and durability.



Consumer and Business Media



This Rockford automated audio tape cassette assembly machine maintains highest quality standards throughout the manufacturing process.

Inset: Theodore J. Cutler, Vice President and General Manager, Consumer and Business Media Group



Expanded Marketing in Audio Tapes

With increasing use of blank audio recording tapes by consumers, Memorex expanded its marketing of these products in new outlets and new countries. A major plant addition was built to enhance tape production and quality.

The popular MRX₂ cassettes for consumer use combine high sensitivity with "maximum usable output." The result is outstanding sound clarity over an extra-wide band of audible frequency.

The new MRX₃ cassettes feature an improved oxide coating formulation that enhances sensitivity and increases output. Along with the new cassettes, the company offers additional record and tape care accessories for the high end of the market.

The 8-track cartridge utilizes a ferric oxide formulation that provides excellent recording fidelity and sound reproduction. Back-lubricated tape and precision plastic components provide consistent reliability.

The company's premier open-reel tape, Quantum, made an important contribution to sales in

1977. With its ferric oxide formulation, the tape features the higher sensitivity, saturation and signal/noise levels, with lower distortion, required for optimum recording use. Complementing Quantum are reel-to-reel tapes of varying length designed and formulated for virtually all high-fidelity tape recorders in use today.

Memorex continued its widely recognized advertising featuring Ella Fitzgerald, the "Memorex First Lady of Song," and Melissa Manchester, the popular songwriter and recording star.



A. As part of the new addition to the audio tape plant at Santa Clara, California, the advanced tape coating line is automatically controlled to assure consistent high quality.

B. To maintain the top performance required by professional customers for Quantum open reel audio tape, Memorex conducts extensive testing such as the tape error test shown here.

C. An improved oxide coating formulation gives the new MRX₃ audio tape unsurpassed sensitivity and output.



Superior Technology in Video Products

The technology of magnetic coating is carefully controlled in the manufacture of Memorex video tape. Exacting standards rule the selection of raw materials, processing and coating operations, and final, hypercritical testing.

In the professional entertainment, industrial, educational and news-gathering markets, Memorex offers a variety of cassettes and open-reel video tapes.

The 300-oersted helical scan reel-to-reel tape, MRX 80, is

enjoying wide acceptance because of its excellent picture clarity and color performance.

A reel-to-reel tape that has gained wide popularity is MRX 716, a one-inch, high-grade tape for helical scan broadcast recorders. MRX 716 offers compatibility with new generations of broadcast quality recorders. It excels in still frame and color production and is unsurpassed in signal/noise output. The 716 tape has been approved by leading equipment manufacturers on their new generation of one-inch recorders.

This superior product puts Memorex in the forefront of the

latest video tape technology, which is expected to be the standard method of recording and playback for commercial broadcasting stations.

The Memorex 3/4-inch video cassettes feature a unique benefit to customers. These U-matic-housed tapes are coated with an improved formulation that provides superior durability and signal stability versus other 3/4-inch tapes currently available. This is especially important for "on-location" recording and electronic news gathering.

A. The new MRX 716 reel-to-reel video tape offers superior performance for the latest one-inch studio broadcast recorders.

B. The new 3/4-inch Q₂HD video cassette offers the high level of performance needed for outdoor location recording and rigorous studio operation.

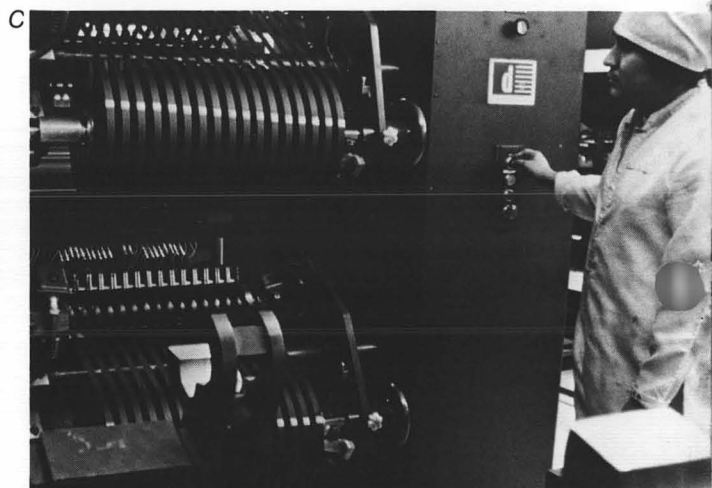
C. This new, highly sophisticated Dusenberry slitter assures both the finest edge characteristics and consistent, high-quality picture clarity.



A



B



C

Product Improvements In Word Processing

Memorex is well positioned in the fast growing word processing market. The company offers supplies for copying, duplicating, printing, editing, and storing information. They include magnetic cards, flexible discs, word processing cassettes, dictation cassettes, typewriter ribbons, and toners and developers for duplicating machines.

Significant progress was made in the control of particle sizes for various toners and developers, in

the coating of magnetic cards, and the processing of typewriter ribbons.

Memorex offers an extensive line of high-quality developers and toners for copying machines. They are designed for equipment compatibility and unequaled clarity in reproduction. Newest products in this line are a toner for the IBM Copier III and a 9200 developer. Together with the Memorex 9200 toner, the developer forms a highly superior developer system for the Xerox machine.

The Memorex typewriter ribbons include single-strike and correc-

table film ribbons, in addition to lift-off and cover-up tapes for self-correcting typewriters. They feature demonstrable benefits to customers who need sharp characters of consistent quality.

Also added in 1977 are high-quality Memorex digital cassettes.

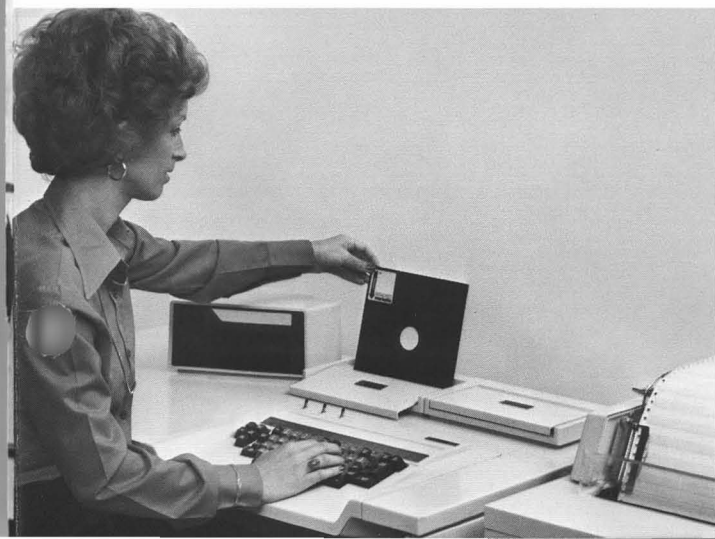
Memorex cassettes, flexible discs and magnetic cards offer superior quality, highly convenient packaging, and full compatibility with office machines. Customer acceptance of Memorex word processing magnetics is excellent.



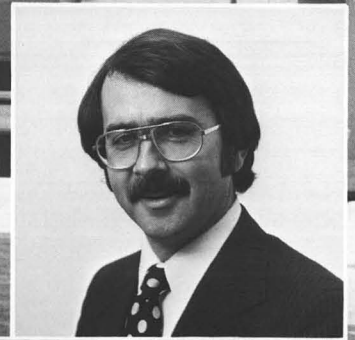
A. The Memorex line of high quality word processing supplies includes typewriter ribbons, magnetic cards, digital cassettes, flexible discs, and toners and developers.

B. Memorex manufactures a full line of Markette flexible disc products for data and word processing applications.

C. This uniform particle tester helps assure superior quality in Memorex tapes.



Field Operations Worldwide



Company field engineers install a major disc storage system for a Memorex customer.

Insets, top to bottom: Charles E. Splaine, Vice President, Field Operations Group (domestic); Reto Braun, Vice President and General Manager, Europe-Middle East-Africa (EUMEA) Group; Richard W. Martin, Vice President and General Manager, Americas and Asia Group.

Strengthened Customer Support Around the World

Memorex markets its products and services throughout the United States and in 23 other countries that comprise the bulk of the free world markets. Most of the rest of the globe is covered by distributors and agents.

Expanded sales and service support to more customers characterized Memorex domestic and international operations in 1977. This included opening more service areas, increasing the field

engineers devoted to customer service, adding more distributors and training them in Memorex products, and introducing additional Memorex products in countries where they had not been offered before.

Improved Domestic Sales and Service

The Memorex commitment to excellence in sales, field engineering and customer service was further advanced in every key activity in the United States. The organization was restructured; offices and personnel were added; training was expanded; third party maintenance operations were

enhanced; a new regional service center was opened; and a new presentation center for guests was established.

Domestic sales, field engineering and customer service activities were consolidated into a single organization under a Corporate Vice President of Field Operations. Nine regional managers have responsibility and authority for all sales, customer service, field engineering and financial activities within their regions. This important restructuring focuses management attention on the customer



A

A. Specialized diagnostic and test equipment speeds the servicing of Memorex equipment by trained field engineers.

B. The company's new regional distribution and service center in Dallas assures faster and better service to customers in the southwestern United States.

C. Memorex provides a full range of equipment and computer media refurbishing capabilities at its three regional distribution centers in Philadelphia, Chicago, and Dallas.



B



C

needs at the local level and helps assure superior Memorex quality and value.

Several new sales and service offices were opened to better serve customers throughout the United States. Sales and field engineering personnel were increased by nearly 20 percent. Sales training has been expanded at the Santa Clara headquarters and at each of the company's regional distribution centers to enhance professional marketing and business skills. These programs increased the ability of Memorex sales people to aid customers in optimizing the

cost effectiveness of their information processing operations.

Memorex also expanded the range of customer services with the formation of a Systems Engineering organization. It offers a broad spectrum of highly advanced technical assistance in planning the most efficient use of the customer's data processing investment. These services include both standard and contract engineering support, and are offered at the customer site or at a Memorex customer education center in the United States.

A third regional service center was opened in Dallas during the

year. Together with other service centers at Chicago and Philadelphia, it provides better and faster customer service and maintenance of products at the local level.

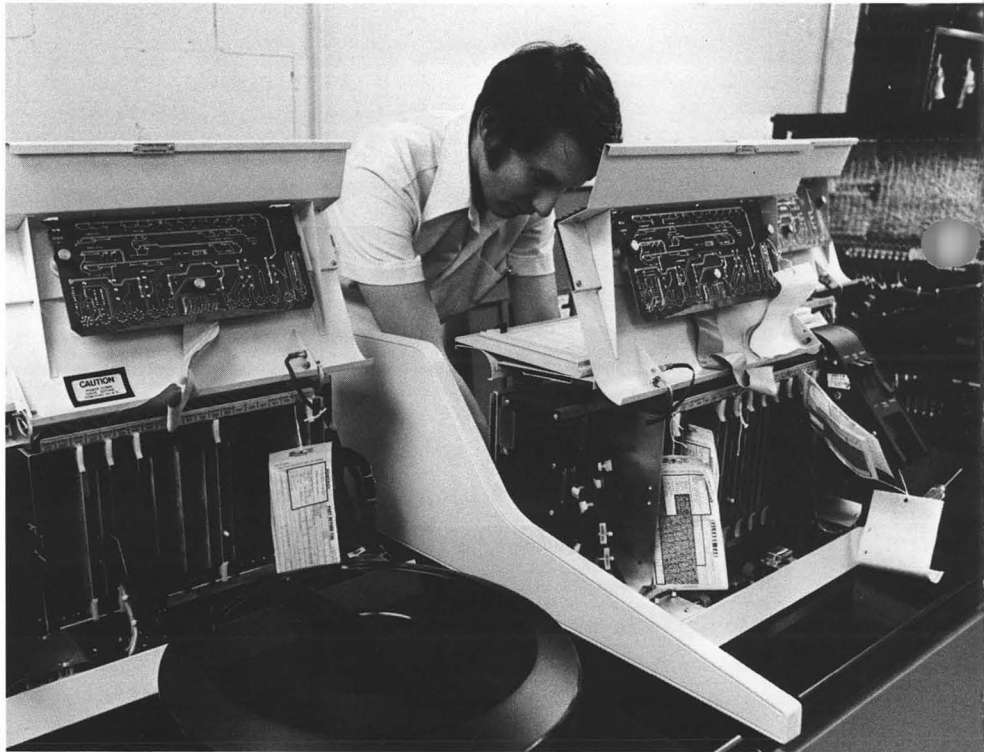
A presentation center was opened in Santa Clara for customers visiting the company's headquarters.

The company's continuing investments in Field Operations are designed to assure customers the highest level of support. The quality of Memorex products is enhanced through the superior service provided in the field.

A. Functional packaging of components in Memorex products such as the 3670 Disc Storage Subsystem allows Memorex field engineers to quickly identify problems and repair equipment at the customer's site.

B. In technical classes, field engineers are trained in the latest computer systems and equipment, and in the most advanced installation and service techniques.

C. Memorex provides a growing range of technical services through its new Systems Engineering organization. Here, a Systems Engineer discusses communications network planning with a customer.



A



B



C

Expansion in the Americas and Asia

During 1977 Memorex added new customers, opened new sales and service offices, extended its distributor network, and increased its sales training programs in the Americas and Asia area.

In Canada, an additional Memorex sales and service office was opened in the city of Quebec.

In Latin America, new Memorex distributors were established in Central America, Colombia, Chile, Bolivia and Ecuador. Memorex

exhibited its products at the Office Systems 1977 trade show in Caracas, Venezuela, and the Data Processing Managers' Conference in San Juan, Puerto Rico.

New field service locations were established in the Australian cities of Brisbane, Canberra, Adelaide and Perth.

Memorex launched the marketing of its tape drives in Japan and introduced its equipment products through distributors in South Korea, Hong Kong, Taiwan, Singapore and Malaysia.

The company expanded distribution of its line of quality audio recording tapes and accessories throughout the Far East market.

Over 100 distributors and representatives for Memorex products were trained in Latin America and the Far East.

Memorex products and services were exhibited at the Business U.S.A. Exhibition in Hong Kong, the Asian Business Exposition in Singapore, and the Annual Computer Conference in Manila.

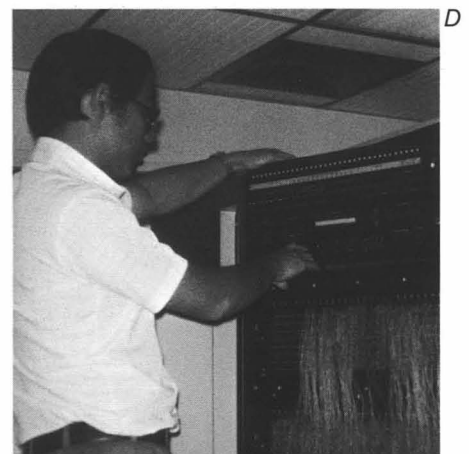
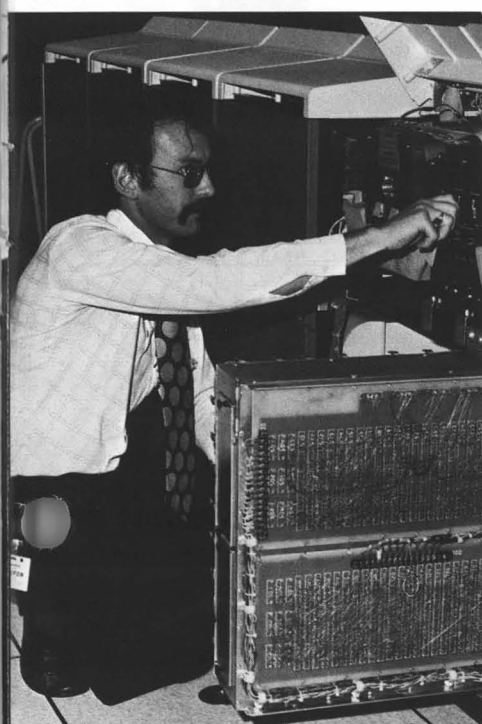


A. Memorex is an important supplier of quality information storage and communications products in Japan. Here, Memorex computer tape is being readied for delivery.

B. Among important installations made in Australia were 3650 Disc Storage Subsystems and other equipment at Qantas Airways.

C. In Canada, Memorex installed 3650 Disc Storage Subsystems and 1377 Display Stations for CP Air.

D. Memorex installs 1270 Terminal Control Units for Singapore Airlines.



New Strength in Europe, the Middle East and Africa

Memorex further improved sales and service operations in Europe, the Middle East and Africa.

New field engineering locations were opened in Palermo, Sicily; Eindhoven, the Netherlands; Nancy-Strasbourg, France; and Berlin, Dortmund, and Bielefeld, Germany.

The number of field engineers was increased by 22 percent and

the service training program was expanded.

Under a five-year agreement, Memorex disc systems, communications equipment, and add-on memories will be marketed in Finland by Datasaab-Valmet (DAVA).

Memorex continues to be the leading supplier of equipment to the Rjad computer disc drive systems.

During 1977 Memorex audio tapes and accessories were launched in Europe with a full

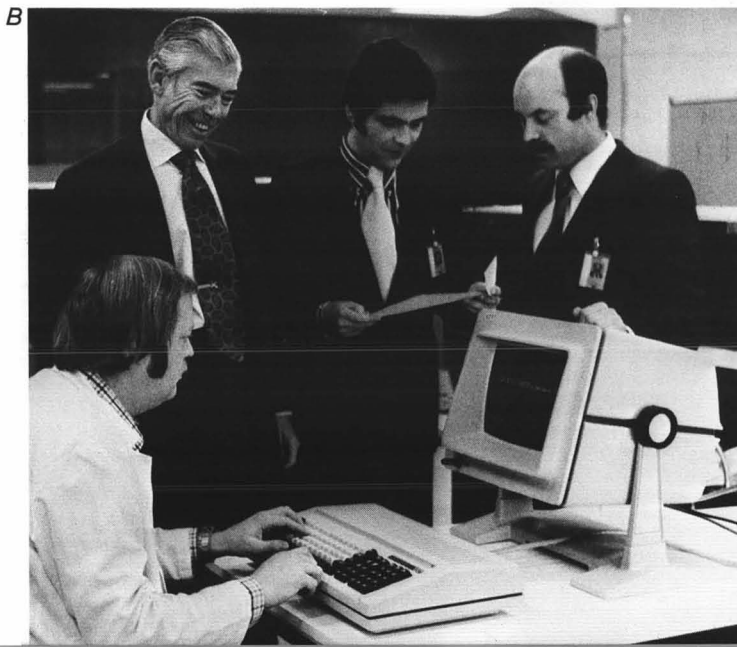
marketing program including television and magazine advertising featuring Ella Fitzgerald.

Early in 1978 Memorex will acquire Telex Corporation's computer equipment operations in Europe. This adds an important line of quality disc drives, tape drives, controllers, printers, and communications equipment. Telex Europe has an effective marketing organization in the United Kingdom, France, West Germany, Switzerland, Italy, Belgium, and Ireland.

A. In Stockholm, Memorex field engineers install 367X disc drives at Folksam, one of Sweden's largest insurance companies.

B. One of many 1377 Display Stations is installed at Rheinisches Genossenschafts-Rechenzentrum eG, in Cologne, Germany.

C. Providing better customer service, a new and enlarged Memorex sales and service office in Copenhagen, Denmark, was opened in 1977.



Through the Telex Europe acquisition, Memorex expands its offerings of information storage and communications products to European customers.

The 6330 family of disc drives and controllers offers wide flexibility in meeting customers' present and future storage needs. These drives offer capacities of 100 million, 200 million, and 300 million bytes. The controllers each operate with these three drives in

any combination and can address up to 16 drives. Both the 100-million byte and 200-million byte drives are field upgradable to the higher capacities.

The 6000 Series of magnetic tape drives and tape controllers provide the customer with proven price/performance advantages, higher reliability, easier serviceability, and self-detecting diagnostics which maximize both subsystem and unit availability. The 6420 tape drives range in

speed from 75 to 125 inches per second, with data rates from 41 to 780 kilobytes. The 6803 tape controller attaches to up to eight tape drives.

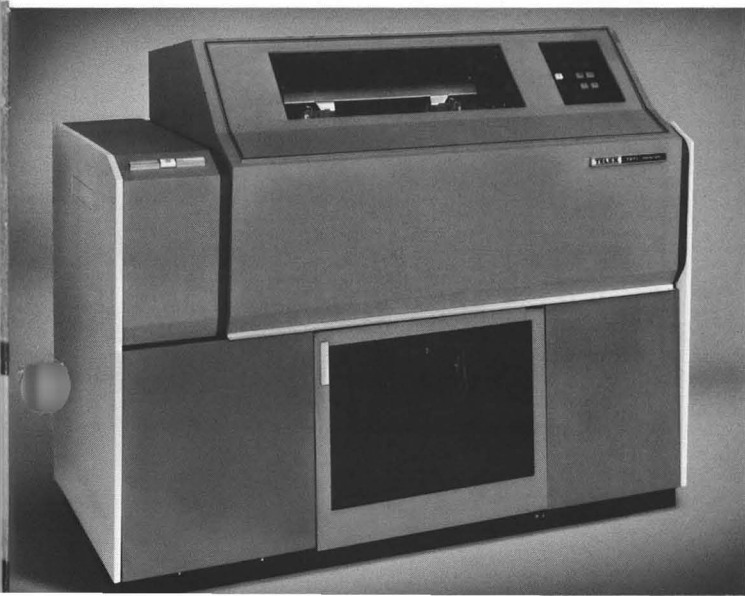
The new high-capacity 7211 printer, with a speed of 2000 lines per minute, offers twice the throughput of equivalent products. It handles a 15-inch stack of fan-fold paper, providing up to six-part copy. The controller is integral to the printer.



A

Shown here are the products added to the Memorex line of information and communications equipment and media offered to European customers as a result of the Telex Europe acquisition.

- A. The 6316 dual port disc drive and 6833 controller provide storage capacities up to 300 million bytes.
- B. The large-capacity 7211 line printer and controller operate at 2000 lines per minute.
- C. The 6422 tape drive and 6803 controller offer capacities to 780 kilobytes.



B

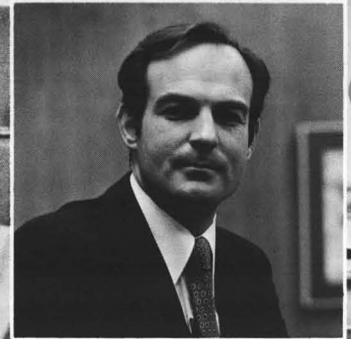


C

Corporate Capabilities



amdahl 470



Internal data processing capabilities were enhanced to keep pace with the company's worldwide expansion. An Amdahl V6 computer replaced two IBM computers.

Insets, from top to bottom: Henry C. Montgomery, Vice President, Finance; Steven H. Puthuff, Vice President, Engineering; Charles A. Dickinson, Vice President, Manufacturing; George L. Bragg, Vice President, Corporate Development; Robert L. Malcolm, Vice President, Industrial Relations; Robert L. Erickson, Vice President, Legal, and Secretary.

Financial

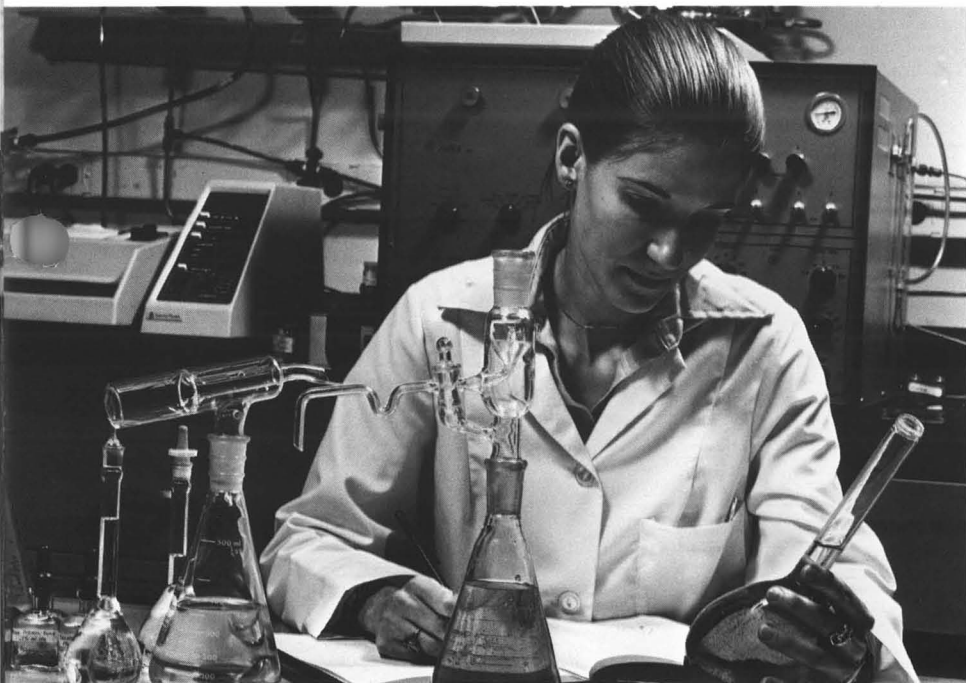
The financial function contributed to the company's growth by further decentralizing its support to the business teams. Enhanced budgeting and management control systems support the operating management at all levels and geographies. Data processing capacity and capabilities have increased. Programs were established to provide divisions, regions and countries with decentralized management systems.

Marketing

Memorex intensified its marketing operations in 1977 by opening new sales and service offices, by extending its worldwide distributor network, and by investing in improved customer service. Investments in training and facilities at the local and regional level enable Memorex to provide still better service to customers.

Engineering

Memorex strengthened its product leadership capabilities in 1977 by increasing its research and development activities, adding 22 percent more engineers, and investing in Centers of Excellence for Chemistry and for Advanced Recording Technology, which is focusing on thin film products. The Engineering Computer Center provides for the development of advanced software and firmware in storage and communications systems.



A. The new Center of Excellence for Chemistry is dedicated to achieving improved performance in recording surfaces of all Memorex media.

B. Memorex trucks speed delivery of products and spares to regional distribution centers and customer sites.

C. Numerous new Memorex products were introduced at the 1977 National Computer Conference in Dallas.



Manufacturing

Memorex expanded its production capacity and improved the efficiency and quality assurance processes in its manufacturing. Production facilities were added at Santa Clara, California; Eau Claire, Wisconsin; and Nogales, Mexico. Productivity in the use of facilities increased substantially.

Corporate Development

Futures investments in 1977 exceeded \$60 million. These investments included new product development, market expansion, added facilities and equipment,

personnel training, and the lease base, plus the acquisitions of CFI Memories and BST. In January 1978 Memorex agreed to acquire Telex Corporation's computer equipment operations in Europe.

Industrial Relations

Employment increased by 2,000. Memorex continued to make investments in improving the working environment. More than 2,500 employees participated in training courses to extend their job skills or their career paths. More than 700 employees were promoted from within the company. Compensation and benefits

to be among the most attractive in the industry.

Legal

The domestic portion of the trial of Memorex Corporation's private antitrust suit against IBM began in January 1978 in San Francisco. In the domestic case, Memorex is seeking damages which, when trebled as provided by law, approximate \$1 billion.

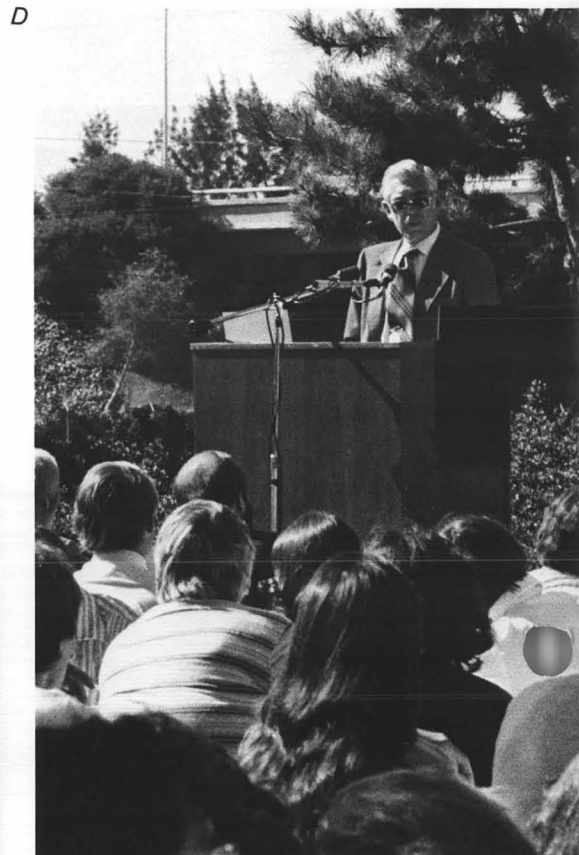
An in-house patent activity was established in 1977. A legal activity was established in London to serve the company's growing operations in Europe.

A. The new 65,000 square foot plant in Eau Claire, Wisconsin, will be one of the world's most advanced facilities for producing high-density printed circuit boards.

B. Employees and distributors marketing products in the Americas and Asia were among the 2,500 members of the Memorex team participating in training courses during 1977.

C. Agreement by Memorex to acquire Telex Europe is signed by William Styler, Vice President-Finance of Telex Corporation, and George L. Bragg, Vice President-Corporate Development of Memorex Corporation.

D. Employees at Santa Clara, California, meet informally to hear a report on progress by company president Robert C. Wilson, and are encouraged to ask questions on policies and procedures that may affect them.



Financial Review

Overview

The solid trends established since 1974 continued through 1977. Record revenues and profits led the list of achievements for the third straight year. The quality of profits was underscored by cash-generating strength which concurrently funded growth and reduced debt. Important financial measurements were sustained at previous quality levels or improved.

Revenues

Revenues from sales, rental and service increased and reached \$450 million in 1977, 31 percent over 1976. Although the percentage gain was comparable to recent years, the \$105 million year-to-year revenue increase was an

extraordinary achievement. When combined with 1976 growth, revenues have increased nearly \$200 million in only two years. This growth has been broadly based, and resulted from improvements in virtually all geographic and product areas and the acquisitions of BST and CFI Memories.

Results of Operations

Income before extraordinary credit was \$34.1 million, a 37 percent increase over 1976. Fully diluted income per common share before extraordinary credit was \$5.25 compared with \$4.29 in 1976; an increase of 22 percent. Due primarily to the acquisitions of CFI Memories and Business Systems Technology, the average number of common shares and

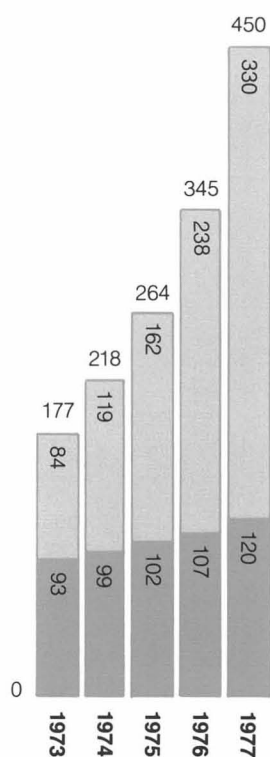
equivalents increased by .9 million or 16 percent.

Net income for 1977 was \$56.3 million, or \$8.83 per share, including an extraordinary credit of \$22.3 million or \$3.58 per share, from utilizing tax loss carryforwards.

The excellent 1977 results were due to increased revenue, reduced interest expense and lower effective tax rates. The results were achieved despite significant investments in product development and start-up costs for many new products, including the 3650 disc drive, the company's new 317.5-megabyte disc drive product.

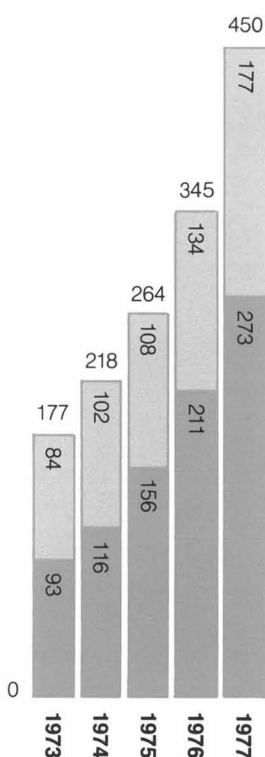
For the second consecutive year, foreign exchange losses were insignificant despite unusually volatile world currency market conditions.

Revenues: Sales and Rental and Service
Millions of Dollars



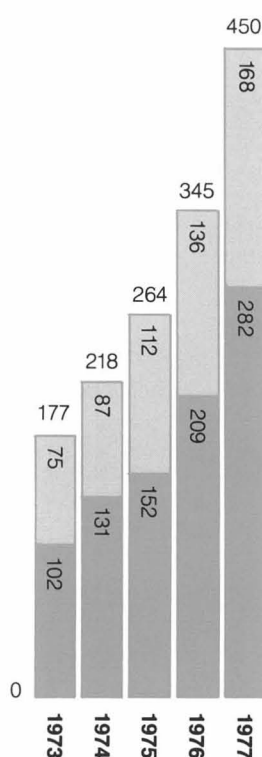
■ Sales
■ Rental and Service

Revenues: Major Product Groups
Millions of Dollars



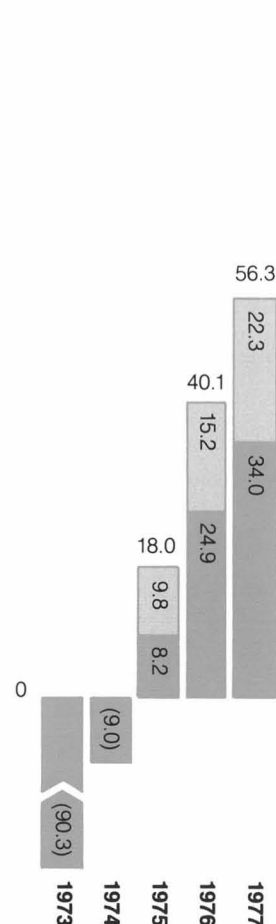
■ Media
■ Equipment

Revenues: Domestic and International
Millions of Dollars



■ International
■ Domestic

Net Income (Loss)
Millions of Dollars



■ Extraordinary Items
■ Before Extraordinary Items

Asset Management

Cash and temporary investments were \$12.0 million at year-end. This represents superior performance in view of company growth, futures investments that were substantially higher than 1976, and debt reduction of \$45 million. New products and rapid revenue increases required substantial commitment of working capital. With increased financial strength and many new products in full production, the company is now in position to increase its investment in its lease base and to continue expanding its productive capability.

Financial Position

In 1977, total shareholders' equity more than doubled from \$47.5

million to \$114 million. Common shareholders' equity improved to \$48.1 million from a deficit of \$15.3 million at the end of 1976.

Debt was \$113.4 million at the end of 1977, bringing the debt-to-equity ratio to one to one. With the increased earnings and lower debt, interest coverage increased from five to seven times. Impacted by the debt prepayment, debt service as a percent of revenue increased slightly over last year. However, the ratio of required debt service to revenue was reduced dramatically.

The reduction of long-term debt along with excellent earnings resulted in a significant improvement in the company's capitalization. Long-term debt to total

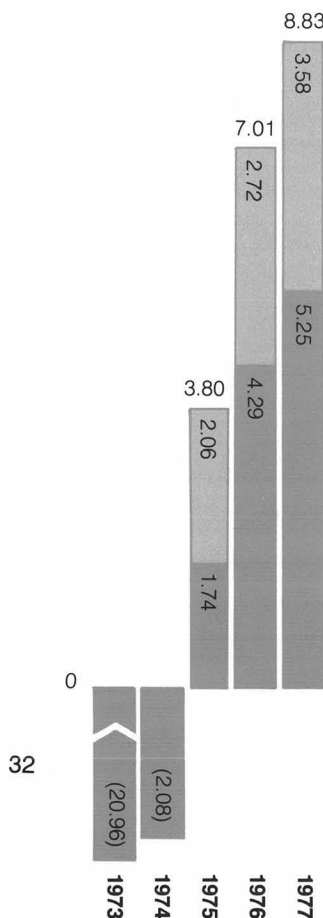
capitalization at the end of 1977 was 48 percent compared with 74 percent in 1976.

Summary

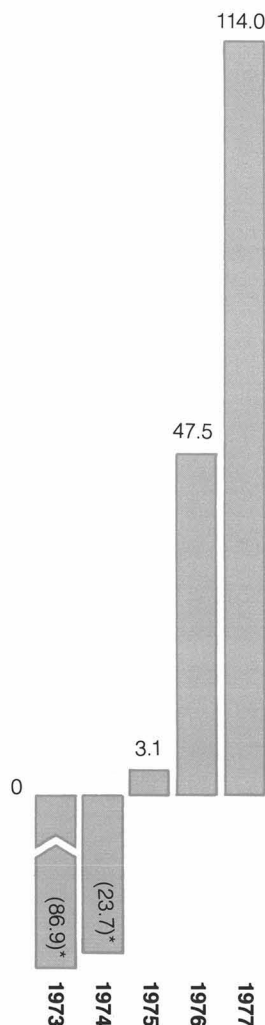
Your company's performance in 1977 continued the recent trend of record operating results.

1978 will inaugurate a new era for Memorex. There will be additional financial demands on the company due to cash interest payments on the Bank of America loan and payment of U.S. Federal income taxes. Nevertheless, Memorex has entered 1978 on a sound financial basis, postured for long-term profitable growth and capable of financing its promising future.

Net Income (Loss) per Share
Dollars

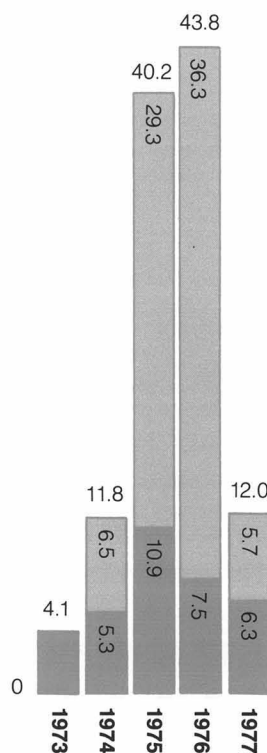


Shareholders' Equity
Millions of Dollars

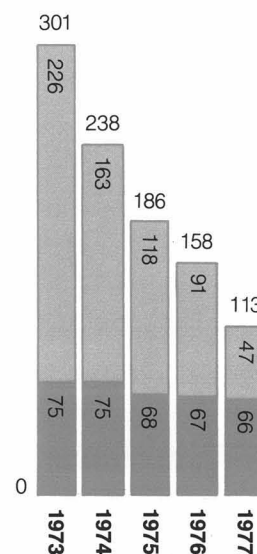


*Deficiency

Cash and Temporary Investments
Millions of Dollars



Total Debt
Millions of Dollars



■ Extraordinary Items
■ Before Extraordinary Items

■ Temporary Investments
■ Cash

■ Notes Payable
■ Convertible Subordinated Debentures

Officers and Directors

Board of 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
Corporation, Menlo Park, California.

Alger Chaney

Chairman of the Board, Medford
Corporation, Medford, Oregon,
Senior Vice President and Director,
Baker, Fentress & Company, Chicago.

Philip J. Gomez

Business Consultant, Director,
Western Gear Corporation,
Los Angeles.

Vester T. Hughes, Jr.

Partner, Hughes, Luce, Hennessy,
Smith & Castle, Dallas, Texas.

Alvin C. Rice

Vice Chairman, Bank of America
National Trust and Savings Association,
San Francisco.

T. Robert Sandberg

Vice President (Ret.), Cutter Labora-
tories, Inc., Berkeley, California.

Benno C. Schmidt

Managing Partner, J. H. Whitney
& Company, New York City.

Theodore Vermeulen

Chemical Engineer; Professor,
University of California, Berkeley.

Board Committees

Executive Committee

Mr. Wilson, Chairman; Members,
Messrs. Schmidt, Rice, Sandberg,
Chambers 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.

Corporate Operating Committee

Robert C. Wilson*

President, Chairman, and
Chief Executive Officer

James Dobbie*

Executive Vice President

Robert Jaunich II*

Executive Vice President

Richard C. Allen

Vice President and General Manager,
Communications Group

George L. Bragg

Vice President, Corporate Development

Reto Braun

Vice President and General Manager,
Europe-Middle East-Africa Group

Theodore J. Cutler

Vice President and General Manager,
Consumer and Business Media Group

Charles A. Dickinson

Vice President, Manufacturing

Robert L. Erickson

Vice President, Legal, and Secretary

Marcelo A. Gumucio

Vice President and General Manager,
Large Storage Systems Group

Robert L. Malcolm

Vice President, Industrial Relations

Richard W. Martin

Vice President and General Manager,
Americas and Asia Group

Henry C. Montgomery

Vice President, Finance

A. Keith Plant

Vice President and General Manager,
General Systems Group

Steven H. Puthuff

Vice President, Engineering

James Simpson

Vice President and General Manager,
Computer Media Group

Charles E. Splaine

Vice President,
Field Operations Group

Staff

Robert G. Coe

Treasurer

William M. George

Controller

*Member, Office of the President

Corporate Facilities

Sales and Service Locations

UNITED STATES

ALABAMA
Birmingham (205) 870-5410

ARIZONA
Phoenix (602) 254-5466

ARKANSAS
Little Rock (501) 374-0279

CALIFORNIA
Anaheim (714) 776-8571
Long Beach (213) 595-4656
Los Angeles (213) 473-0811
San Diego (714) 571-1133
San Francisco (415) 397-9466
Santa Ana (714) 549-9961
Santa Clara (408) 987-1450

COLORADO
Denver (303) 837-0205

CONNECTICUT
Greenwich (203) 637-5421
Hartford (203) 568-1370

DISTRICT OF COLUMBIA
Washington D.C. (703) 821-3300

FLORIDA
Jacksonville (904) 731-1744
Miami (305) 558-9320

GEORGIA
Atlanta (404) 321-0200

ILLINOIS
Chicago (312) 620-3200

INDIANA
Indianapolis (317) 293-8055

KANSAS
Kansas City (913) 362-1650

KENTUCKY
Louisville (502) 425-8395

LOUISIANA
New Orleans (504) 522-4401

MARYLAND
Baltimore (301) 666-8800

MASSACHUSETTS
Boston (617) 890-0700

MICHIGAN
Detroit (313) 354-4511

MINNESOTA
Minneapolis (612) 835-6635

MISSOURI
St. Louis (314) 576-4570

NEBRASKA
Omaha (402) 391-0486

NEW JERSEY
West Orange (201) 325-0164

NEW YORK
Albany (518) 458-7099
Buffalo (716) 631-5410
New York City (212) 541-7780
Syracuse (315) 451-4330

NORTH CAROLINA
Charlotte (704) 527-4923
Greensboro (919) 294-4374

OHIO
Cincinnati (513) 621-7120
Cleveland (216) 447-0780
Columbus (614) 885-0415

OKLAHOMA
Oklahoma City (405) 235-1245
Tulsa (918) 622-6743

OREGON
Portland (503) 620-4800

PENNSYLVANIA
Philadelphia (215) 337-1050
Pittsburgh (412) 531-8771

TEXAS
Dallas (214) 258-3510
Houston (713) 688-1451

VIRGINIA
Richmond (804) 288-3116

WASHINGTON
Seattle (206) 575-3823

WISCONSIN
Milwaukee (414) 327-4040

MANUFACTURING PLANTS

BELGIUM
Liege

CALIFORNIA
Anaheim
Irvine
Santa Ana
Santa Clara

MEXICO
Nogales

WISCONSIN
Eau Claire

EUROPE, MIDDLE EAST AND AFRICA

HEADQUARTERS:
Liege, Belgium
Tel: 041.64.45.40
Telex: 846-41415

AUSTRIA
Vienna
Tel: 222-73.24.17
Telex: 847-12734

BELGIUM
Brussels
Tel: 02-673.80.80
Telex: 846-23438

DENMARK
Copenhagen
Tel: 2-45.83.11
Telex: 855-33215

FINLAND
Helsinki
Tel: 0-49.32.34
Telex: 857-121654

FRANCE
Lille
Tel: 20-57.34.34
Telex: 842-120278
Lyon
Tel: 78-90.64.12
Telex: 842-380418
Paris
Tel: 1-655.66.55
Telex: 842-27232

GERMANY
Cologne
Tel: 221-88.10.31/35
Telex: 841-8873704
Dortmund
Tel: 23-16.54.65
Telex: 841-822382
Frankfurt/Main
Tel: 611-660.51
Telex: 841-0411240
Hamburg
Tel: 406-30.10.31
Telex: 841-215019
Munich
Tel: 89-19.40.71
Telex: 841-5215508
Stuttgart
Tel: 711-76.60.03
Telex: 841-7255415

ITALY
Bologna
Tel: 51-48.05.55/6
Telex: 843-52174
Milan
Tel: 2-71.85.51
Telex: 843-33108
Padua
Tel: 49-66.20.30
Telex: 843-43120
Rome
Tel: 6-542.17.41
Telex: 843-63043
Turin
Tel: 11-54.74.13
54.25.04
Telex: 843-22127

NETHERLANDS
Amsterdam
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Shareholder Information

Annual Meeting of Shareholders

You are cordially invited to attend Memorex's Annual Meeting of Shareholders which will take place on Wednesday, April 26, 1978, at 10 a.m. at the Le Baron Hotel, 1350 North First Street, San Jose, California. Resolutions to be voted by shareholders are described in the proxy material which accompanies this report.

Transfer Agent and Registrar

The Transfer Agent and Registrar for both the common stock and 5¼% Convertible Subordinated Debentures is:

Bank of America—NT&SA
San Francisco, CA 94104

10K Report

Memorex Corporation will furnish its 10K Report, as filed with the Securities and Exchange Commission, to shareholders without charge. Written requests should be sent to:

Corporate Public Relations
Memorex Corporation
San Tomas at Central Expy.
Santa Clara, CA 95052

Financial Highlights

(Millions except per share amounts and statistics and ratios)

	AMOUNT		CHANGE	
	1977	1976	Amount	Percent
Operating Data				
Revenues by product line:				
Equipment products	\$ 273.4	\$ 210.4	\$ 63.0	29.9%
Media products	176.7	134.2	42.5	31.7
Operating income by product line:				
Equipment products	65.3	54.2	11.1	20.5
Media products	27.0	20.5	6.5	31.7
Depreciation:				
Rental equipment and spare parts	19.3	28.0	(8.7)	(31.1)
Property, plant and equipment	7.5	5.1	2.4	47.1
Research and development	19.2	13.9	5.3	38.1
Interest	10.8	11.8	(1.0)	(8.5)
Income before extraordinary credit	34.1	24.9	9.2	36.9
Net income	56.3	40.1	16.2	40.4
Fully diluted income per common share:				
Before extraordinary credit	\$ 5.25	\$ 4.29	\$.96	22.4
Net income	8.83	7.01	1.82	26.0

Financial Position at Year End

Working capital	\$ 82.2	\$ 77.9	\$ 4.3	5.5%
Rental equipment and spare parts—cost	163.2	172.2	(9.0)	(5.2)
Rental equipment and spare parts—net	64.4	58.0	6.4	11.0
Property, plant and equipment—cost	107.5	85.9	21.6	25.1
Property, plant and equipment—net	60.5	43.6	16.9	38.8
Total debt	113.4	158.2	(44.8)	(28.3)
Common shareholders' equity (deficiency)	48.1	(15.3)	63.4	—
Total shareholders' equity	114.0	47.5	66.5	140.0

Statistics and Ratios

As a percent of revenues:				
Gross margin	42.4%	42.5%		
Research and development	4.3	4.0		
Interest	2.4	3.4		
Income before extraordinary credit	7.6	7.2		
Net income	12.5	11.6		
Current ratio at year end	1.85 to 1	1.98 to 1		
Total debt as a percent of total capitalization	49.9%	76.9%		
Common shares outstanding at year end (thousands)	5,513	4,875	638	13.1%
Common shareholders' equity (deficiency) per common share at year end	\$ 8.73	\$ (3.13)	\$ 11.86	—
Employees at year end	8,823	6,840	1,983	29.0
Revenues per employee (based on average number of employees)	\$57,475	\$56,479	\$ 996	1.8
Market price of common stock, December 31 ending	\$ 31.75	\$ 24.25	\$ 7.50	30.9
Price/earnings ratio (based on December 31 market price and fully diluted income per common share)	6.0 to 1	5.7 to 1		

Memorex common stock and 5¼% Convertible Subordinated Debentures have been trading on the New York Stock Exchange since September 7, 1977. Prior to that date, the common stock was traded on the Pacific Stock Exchange, and the debentures were traded Over-the-Counter. Memorex common stock continues to be traded on the Pacific Stock Exchange. The following tables show high and low sales prices by quarter up to September 7 as reported by the Wall Street Journal for common stock, and as reported by the National Quotation Bureau, Inc. for the debentures. Information subsequent to that date has been obtained from the New York Stock Exchange.

Common Stock*

1977	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	28⅞	27½	34½	32¼
Low	23⅞	22¼	24¾	24⅞

Convertible Debentures

1977	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Bid Prices				
High	61	64¾	70	68
Low	60½	62½	64¼	64¼
Asked Prices				
High	65	65¼	72	
Low	61	64	65¼	

*No dividend has been paid. Trading symbol is MRX.

Memorex Corporation

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