



Memorex technology protects customer investment

Die Memorex-Technologie schützt die Investitionen unserer Kunden

La technologie de Memorex protège les investissements du client

Memorex teknologi skyddar kundens investering

La tecnología Memorex protege las inversiones del cliente

La tecnologia Memorex protegge l'investimento del cliente

メモレックスの技術は顧客の投資を満足させます

MEMOREX 1979 ANNUAL REPORT

Table of Contents

Page 1	Financial Highlights
2	Letter to Shareholders
4	Memorex People
6	Technology Advancement
10	Worldwide Activities
14	Large Storage Systems
18	Communications
20	General Systems
22	Computer Media
24	Consumer Products
26	Financial Review
28	Financial Report

On The Cover

Memorex is committed to a high-technology program to develop products and enhancements that will provide superior value to its customers. Symbolic of this technical emphasis is the cover photo showing one step in the testing of thin-film recording heads. On the wafer shown in the picture are 2,000 heads; these are automatically tested together before separated and assembled with premium quality Memorex recording discs in a Head/Disc Assembly.

The statement, "Memorex technology protects customer investment," means that the objective of Memorex technology is to provide products and features that will enhance the value and extend the life of the customer's data processing investment.

The Company's strength in markets around the world is indicated by the six languages of the statement. Forty-nine percent of Memorex revenue is international.

Letter to Shareholders

1979 was a turbulent and challenging year. Although our markets continued to grow on a worldwide basis, operating results were well below expectations. There were an unusual number of changes, uncertainties, and adversities in the business environment. Competitive actions created customer uncertainties and caused prices to fall substantially on major segments of our equipment business. At the same time, operating costs were negatively affected by inflation, interest expense, parts shortages, and employee turnover.

The rate of technological change accelerated and Memorex increased its investments in R&D. Other futures investments were made in a number of areas, such as facilities, marketing support, and data processing.

Revenue was \$738 million, an increase of \$104 million, or 17 percent. Although revenue was below forecast, the growth rate was sufficient to double the size of your Company in less than five years.

Income before extraordinary credit was \$31.5 million, a decrease of 25 percent from the comparable figure the previous year. Because of the continuing turbulence throughout the year, there was a quarter-to-quarter profit decline in 1979.

Earnings per common share before extraordinary credit on a fully diluted basis were \$3.91, a decrease of 31 percent from the \$5.64 figure for 1978.

Debt at the end of the year was \$190 million, compared with \$153 million at the end of 1978.

Despite the challenges of 1979, your Company grew to nearly three-quarters of a billion dollars in revenue and made a profit of over \$30 million. Although these results were below expectations, they are respectable and demonstrate the strength of your Company and the value of investments that have been made to diversify and strengthen it. Performance in international operations and in computer media was particularly gratifying.

There were a number of significant improvements made in 1979 that should benefit future operating results:

- **Products.** Memorex introduced a top-of-the-line 635-megabyte disc drive, the 3652. This product has performed in an outstanding fashion and is believed to have industry leadership. Another major product development was the 8-inch disc drive. This 11.7-megabyte drive will have broad applications in the word processing and minicomputer marketplace. It has been enthusiastically received. In media products, Memorex started production on the GEO XL computer tape for the growing geoseismic oil-exploration market and video cassettes for home television.

- **Facilities.** A number of additional or expanded facilities were put in place in 1979. These included a new plant for the Company's CFI disc and disc pack operations; a new plant in Ireland for consumer media; a support facility in Tucson, Arizona, for Memorex operations in Nogales, Mexico; and a new United Kingdom country field operations facility near London. In addition, your Company acquired 42 acres of land in Plano, Texas, for future expansion.

- **Joint Venture.** During the year Memorex strengthened a joint venture with one of Japan's leading industrial concerns, Teijin. Known as Teijin Memorex Company, Limited, it produces Memorex flexible disc media in Japan. Near the end of the year an agreement was completed whereby the venture will be expanded.

- **Computer-Aided Design.** In order to facilitate developments for the communications market, an advanced computer-aided design capability was established late in the year. This should prove very useful in the application of LSI circuitry to the Company's products.

- **MFC.** Early in the year Memorex launched a new subsidiary, the Memorex Finance Company, for the purpose of providing package leasing opportunities for the Company's customers. These packages include central processing units as well as peripherals. MFC has been successful and contributed to earnings in 1979.

During the year merger discussions were held with both Amdahl Corporation and Storage Technology Corporation. However, after considerable evaluation on both sides, discussions were discontinued with both companies.

The Company's litigation with IBM continued at a substantially reduced level. The principal action taken in this litigation was the preparation and filing of briefs in the Memorex appeal to overrule Judge Conti's decision. It is likely to be more than a year before a decision is made on the appeal.

Numerous contributions were made to improve both our society and economy. International revenues increased significantly and now represent nearly 50 percent of our total. Your Company's increasing exports mean additional jobs in the United States and an improved balance of payments.

Affirmative action programs for equal opportunity were effectively carried out. Substantial savings were made in energy, and participation in community activities was increased.

The outlook for 1980 is mixed. One very positive factor is IBM's announcement of price increases at the end of 1979. These increases covered many of our products and services. They represent a change in direction from the series of price reductions previously made by IBM. Additionally, the underlying demand for Memorex products continues strong on a worldwide basis. Although a recession is anticipated in the United States, the Company's revenues have traditionally held up well during recessionary periods. Moreover, it is an election year, and the government has historically tried to maintain a strong economy at election time.

Unfortunately, there are a number of major uncertainties and negative influences: competitive actions will continue; the international scene is troubled; energy is costly and may be in short supply; inflation continues and cash is expensive.

The Company's objective in 1980 is to reverse the downward profit trend and establish a positive trend early in the year. Actions have been taken to improve profit and additional action will be taken as required. Memorex's ability to make 1980 a good year

will depend upon the extent to which price levels improve and the Company is able to reduce costs and expenses. Plans and budgets have been put in place throughout the Company and each of Memorex's business teams is working to improve profit and generate cash.

In January 1980 we announced the choice of Clarence W. Spangle as President and Chief Executive Officer, effective March 1. Mr. Spangle has a distinguished career as an international leader in the information systems industry. His position before joining Memorex was President of Honeywell's Information Systems. He is ideally suited both by experience and accomplishment to provide leadership for your Company. We will work closely together to assure a smooth, effective transition.

Despite the turbulence of 1979, Memorex enters the new decade well postured for further profitable growth. Your Company has quality products, excellent people, growth markets, high technology, and a decentralized organizational structure that provides leadership for each major business segment.



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



Robert C. Wilson, President,
Chairman, and Chief Executive
Officer (right) and Charles S. Strauch,
Executive Vice President.

Memorex technology protects customer investment



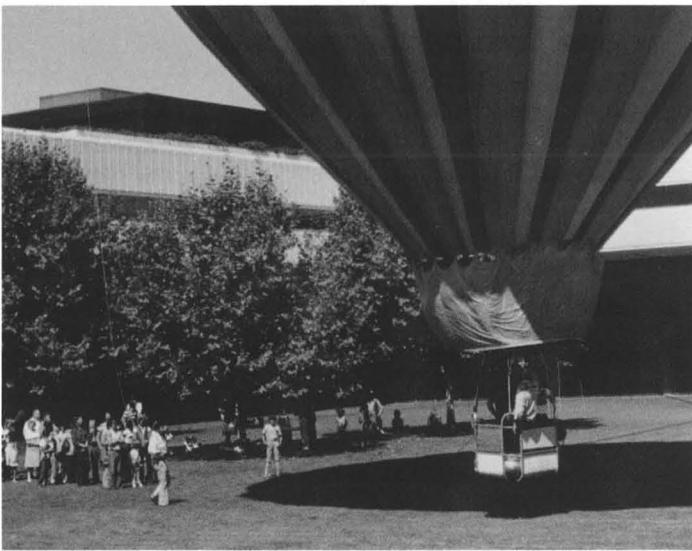
Semiconductor devices are assembled into a printed circuit board for use in one of Memorex's many computer equipment products.

Memorex People

The Company's extensive training program offers internal classes as well as tuition reimbursement for external college courses. ➤



Through the Memorex Activity Group, employee families participate in many travel packages and events throughout the year, such as the annual Open House. ➤



Robert L. Erickson, Vice President, Legal, and Secretary (second from left), consults with legal staff (from left); Marvin E. Taylor, Jr., David W. Heid, Lester A. Markolf, W.R. Wayman.

Team management strengthened through expanded group responsibilities

In 1979 Memorex further strengthened its decentralized organizational structure. In recognition of the rapid growth that has taken place within the Corporation, Memorex elevated group executives to the position of group president. Each of the Company's eight groups is oriented toward serving selected product or geographic markets. The title of group president appropriately acknowledges the authority and resources that are marshaled to serve the assigned market.

An added benefit of the decentralized organization is the expanded opportunity for personal growth for all employees. During the past year, there were 1,132 internal promotions, with many significant management positions filled from within. The Company also enhanced its affirmative action posture by internal promotions and aggressive external recruiting of minorities and women. The business team approach further enables a growing Memorex to retain a friendly, personal environment in which each employee can have a sense of individual participation.

Robert L. Malcolm, Vice President, Industrial Relations (second from left), discussing Company's compensation and benefits plan with (left to right) Bashkar D. Biswas, A.L. Paradis, and James L. Pelkey.

Broadened employee benefits

Memorex offers employees a comprehensive benefit package, which was enhanced with announcement of a new orthodontic treatment plan, increases in basic life insurance, medical, and long-term disability coverage.

With the Company's Share Plan, Memorex provides opportunity for employees to accumulate significant savings during their career through stock ownership at no cost to them. More than 7,000 employees were participants, receiving approximately 140,000 shares of Memorex stock.

More than 4,000 employees participated in the Company's training programs for occupational, professional, and managerial skills.

Employee participation in community activities increased. Employee contributions to United Way rose 24 percent over the previous year.

Through Company-wide energy conservation efforts, Memorex made significant reductions in energy consumption. The Company's Precision Plastics Division received the 1979 Southern California Edison award for energy management, and the Communications Group received the Pacific Gas and Electric's 1979 energy conservation achievement award.

Donald L. Waite, Vice President, Finance (standing), reviews financial plans with Thomas S. Stevens, L.P., and Robert G. Coo.

Memorex technology protects customer investment

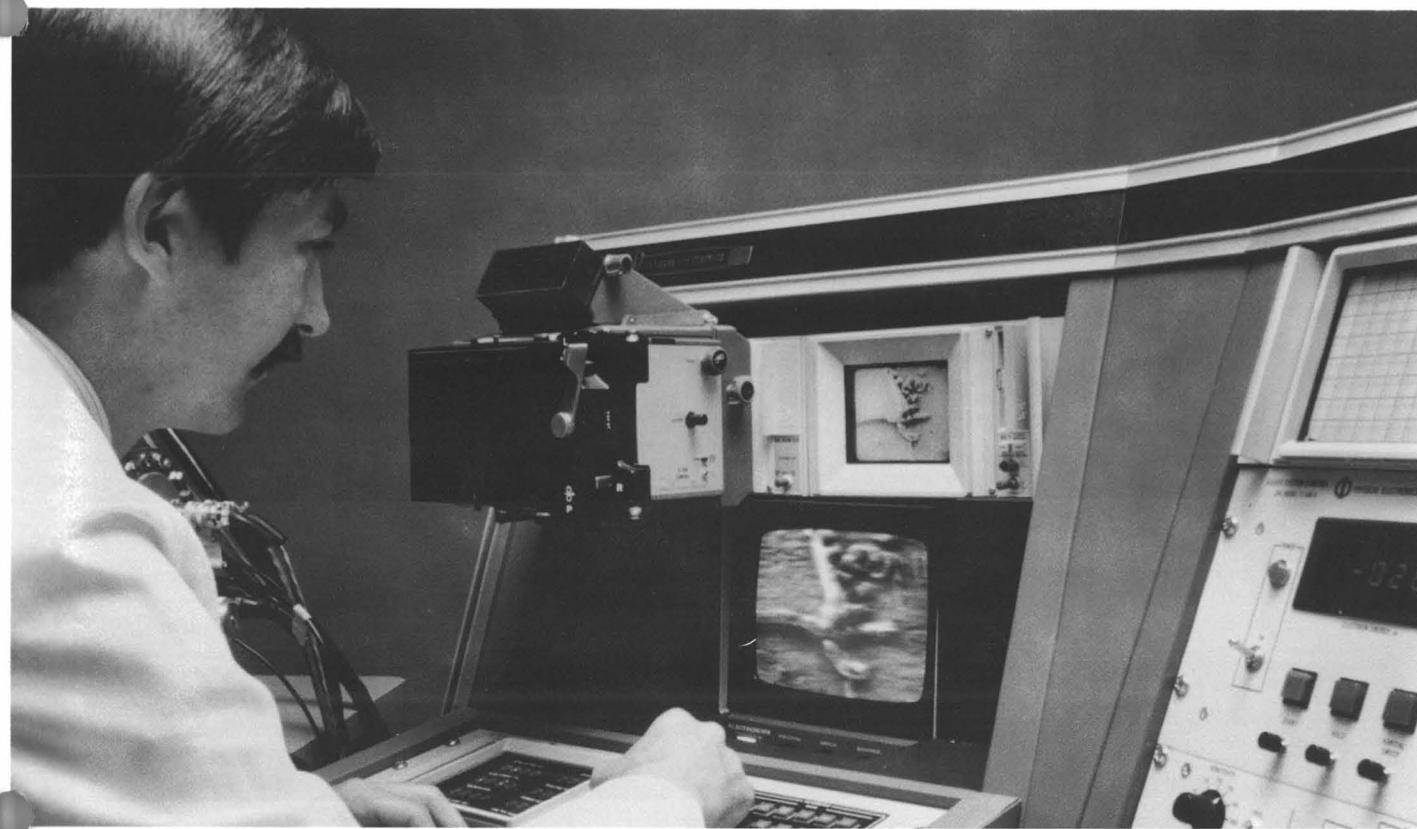


In the vacuum chamber of the Scanning Auger Microprobe, a surface sample is bombarded with electrons to determine its atomic structure.



Technology Advancement

For the latest in spectroscopy, Memorex operates a Scanning Auger Microprobe, which uses a micro-beam technique to analyze the atoms that make up a surface structure. Only a few of these microprocessor-based systems are in existence today.



Expanding investments in research and development

In the past four and a half years, Memorex engineering manpower has more than doubled, engineering spending has nearly tripled, and technology-related spending has increased 7.5 times. The Company introduced four times more storage equipment products in the past three years than in the previous ten years combined, and developed more media products in the past three years than in the previous fifteen. In 1979 Memorex spent \$28.3 million on in-house research and development, a 20-percent increase over the previous year.

In its research and development program, Memorex concentrates on key disciplines for maintaining product leadership in information storage and communications. Memorex also benefits from the research and development work of affiliates and suppliers. Affiliations include companies in Europe, Japan, and the United States to manufacture products or exchange technology. Suppliers provide a range of goods, from specialized components to entire products. The research and development of these companies enhances Memorex R&D to assure future product leadership.

◆ Steven H. Puthuff, Vice President, Engineering (center), touring new thin film sputtering lab with Eric D. Daniel (left) and Frank J. Sordello, both Memorex Fellows.

Arthur Ichnowski, Manager, Advanced Engineering Department, Communications Group, explains activities of the new Computer Aided Design Center, where printed circuit boards are designed graphically on a display screen. ▶



Memorex product innovations and technology developments through the years have provided customers with increased value over competition. Technology at Memorex is not only directed toward new products but emphasizes enhancement of existing products. Thus Memorex extends the value and operating life of existing customer-installed equipment.

Technology centers expanded

Memorex expanded two of its major technical operations—the Recording Technology Center and the Magnetic and Chemical Technology Center—and initiated a third, the Communications Technology Center.

In the Recording Technology Center, research and development specialists focus on key areas of rotating magnetic memories, including thin film heads and thin film media. Here Memorex develops technologies required for future storage product leadership. This center has established a strong leadership position in thin film head technology.

The Magnetic and Chemical Technology Center focuses primarily on advanced flexible media technologies such as chemical formulations and magnetic particles.

The emerging Communications Technology Center evaluates networking capability, firmware, and intelligence for terminals.

Financial Highlights

For the year ended December	1979	1978	Difference	
			Dollars	Percentage
Revenues	\$737,761,000	\$633,266,000	\$104,495,000	17%
Income before extraordinary credit	31,544,000	41,948,000	(10,404,000)	(25)%
Extraordinary credit	—	8,249,000	(8,249,000)	(100)%
Net income	31,544,000	50,197,000	(18,653,000)	(37)%
Income per common share:				
Before extraordinary credit	3.91	5.64	(1.73)	(31)%
Net income	3.91	6.88	(2.97)	(43)%
End of year				
Total assets	598,319,000	487,649,000	110,670,000	23%
Total debt	189,512,000	152,515,000	36,997,000	24%
Redeemable preferred stocks	65,913,000	65,913,000	—	—
Common shareholders' equity	175,386,000	141,264,000	34,122,000	24%
Number of employees	12,264	11,085	1,179	11%

Advanced test equipment scans and analyzes rigid disc surfaces to micro-inch level.



Cobalt Mask Aligner positions the patterns for placement of circuits on thin film heads.



Society of Memorex Fellows established to recognize Company's greatest resource

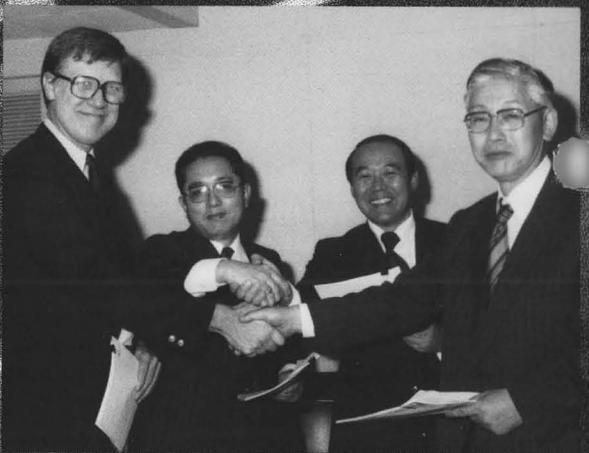
In 1979 Memorex established the Society of Memorex Fellows to recognize individuals whose personal accomplishments have established them as technical leaders in the industry. The first three honorees of the program are Frank Sordello, Manager of the Company's

Recording Technology Center and holder of 37 patents in disc storage products; Eric Daniel, Manager of the Company's Magnetic and Chemical Technology Center and a worldwide authority on media technologies; and Dr. John Scott, President of Memorex's subsidiary, the Memorex Mini Disc Drive Corporation, and instrumental in developing Memorex's new 8-inch rigid disc drive.

Unique capabilities in product synergy

Memorex is one of the few companies manufacturing both data storage equipment and the computer media used in that equipment; one of only two independent domestic companies that manufacture the complete disc drive including discs and read/write recording heads; and the largest equipment manufacturer with a complete complement of analog and digital media.

Memorex technology protects customer investment



One of the many precision testing devices used in Memorex manufacturing facilities worldwide to assure product reliability, this sophisticated microscope tests rigid disc quality.

Worldwide Activities

Charles E. Splaine, President, Field Operations Group (right), reviews training program for field and systems engineers with Frank A. Juliano and Michael R. Mann.



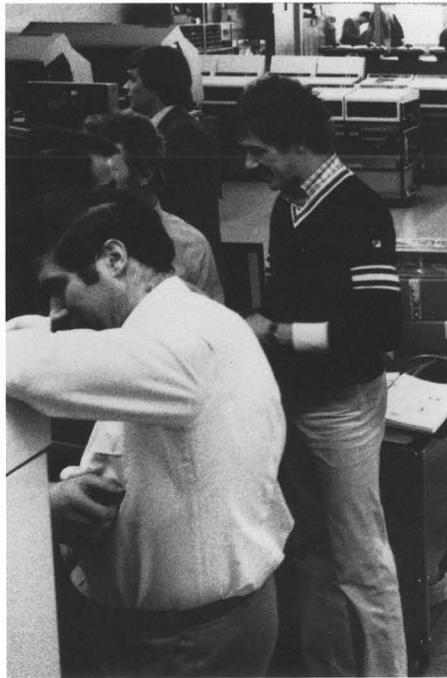
George L. Bragg, Vice President, Corporate Development (left), concludes negotiations for expanded joint venture agreement on flexible disc manufacture with Teijin Memorex, Ltd. Others present (from left) are: Dr. Hiroshi Iino, General Manager, Teijin Memorex Company, Ltd.; Tetsushi Yamada, President, Memorex Japan, Ltd.; and Hiromu Naka, General Manager, Chemical and Plastic Sales Division, Teijin, Ltd. Also instrumental in the negotiations were Jack H. King, President, Computer Media Group, and Jack Jones, Vice President, Flexible Disc Media Division, representing Memorex computer media operations.

Hal J. Krauter, President, Memorex Finance Company (standing); discusses customer financing with (left to right) Alex A. Najjar, Donald M. Campbell, and Linda C. Vaughn.

Reto Braun, President, Europe/Middle East/Africa Group (seated), examines the new centralized computer system installed at group headquarters near London with Len LeBlanc (left) and Clive More.

Typical of Memorex worldwide support for multinational accounts is this installation of 3650 disc drives at Bendix Corporation's data processing center in Ann Arbor, Michigan.

Memorex provides improved service to customers in Germany through its new field engineering center in Frankfurt.



Memorex is the leading independent manufacturer of disc drives and media in the end-user market worldwide. This strong worldwide position is due to Memorex's commitment to international marketing. Of the sixteen members of the Corporate Operating Committee, six speak at least two languages, and nine have served in management positions in countries other than the United States.

Memorex products are marketed worldwide through three geographically oriented sales and service groups and 21 international subsidiaries. Marketing teams are at work in 130 sales and service offices on five continents, and are supported by more than 100 qualified distributors and agents. Through the Company's decentralized operating structure, authority is placed at the local level, enabling each office to serve customer needs swiftly and efficiently.

Memorex has established a Multinational Accounts Program to capitalize on its worldwide manufacturing and marketing capabilities in serving multinational companies.

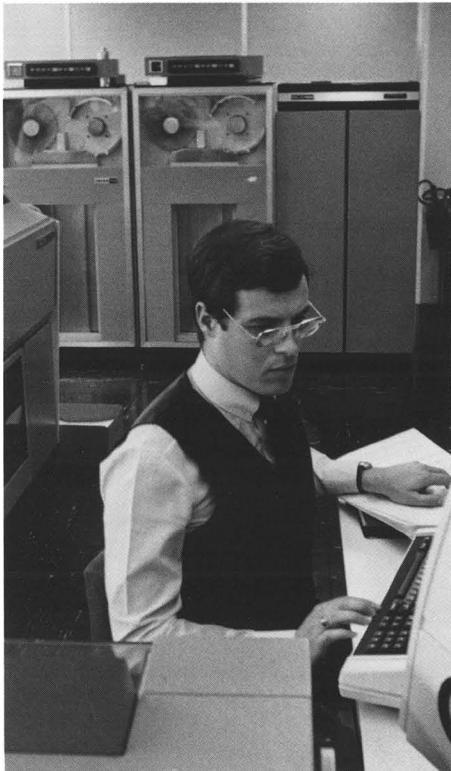
The Company also enables worldwide customers to obtain the most benefit from their data storage investment by providing software packages and systems engineering consultation.

Enhanced services throughout Europe, the Middle East, and Africa

Headquartered in London, the Company's sales and support organization serving Europe, the Middle East, and Africa (EUMEA) operates fourteen subsidiaries and employs over 2,000 people in 42 sales and service offices. Other areas of the EUMEA territory are served through qualified distributors or representatives.

Memorex activities are centralized into six regional offices in Milan, Paris, Frankfurt, Stockholm, Brussels, and London. Refurbishing activities were expanded in Frankfurt and Milan. The Paris office was relocated and the engineering center was enlarged. The United Kingdom sales and service office moved to a new location, with expanded training, engineering, and distribution facilities.

Memorex employee is at work in the data processing center of the Company's new Paris headquarters, offering expanded services to French customers. ▶



The 4771 high-speed line printer, capable of 2000 lines per minute, was installed at numerous customer sites in Australia during the year. ▶



The first installation of the new Memorex 3652 double-capacity disc storage subsystem was made at Datacrown, Inc., a leading computer service company in Ottawa, Canada. ▶



Memorex offers end users in Europe the most complete line of information storage and communications products of any independent peripheral or media manufacturer.

The Company's manufacturing facility in Liege, Belgium, expanded its capabilities to include the manufacture of communications equipment.

Expanded capabilities for Americas and Asia

Memorex's sales and service organization serving the Americas and Asia is headquartered in Santa Clara and maintains seven subsidiaries with 21 sales and service offices in Japan, Australia, Canada, Mexico, Puerto Rico, Venezuela, and Brazil. Other countries are served through a network of distributors.

To insure that Japanese customers receive equipment products of the highest quality, Memorex expanded its technical service center in Japan with a computer system dedicated to quality assurance.

A field engineering education center was opened in the Ottawa office for field engineering and technical training.

Memorex expanded its offices and facilities in Mexico City.

Enlarged services from U.S. field operations

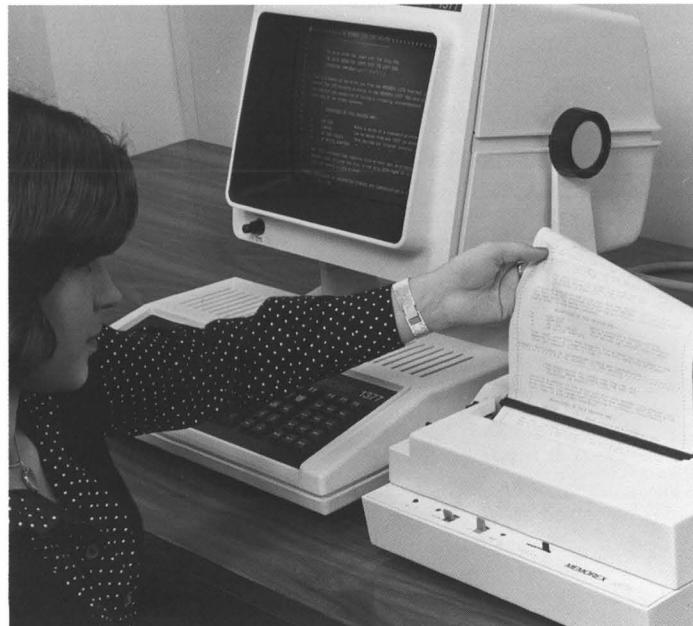
In the United States, Memorex serves equipment customers through a domestic team of over 1,400 sales, field engineering, and support personnel in 70 sales and field engineering offices in 65 cities. Customers for major installations include the United States government and many leading domestic and international companies.

Customers of complete data processing packages are offered more economical and flexible financing through the Memorex Finance Company (MFC), established as a subsidiary of Memorex Corporation. MFC provides customers with a single lease finance package that combines Memorex information storage and communications products with compatible computers.

Memorex began operating its audio tape plant at Clondalkin, near Dublin, Ireland to serve the European market.



The 1373 screen printer interfaces with the 1377 video display station for a hard-copy record of data entries.



Manufacturing capabilities broadened in response to worldwide product demand

Memorex expanded its facility in Liege to manufacture the Company's communications products for the European market. Near Dublin, Ireland, Memorex completed a facility to produce audio tape, and plans to expand the facility to produce other media products for the consumer as well as computer markets. In Japan, Teijin Memorex Company (TMC), a joint venture with Teijin Limited, began shipping flexible discs.

In the U.S., Memorex purchased 42 acres near Dallas, Texas, for long-term capability expansion. Memorex also opened a facility in Tucson, Arizona, to support the Company's plant in Nogales, Mexico. The Company's CFI Division moved to a larger facility.

New relationships established to strengthen technical capabilities worldwide

Memorex has enhanced its technical and product capabilities through a number of excellent international affiliations. The Company's computer media operations are conducting a joint venture with Teijin Limited for finishing flexible discs, primarily for the Japanese market and ultimately for other computer media and consumer markets worldwide. Memorex purchases advanced tape drives from Fujitsu and disc drive subsystems from Nippon Peripherals Limited. Memorex is cooperating with Toda Kogyo Corporation to develop advanced particles for magnetic media.

With Kores of England, Memorex produces typewriter ribbons in South Carolina.

The Company has communications affiliations with Olivetti, whereby Memorex markets Olivetti's thermal terminal printers and Olivetti markets Memorex video display units in Italy.

In the United States, a joint venture for production of home video cassettes has been established by Memorex and Bell & Howell Company.

Memorex technology protects customer investment



Memorex manufactures the read/write heads as well as the high-density media used in the Compaq 3652 new 3652 double-capacity disk subsystem.

Large Storage Systems

The new 3770 disc cache enhances system performance by holding the most recently used data in a cache memory for ready access. Memorex was the first company to introduce disc cache to the industry. ▶



Memorex 3650 disc drives were installed in National Airline's data center in Miami, Florida, to support that carrier's worldwide operations. ▶



Memorex addresses virtually all facets of data storage management with a full range of high-quality products and services, taking a systems approach to the customer's total needs. With an extensive market basket of disc drives, tape drives, memories and software, Memorex can tailor an installation to meet the customer's precise requirements for capacity, performance, future expansion, and cost over life. The Company's objective is to develop products and features which, rather than obsoleting existing equipment in the field, will enhance it and protect the customer's investment.

Memorex has a totally integrated manufacturing program capable of producing the media, read/write heads, and electronics for its disc drives.

James Simpson, President, Large Storage Systems Group (center), visiting 3652 testing area with James F. Ferenz, William S. Brown, Johan Willems, and Dennis Moynahan.

Gordon Smith, Vice President, Marketing, Large Storage Systems Group (left), confers with William Lee, Project Manager of Southern Pacific Communications Corporation, in the Memorex Guest Relations Center.

Enhancements for removable media storage

Memorex has the most complete line of disc drives, both with removable and "fixed" media, of any independent manufacturer.

For the Company's 3670 disc drive, which uses a removable disc pack for flexible long-term storage, ingenious enhancements have improved performance, access time, and product life:

- The 3675 double-density drive, upgradeable in the field, increased capacity from 100 to 200 megabytes per spindle.
- The new, exclusive Intelligent Dual Interface (IDI) significantly improves throughput of the 3670 subsystem by allowing two storage control units to access two individual disc drive spindles simultaneously.

Memorex manufactures the most critical components of the Head/Disc Assembly (HDA), including recording discs and read/write heads. Shown here is a cut-away version of the 3652 HDA, which stores 635 megabytes of data in a sealed environment.



- The Memorex 3770 disc cache incorporates a microprocessor and advanced semiconductor memory to improve system throughput by holding a portion of the most recently used data in a fast-access cache memory. This can reduce seek time and data transfer rates for maximum customer value.

The Memorex 3640 disc storage subsystem combines the precision of Winchester technology with the flexibility of removable media, using 35- or 70-megabyte data modules. This unit is designed to operate with System/370, System/3, and 4331 computers.

"Fixed" media for on-line storage capacity

Memorex's experience in both media and equipment provides added advantages in the Company's disc storage subsystems that use "fixed" media. To further enhance performance capabilities of the Memorex Head/Disc Assembly (HDA), the Company invested heavily

in new manufacturing and testing equipment. Memorex installed a laser-controlled servo writer for precision track recording, a single-disc certifier for improved quality and reliability, and a 14,000 square-foot class-100 clean room for assembly of HDA parts into their enclosed environment.

The 317.5-megabyte 3650 disc subsystem has shown outstanding performance in customer installations around the world. Additional customer value has been provided by a series of enhancements:

The Memorex 3674, a microprogrammed storage control unit, provides electronic interfacing between a central processing unit and a string of Memorex disc drives.



Memorex's 3220 tape subsystem supports the growing financial services of the Bank of Tokyo.



- The double-density 635-megabyte 3652 disc subsystem provides twice the fixed-head capacity and twice the data access speed of equivalent existing large storage devices. Strings of 3652 drives and controllers have been installed at customer sites worldwide and have demonstrated superior performance.
- The Intelligent Dual Interface (IDI) is a standard option on the 3652 and can be added to existing 3650 customer installations, adding data reliability and extending product life.

Another of Memorex's disc subsystems offering "fixed" media is the 3644 disc storage subsystem, which provides up to 280 megabytes of data storage.

Advantages of both removable and "fixed" media under one controller

The Memorex 3674 storage control unit provides the electronic interface between the central processing unit and the disc subsystem. A microprocessor-based unit, the 3674 is capable of interfacing with all Memorex disc drive subsystems. This gives users the flexibility to achieve optimum combinations built on existing customer investments.

High performance in tape subsystems

Superior quality in magnetic tape subsystems is offered in the Memorex 3220 series of drives and controllers. The high-technology drives provide standard densities of 1600 and 6250 bits per inch (BPI), speeds of up to 200 inches per second, and data transfer rates of up to 1250 kilobytes per second. Further extending the performance range of this series are key enhancements:

- An exclusive Tape Maintenance Monitor identifies worn or defective tape so the data can be transferred to another tape before it is lost.
- A new, exclusive feature on the model 3221 tape controller allows it to address up to 16 tape drives—double the capability of any competitive product. This is another example of advanced Memorex technology that is protecting and enhancing customer investments.

Memorex technology protects customer investment



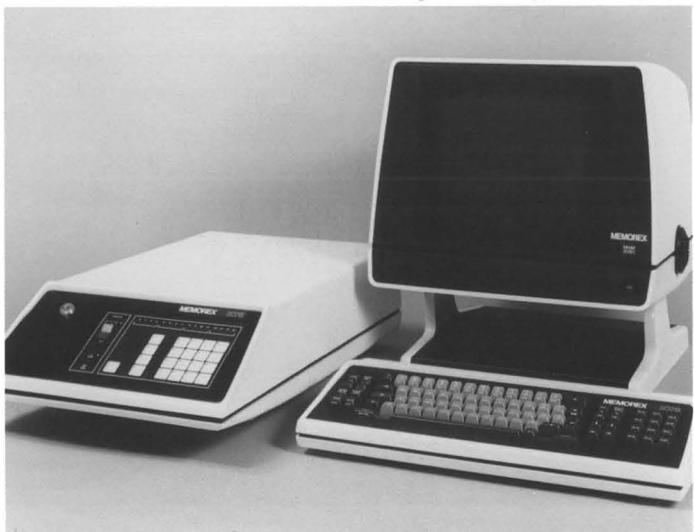
To extend the life of the Memorex 1270 communications controller, Memorex uses microprocessor technology in its new Intelligent Line Adapter.

Communications

Memorex's programmable 1380 communications controller was installed at Ford Motor Company in Dearborn, Michigan, to handle data communications between remote computer terminals and the central processing unit. ▶



The 2076 remote cluster controller and the 2078 display station, the first two products in Memorex's new-generation terminal information system, are smaller and lighter than any comparable products on the market today, offering significant space savings and energy efficiency. ▶



Memorex is one of the few companies manufacturing data communications products for both ends of the transmission line, providing front-end processors, as well as terminal controllers, display stations, printers, and compatible transmission control unit software. Memorex introduced new product enhancements to further improve the performance and lifespan of customer installations.

Enhancements for front-end controllers

More cost-effective than any other hard-wired communications controller, the Memorex 1270 supports a wide variety of synchronous and asynchronous terminals, line types, modems, operating systems, and software. Memorex has continually developed enhancements for this popular unit, extending customer value every year.

Intelligence has now been added to the 1270 with the ILA (Intelligent Line Adapter), a microprocessor-based component that provides system flexibility.

The Memorex 1380 communications processor is a programmable communications controller that uses intelligence in emulation mode, performing control and monitoring functions without demanding host

CPU time and storage. New software applications further enhance its performance and versatility.

Unmatched performance advantages in terminal systems

The Memorex 1377 display station is evolving to a broader work station role in conjunction with the 2089 line printer and the 1371/72 controllers. A microprocessor in the 1377 permits flexibility for future additions and enhancements.

Memorex 1371 remote and 1372 local controllers connect the Company's 1377 display stations and 2089 line printers to a host computer or communications link, providing a cost-effective terminal information system. Handling as many as 32 display stations and/or printers, the Memorex 1371 and 1372 controllers offer many performance advantages over competition.

Added line of terminal products

Geared to meet changing customer needs, the new Memorex 2078 display station will be offered in four models ranging in screen capacity from 960 to 3440 characters. The Memorex 2076 remote cluster controller is equipped with intelligence to offer extended diagnostic capabilities and error recovery.

Richard W. Martin, President, Communications Group, discusses capabilities of a Memorex terminal information system, comprised of a 1377 display station, a 2089 printer, and controller.

Memorex technology protects customer investment



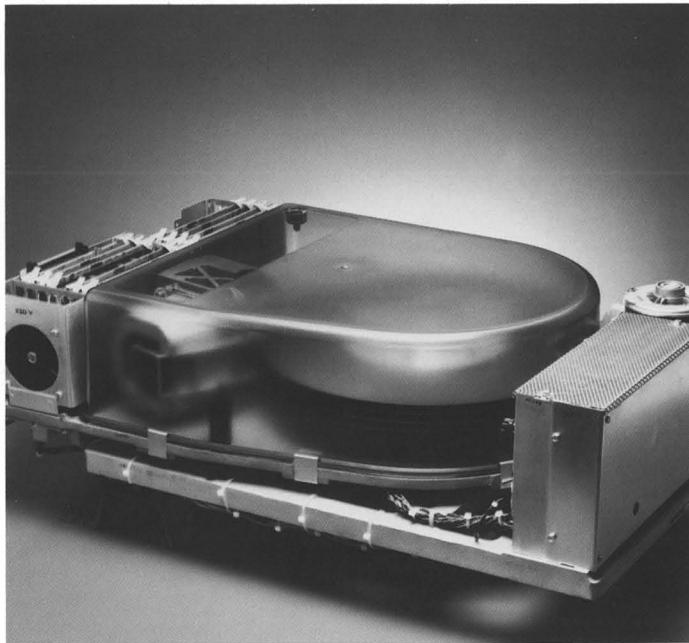
The Company's expertise in both media and equipment provides added value in the new Memorex 101 8-inch rigid disc drive.

General Systems

Memorex's Super/3 package of software and hardware enhances the value of the System/3 by giving it on-line functions. The total Super/3 package can include disc and/or tape storage units, printers, video display stations, and software. ▶



The high-performance Memorex 601 disc drive, designed for OEM application, offers a data storage capacity of 25, 50, or 75 megabytes. ▶



A.K. Plant, President, General Systems Group, with Wanda Brown, reviewing 677 disc drive manufacturing.

Memorex's general systems operations serve customers in two major ways—direct sale of many products to end users, and sale of disc drives to manufacturers who in turn provide them as part of their systems for end users.

Quality rigid and flexible disc drives for the OEM market

Memorex products for original equipment manufacturers (OEMs) include a wide range of disc storage units, from the smallest 250-kilobyte 651 flexible disc drive to the 200-megabyte 677 rigid disc drive.

The 677, offered in both 100- and 200-megabyte capacities, is a compact, field-proven, removable-media unit that continues to receive excellent customer acceptance. The mechanical and electrical characteristics of the 677 can be tailored to match control unit/drive interface specifications of various customers. The 677 is considered by many to be the quality standard of its type.

Also demonstrating high reliability in the field is the 601 drive, storing 25 to 75 megabytes of data on four discs in its Memorex Head/Disc Assembly. Memorex expanded its line of Winchester-technology storage units

with introduction of the 612, storing up to 84 megabytes on four fixed discs.

In 1979 Memorex introduced the first in a planned family of 8-inch rigid disc drive products. The Memorex 101 rigid disc drive holds more than seven times the capacity of the largest flexible disc drive, yet occupies the same space. The model 101 drive features 11.7 megabytes of storage capacity on two 8-inch discs.

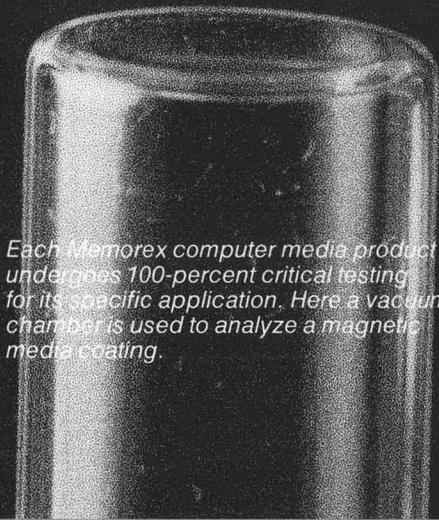
Business systems enhanced for broader market coverage

Memorex provides a broad line of information storage and communications products for small systems end users.

For the widely used System/3, Memorex offers enhanced customer value with an equipment package that includes disc and/or tape drives, display stations, printers, and the CPU. A major additional Memorex enhancement is a software package that permits on-line operation. Labeled Super/3, this ingenious display systems package of software and electronics provides features and functions enabling customers to "grow" within their current System/3 instead of making a costly investment in a new system.

Manufacturing progress on the Eight-inch Disc Drive Program is discussed by Walter B. Kurgas, Vice President of Domestic Operations for that program (right); and Dr. John C. Scott, President, Memorex Mini Disc Drive Corporation, and a Memorex Fellow.

Memorex technology protects customer investment



Each Memorex computer media product undergoes 100-percent critical testing for its specific application. Here a vacuum chamber is used to analyze a magnetic media coating.



Computer Media

Memorex Cubic HD computer tape features a proprietary oxide and binder system as well as a 20 percent thicker basefilm for superior performance.



The Company's Precision Plastics Division manufactures a wide range of computer media components from the unique SuperReel to revolutionary cover sets for front-load and top-load single-disc cartridges.



Memorex enlarged its rigid disc manufacturing capabilities with expanded facilities at Fullerton, California.



Memorex is a leading supplier of computer media, including a full line of tapes, discs, and word processing supplies.

Major investments in rigid disc technology

Memorex offers one of the most complete families of high-quality 14-inch high-performance disc packs, data modules, and cartridges in the industry, ranging in capacity from 3 to 300 megabytes.

Memorex continues to provide disc product enhancements that further improve the performance of customer computer system investments.

Computer tape enhancements that improve system performance

With two decades of experience in computer tape, Memorex emphasizes product enhancements that give the customer's installation still greater reliability and value. These include:

- The new Cubic HD computer tape developed specifically for today's high-performance tape drives.
- The unique GEO-XL computer tape, designed to record geoseismic data in oil exploration.

- The Memorex SuperReel, which houses all Memorex computer tapes, is specifically designed for today's advanced tape drives.

Flexible discs designed for a wide range of applications

With additions to the high-quality family of Markette flexible disc products, Memorex now offers one of the most extensive lines of flexible discs in the industry. All are 100-percent tested and guaranteed error-free.

Enhanced products for word processing market

Memorex offers a growing line of word processing supplies, including magnetic cards, dictation cassettes, typewriter and daisy wheel printer ribbons, typewriter correction fluids in a variety of colors, toners and developers for copier machines, and a full line of word processing and digital cassettes.

Extended capabilities in precision plastics

Memorex designs and manufactures most of the plastic components and accessories used to package the Company's computer media products, and in 1979 added the capability of molding components in structural foam.

Jack H. King, President, Computer Media Group (left), analyzes results from new 8-inch rigid disc lathing machine with William P. Sousa.

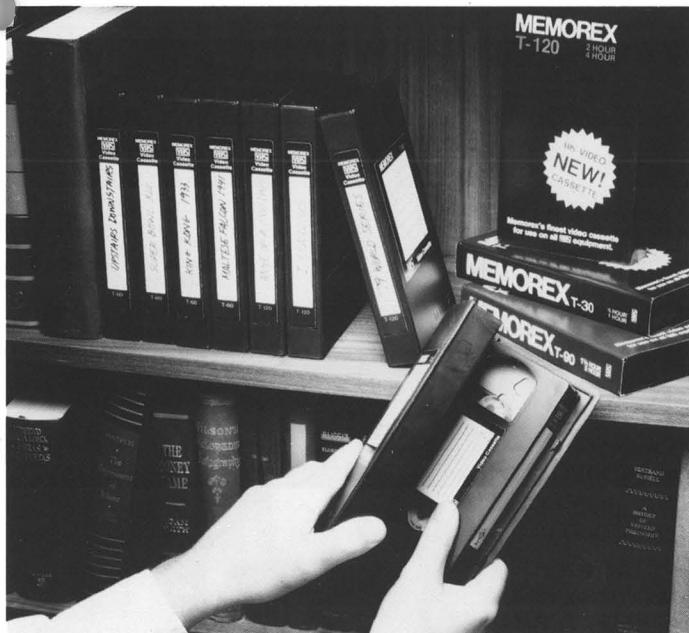
Memorex technology protects customer investment

In consumer products manufacturing, large rolls of magnetic tape enter a high-speed slitter for precision cutting prior to winding onto audio cassettes.



Consumer Products

Memorex's quality brand recognition in consumer audio tape products has positioned the Company well to serve the escalating home video market.



Housed in a convenient new album, Memorex High Bias audio tape has an extremely low noise level and improved high-frequency output, meeting the demands of the most critical audiophile.



Memorex provides an expanding line of high-quality audio and video tape products and accessories for consumer, educational, and industrial markets.

Expanded audio tape line

Memorex continued to build on its audio tape leadership position by introducing the new HIGH BIAS cassette tape, which utilizes an advanced ferrite crystal oxide formulation. This proprietary coating provides unsurpassed sound reproduction when the tape is used at the high bias (Chrome/CrO₂) setting on a recorder.

Substantial investments were also made in audio tape manufacturing, as the Company's new facility near Dublin, Ireland, began tape slitting and packaging operations for the growing European consumer market.

MRX₃ cassette tape continued its record of success, substantially increasing its business and solidifying its position as America's best-selling line of cassette tape.

Memorex cartridges for 8-track recording, available in 45-, 60-, and 90-minute lengths, are the best-selling brand of 8-track cartridges on the market today.

Memorex also offers a full line of record and tape care products.

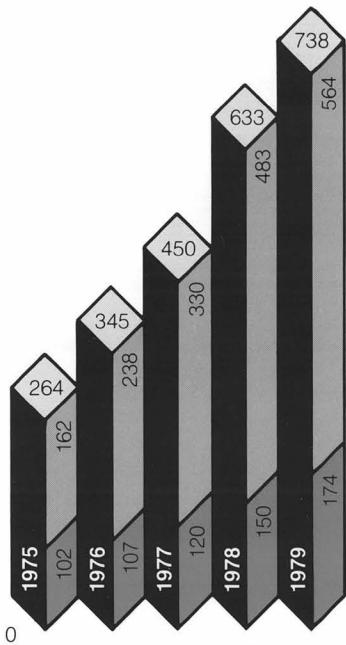
Magnetic tape expertise carried into home video

In addition to the Company's established professional video products, Memorex began marketing its new half-inch VHS home video recording cassettes, addressing the emerging home video marketplace. Now in full national distribution, this new home video cassette utilizes the Company's proven tape manufacturing technology as well as its established channels of consumer distribution. The Memorex VHS video cassette offers higher chroma output, increased durability, longer head life for better machine performance, and greater reliability through precision-engineered plastics. The result is brilliant, lifelike colors, excellent picture clarity and stability, and optimum picture and sound performance after repeated recording and playback. Memorex has established a joint venture with Bell & Howell Company for assembly and packaging of home video cassettes.

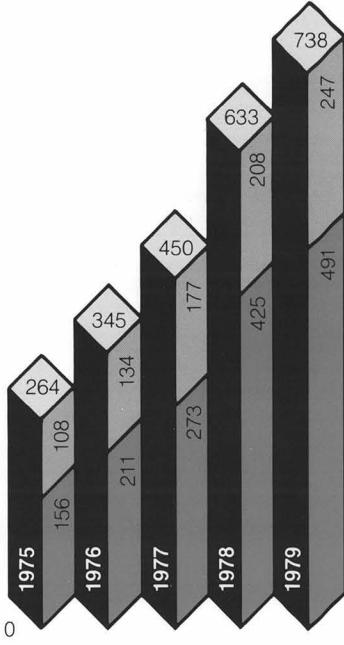
Theodore J. Cutler, President, Consumer Products Group (right), discusses new audio cassette-loading machine with Michael D. Thomas.

Financial Review

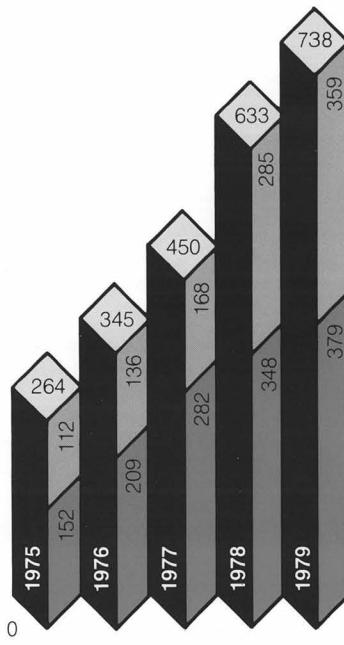
Revenues: Sales and Rental and Service
Millions of Dollars



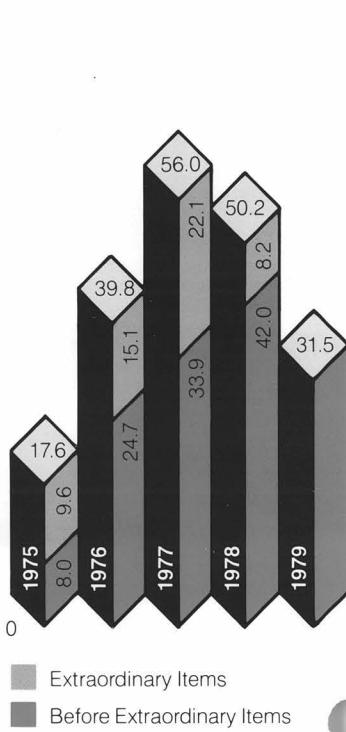
Revenues: Major Products Group
Millions of Dollars



Revenues: Domestic and International
Millions of Dollars



Net Income
Millions of Dollars



Overview

Although revenues continued to increase in 1979, income before extraordinary credit was 25 percent lower than the comparable figure in 1978.

Revenues

Revenues from sales, rental and service were \$738 million, an increase of 17 percent over 1978. Year-to-year, the growth was broadly based in all product areas. Geographically, the greatest growth was in international revenues, which increased 26 percent, and comprised 49 percent of total revenue. Revenue increased from both sales and from rental and service.

Results of Operations

Net income was \$31.5 million compared to \$42.0 million income before extraordinary credit in 1978. There were no extraordinary credits in 1979.

Full diluted income per common share before extraordinary credit was \$3.91, a decrease of 31 percent from the comparable figure in 1978. The percentage decrease in per share earnings was greater than for total earnings due to the larger average number of outstanding common shares and equivalents in 1979 as a result of the public offering in August 1978.

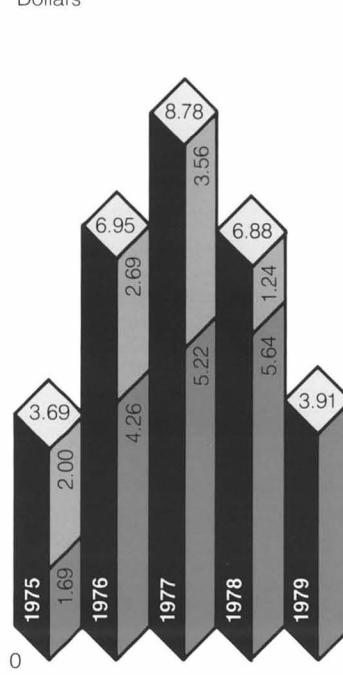
The lower earnings were due to pricing pressures and other competitive factors; difficulties associated with production of certain products which increased costs and constrained product availability; softness in domestic orders; increased inventory costs and inflationary cost increases. The Company is taking actions to address all of these matters.

Asset Management

Inventories increased by \$40 million to support increased revenue and introduction of new products. The rise in inventories tapered off during the year. Despite record fourth quarter revenues, inventories remained approximately the same as in the third quarter. Accounts receivable increased by \$33 million during the year.

Major investments included \$38 million in additions to property, plant and equipment. In addition to these increases in assets for future benefits, research and development expense increased by 20 percent to more than \$28 million—another commitment to future growth.

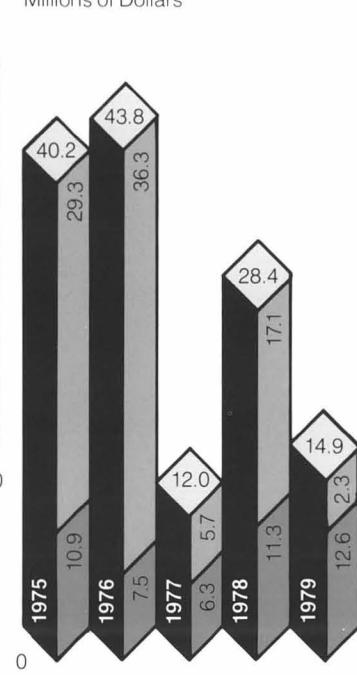
**Net Income
per Share**
Dollars



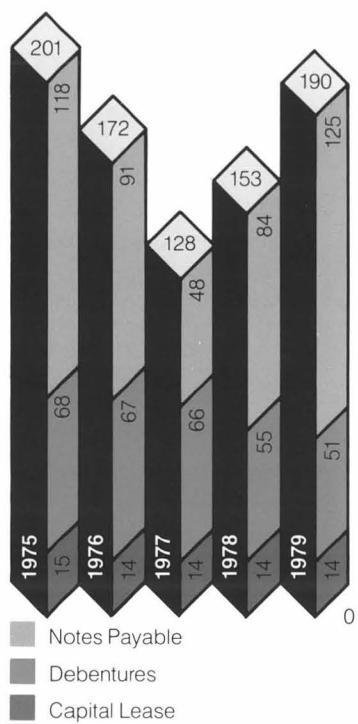
**Common
Shareholders' Equity**
Millions of Dollars



**Cash and Temporary
Investments**
Millions of Dollars



Total Debt
Millions of Dollars



Financial Position

Common shareholders' equity increased by 24 percent from \$141 million to \$175 million.

Total debt, including notes payable, industrial development revenue bonds, convertible subordinated debentures, and capital lease obligation, was \$190 million at the end of 1979 compared to \$153 million at the end of 1978.

Early in 1979 Memorex entered into an \$80 million revolving credit/term loan agreement with a group of nine banks. By the end of the year \$47 million had been utilized, and the remainder is available for future use. The Company also entered into a \$6 million loan agreement (industrial development revenue bonds) with the City of Eau Claire, Wisconsin, to cover costs associated with constructing and equipping the Eau Claire plant.

Retained earnings improved by 67 percent from \$43 million at the end of 1978 to \$72 million at the end of 1979. Required debt service as a percent of revenue decreased from 6.5 to 4.1 percent.

Summary

During 1979 Memorex markets continued to be strong, although many were affected by extreme pricing pressures that lowered profitability, particularly in the equipment areas. This meant that in some important product areas the Company was unable to pass on cost increases. Recent actions by the Company's major competitors would indicate that pricing pressures may be moderating, allowing room for price improvements. Memorex enters the 1980s with a broad base of human and material resources to generate future profitable growth.

Consolidated Statements of Income

For the Years Ended December 28, 1979 and December 29, 1978

	1979	1978		
	<i>Thousands</i>			
Revenues				
Sales	\$563,404	\$483,370		
Rental and Service	174,357	149,896		
Total Revenues	737,761	633,266		
Costs and Expenses				
Cost of Sales	352,282	287,420		
Cost of Rental and Service	122,713	96,769		
Selling, General and Administrative	175,908	146,280		
Research and Development	28,345	23,619		
Interest Expense	16,176	13,640		
Other Income and Expense, Net	(6,951)	(6,787)		
Total Costs and Expenses	688,473	560,941		
Income Before Income Taxes and Extraordinary Credit	49,288	72,325		
Provision for Income Taxes	17,744	30,377		
Income Before Extraordinary Credit	31,544	41,948		
Extraordinary Credit—				
Income Tax Benefit from Utilizing Loss Carryforwards	8,249			
Net Income	\$ 31,544	\$ 50,197		
	Primary	Fully Diluted	Primary	Fully Diluted
Income Per Common Share				
Before Extraordinary Credit	\$3.91	\$3.91	\$5.65	\$5.64
Net Income	\$3.91	\$3.91	\$6.90	\$6.88
Proforma Income Per Common Share —Assuming preferred dividends had been payable at the maximum rate scheduled to be paid after 1980:				
Before Extraordinary Credit	\$3.73	\$3.73	\$5.45	\$5.44
Net Income	\$3.73	\$3.73	\$6.70	\$6.68
Common Shares and Equivalents (Thousands)	7,578	7,582	7,198	7,220

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 28, 1979 and December 29, 1978

	1979	1978
	<i>Thousands</i>	
Assets		
Current Assets:		
Cash and Temporary Investments, at cost of \$2,322 and \$17,082 which approximates market	\$ 14,940	\$ 28,372
Accounts Receivable, less allowance for doubtful accounts of \$4,205 and \$3,619	145,076	112,009
Inventories	184,130	143,879
Prepads and Other	6,146	4,013
Total Current Assets	350,292	288,273
Rental Equipment and Spare Parts, at cost less accumulated depreciation	110,172	91,979
Property, Plant and Equipment, at cost less accumulated depreciation and amortization	114,478	91,532
Other Assets	23,377	15,865
Total Assets	\$598,319	\$487,649
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current Portion of Long-Term Debt	\$ 17,352	\$ 11,543
Accounts Payable	66,419	45,385
Accrued Income Taxes	22,669	22,855
Accrued Liabilities	64,160	54,309
Total Current Liabilities	170,600	134,092
Long-Term Debt	172,160	140,972
Deferred Income Taxes	14,260	5,408
Redeemable Preferred Stocks—1,000,000 Shares Authorized:		
Series A—159,639 Shares Outstanding	15,964	15,964
Series B—499,490 Shares Outstanding	49,949	49,949
Total Redeemable Preferred Stocks	65,913	65,913
Common Shareholders' Equity:		
Common Stock—Shares Authorized 30,000,000 in 1979 and 10,000,000 in 1978; 7,211,346 and 7,030,969 Outstanding (net of 78,804 Treasury Shares)	7,211	7,031
Additional Capital	96,375	91,021
Retained Earnings	71,800	43,212
Total Common Shareholders' Equity	175,386	141,264
Total Liabilities and Shareholders' Equity	\$598,319	\$487,649

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

For the Years Ended December 28, 1979 and December 29, 1978

	1979	1978
	<i>Thousands</i>	
Funds were provided by:		
Operations—		
Income before extraordinary credit	\$ 31,544	\$ 41,948
Items included in determining income but not requiring (providing) funds—		
Depreciation and amortization—		
Rental equipment and spare parts	32,017	27,813
Property, plant and equipment	14,155	11,982
Intangibles	635	392
Stock bonus plan	2,495	2,030
Deferred income taxes	8,852	10,290
Gain on purchase of subordinated debentures	(1,179)	(3,377)
Funds provided by operations before extraordinary credit	88,519	91,078
Extraordinary credit—Income tax benefit from utilizing loss carryforwards		8,249
Funds provided by operations after extraordinary credit	88,519	99,327
Long-term borrowings	52,557	50,000
Debt related to acquisition		12,115
Dispositions of property, plant and equipment	648	1,522
Common stock:		
Public offering		36,444
Exercise of warrants		5,114
Employee benefit plans	3,039	4,120
Total Funds Provided	144,763	208,642
Funds were used for:		
Net additions to rental equipment and spare parts (includes		
\$10,670 in 1978 related to acquisition)	50,210	55,348
Additions to property, plant and equipment	37,749	31,993
Long-term debt becoming current	17,193	31,329
Purchase of convertible subordinated debentures, net	2,997	7,558
Additions of other assets (includes \$5,177		
in 1978 related to acquisition)	8,147	7,516
Dividends on preferred stock	2,956	2,798
Total Funds Used	119,252	136,542
Increase in Working Capital	\$ 25,511	\$ 72,100
Increase (decrease) in working capital by component:		
Cash and temporary investments	\$ (13,432)	\$ 16,351
Accounts receivable	33,067	35,920
Inventories	40,251	58,564
Prepays and other	2,133	(1,709)
Current portion of long-term debt	(5,809)	(4,793)
Accounts payable	(21,034)	(15,290)
Accrued income taxes	186	6,304
Accrued liabilities	(9,851)	(23,247)
Increase in Working Capital	\$ 25,511	\$ 72,100

See accompanying notes to consolidated financial statements.

Consolidated Statements of Common Shareholders' Equity

For the Years Ended December 28, 1979 and December 29, 1978

	Common Stock Shares	Common Stock Amount	Additional Capital	Retained Earnings (Deficit)	Total
Balance, January 1, 1978	5,513	\$ 5,513	\$ 44,831	\$ (4,187)	\$ 46,157
Net Income for 1978				50,197	50,197
Issuance of stock:					
Public offering	750	750	35,694		36,444
Warrant exercise	520	520	4,594		5,114
For employee benefit plans	248	248	5,902		6,150
Dividends on preferred stock				(2,798)	(2,798)
Balance, December 29, 1978	7,031	7,031	91,021	43,212	141,264
Net Income for 1979				31,544	31,544
Issuance of stock for employee benefit plans	180	180	5,354		5,534
Dividends on preferred stock				(2,956)	(2,956)
Balance, December 28, 1979	7,211	\$ 7,211	\$ 96,375	\$ 71,800	\$175,386

See accompanying notes to consolidated financial statements.

Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include Memorex Corporation and its subsidiaries. Significant intercompany transactions have been eliminated. Investments in Memorex Finance Company and in various joint ventures generally operating as suppliers to the Company and others are accounted for using the equity method. The aggregate of such investments and the Company's equity in the investees' earnings for 1978 and 1979 are not material in relation to the consolidated financial statements.

The 1978 consolidated statements have been reclassified to conform with the 1979 presentation.

Revenue Recognition

Revenue is recognized in accordance with the following methods:

- At the time of delivery or installation if products are sold to customers or third-party financing institutions;
- At the time of delivery or installation if under a lease transaction which qualifies as a sales-type lease; and,
- Ratably over the term of the contract for maintenance services and operating leases.

Inventories, Rental Equipment and Spare Parts

Inventories, rental equipment and spare parts are valued at the lower of standard cost (adjusted as required to approximate actual cost on a first-in, first-out basis) or market.

Depreciation and Amortization

Depreciation and amortization of property, plant and equipment and amortization of intangibles are computed using the straight-line method. Rental equipment and spare parts are depreciated using accelerated methods. Estimated economic lives and amortization periods are as follows: buildings and improvements—15 to 33 years; capital lease—30 years; manufacturing equipment, furniture and fixtures—3 to 10 years; rental equipment and spare parts—4 to 7 years; and intangibles arising from business acquisitions—5 to 30 years.

Income Taxes

U.S. income taxes are not provided on the undistributed earnings of foreign subsidiaries or the Company's DISC subsidiaries since it is the Company's intention to indefinitely reinvest these earnings in foreign operations or qualified export assets. Investment tax credits are accounted for as reductions of the provision for income taxes on the "flow-through" method.

Pension Costs

Pension costs charged against operations include normal costs and amortization of prior service costs over thirty years. Pension costs are funded as accrued.

Income Per Common Share

Income per share amounts are computed by dividing income, adjusted to eliminate preferred stock dividends and interest on convertible subordinated debentures (net of income taxes), by the weighted average number of common shares outstanding plus common stock equivalents resulting from stock options, warrants and convertible subordinated debentures.

Leasing Activities

The Company earns a significant portion of its revenues through leasing activities. Most leases with end users take the form of either fixed-term leases (some of which are sales-type leases), under which the lessee is obligated to make payments over a term of generally 36 months or more, or cancellable leases, under which the lessee may terminate the lease upon relatively short notice. Most domestic leases are cancellable leases and most international leases are fixed-term. All leases included in the Company's lease base are treated as operating leases, under which rental revenues are recorded as earned.

Third-Party Transactions

The Company sells or assigns a significant portion of its rental equipment and related lease agreements to unrelated third-party financing institutions ("Third-Parties"). Such transactions qualify as sales for accounting purposes and aggregated \$134,000,000 and \$130,000,000 in 1979 and 1978, respectively. Transactions with one of these "Third-Parties," Lease Financing Corporation, accounted for approximately \$52,000,000 and \$74,000,000 of 1979 and 1978 sales, respectively. The arrangements between the Company and these "Third-Parties" vary due to lease terms, availability of funds, and other factors. Under fixed-term leases the Company generally receives an amount equal to the present value of the aggregate future rentals, agrees to perform maintenance for which it receives its normal charges and, in some cases, performs certain lease administration services. There is usually no remarketing obligation and, when there is, the Company is entitled to recover its costs. Under cancellable leases, the Company typically receives an amount equal to a multiple of the monthly rentals and agrees to perform certain services and obligations with respect to the equipment and related leases, such as general lease administration, invoicing and collection of rentals, maintenance of the equipment, payment of insurance and personal property taxes, and remarketing of equipment which comes off lease. For these services and obligations, the Company generally receives its normal maintenance charges and a remarketing and administration fee.

Virtually all of the agreements with "Third-Parties" provide the Company with residual rights in revenues derived from the equipment after the "Third-Parties" have received a designated return. In most transactions the Company receives a percentage of residual revenues ranging from 65% to 100%. The Company began to receive residual revenues in 1978 from some of the earlier "Third-Party" transactions. These revenues are reflected in results of operations as they are realized.

Inventories

Inventories, net of allowances for obsolescence and excess stock of approximately \$6,900,000 and \$7,700,000 as of December 28, 1979 and December 29, 1978, respectively, are as follows:

	1979	1978
	Thousands	Thousands
Raw materials	\$ 60,079	\$ 41,728
Work in progress	53,155	43,440
Finished goods	70,896	58,711
Total	\$184,130	\$143,879

Inventories include amounts which ultimately may be capitalized as rental equipment and spare parts.

Rental Equipment and Spare Parts

Rental equipment and spare parts as of December 28, 1979 and December 29, 1978 are as follows:

	1979	1978
	Thousands	Thousands
Cost:		
Rental equipment:		
Computer peripheral equipment	\$148,865	\$144,243
Disc packs	14,150	15,742
Spare parts	47,649	32,950
Total	210,664	192,935
Accumulated depreciation:		
Rental equipment:		
Computer peripheral equipment	73,567	80,001
Disc packs	9,917	10,043
Spare parts	17,008	10,912
Total	100,492	100,956
Net	\$110,172	\$ 91,979

Rental equipment includes equipment installed in and used by various Memorex facilities in the amount of \$9,200,000 and \$7,432,000 as of December 28, 1979 and December 29, 1978, respectively; accumulated depreciation for this equipment was \$4,475,000 and \$3,668,000, respectively.

Certain classes of rental products are fully depreciated but generally continue to produce revenues. The original cost of these classes of products included above was approximately \$22,300,000 and \$36,600,000 as of December 28, 1979 and December 29, 1978, respectively. During 1979 and 1978, respectively, \$10,800,000 and \$3,100,000 of fully depreciated products which no longer have economic value were removed from the accounts.

Net additions to rental equipment and spare parts presented in the Consolidated Statements of Changes in Financial Position represent the excess of additions at cost over the net book value of equipment sold and other dispositions. Other dispositions include retirement of fully depreciated products which no longer have economic value.

Property, Plant and Equipment

Property, plant and equipment as of December 28, 1979 and December 29, 1978 are as follows:

	1979	1978
	Thousands	Thousands
Land	\$ 8,928	\$ 6,446
Buildings and improvements	37,518	33,917
Capital lease	15,205	15,205
Equipment, furniture and fixtures	107,373	87,868
Construction in progress	15,740	6,539
Total	184,764	149,975
Less accumulated depreciation and amortization	70,286	58,443
Net	\$114,478	\$ 91,532

The net book value of assets under the capital lease (primarily manufacturing facilities) was \$11,488,000 and \$11,995,000 at December 28, 1979 and December 29, 1978, respectively.

In addition to property owned or occupied under the capital lease, the Company occupies certain other administrative, manufacturing and marketing facilities under non-capitalized lease agreements. Most of these non-capitalized leases contain renewal options and management expects that in the normal course of business the leases will either be renewed or replaced by other leases. Rental expense was approximately \$14,100,000 in 1979 and \$9,800,000 in 1978.

Minimum rental commitments under non-capitalized leases as of December 28, 1979 are as follows:

Year Ending December:	Thousands
1980	\$ 10,540
1981	7,569
1982	4,261
1983	2,917
1984	2,393
Thereafter	29,199
Total	\$ 56,879

Business Acquisition

In January 1978, the Company acquired the European marketing and service operations of Telex Computer Products, Inc. and its operations have been consolidated with the results of the Company since January 1, 1978.

Other Assets

Other assets as of December 28, 1979 and December 29, 1978 are as follows:

	1979	1978
	Thousands	Thousands
Intangibles arising from business acquisitions, net	\$ 4,629	\$ 4,977
Investment in sales-type leases, non-current	6,609	3,921
Trade receivables due after one year	2,700	2,130
Investments in affiliates	4,103	656
Other	5,336	4,181
Total	\$23,377	\$15,865

Long-Term Debt

Long-term debt consists of the following:

	December 28, 1979		December 29, 1978	
	Current Portion	Non-Current Portion	Current Portion	Non-Current Portion
Thousands				
Notes Payable—Banks	\$ 13,122	\$ 46,557	\$ 4,341	\$ 15,000
Notes Payable—Others	4,039	5,102	7,028	7,103
9 3/4% Notes, Due 1990	—	50,000	—	50,000
7 5/8% Industrial Development Revenue Bonds	—	6,000	—	—
5 1/4% Convertible Subordinated Debentures Due 1990	—	50,576	—	54,752
Capital Lease Obligation	191	13,925	174	14,117
Total	\$ 17,352	\$172,160	\$ 11,543	\$140,972

Annual maturities of long-term debt as of December 28, 1979 are: 1980—\$17,352,000, 1981—\$7,434,000, 1982—\$17,744,000, 1983—\$16,499,000, 1984—\$22,051,000, thereafter—\$108,432,000. Approximately \$23,475,000 of the Notes Payable—Banks and Others was payable in currencies other than U.S. dollars.

Notes Payable—Banks comprises: \$46,533,000 under the Company's revolving credit/term loan agreement described below; \$8,809,000 (interest rates range from 6% to 19%) under a \$15,000,000 credit agreement with Bank of America which expires on December 31, 1980 unless renewed by the bank and which replaces a previous credit agreement with the bank; and, \$4,337,000 (interest rates range from 5% to 19%) payable to various foreign banks.

On January 11, 1979, the Company entered into an \$80,000,000 revolving credit/term loan agreement with a group of nine banks with Bank of America as agent. The agreement provides for borrowings in the form of domestic dollar advances, Eurodollar loans, Eurocurrency loans and bankers' acceptances; up to \$40,000,000 of the \$80,000,000 is available for domestic dollar borrowings. The revolving period expires on December 31, 1981 with an option to convert all or part of the facilities into a term loan repayable in eight equal semi-annual installments. Outstanding borrowings (interest rates range from 14% to 15%) of \$46,533,000 in the form of bankers' acceptances

and Eurocurrency loans under this agreement have been classified as long-term as it is management's intention to convert such borrowings to term loans.

The revolving credit/term loan borrowing arrangements provide for: interest rates ranging from below the participating banks' prime rates to 10% above such rates depending on the type of borrowing; the Company maintaining average non-interest bearing demand deposits (not legally restricted) with participating banks in amounts equal to 10% of average domestic dollar advances; a commitment fee equal to 1/2% per annum of the average unused portion of the credit line; and, a facility fee equal to 7 1/2% of the bank prime rate times the domestic portion of the credit line (\$40,000,000). At the Company's option, a portion of the facility fee requirement may be satisfied in cash or by maintaining certain levels of non-interest bearing demand deposits. At December 28, 1979 and during the year then ended, essentially no non-interest bearing bank deposits were required to support borrowings under this agreement.

Notes Payable—Others includes \$4,776,000 in 6% notes payable in quarterly installments to Telex Computer Products, Inc. in connection with the Company's acquisition of certain of their European operations in 1978 and \$4,365,000 payable in varying installments to several domestic and foreign non-bank creditors.

The 9 3/4% Notes, Due 1990 were issued during 1978 to The Prudential Insurance Company of America and The Equitable Life Assurance Society of the United States. The principal amount of the notes is repayable in annual installments of \$4,500,000 commencing in 1981 with the balance of \$9,500,000 due in 1990.

The 5 1/4% Convertible Subordinated Debentures are convertible into shares of common stock at \$142.50 per share. The debentures were issued for an original principal amount of \$75,000,000 repayable in annual sinking fund payments of \$6,000,000 commencing in 1980 with the balance of \$15,000,000 payable in 1990. Debenture purchases can be used to satisfy sinking fund requirements and aggregated \$24,424,000 through December 28, 1979.

On June 29, 1979, the Company entered into a 7 5/8% \$6,000,000 secured loan agreement (industrial development revenue bonds) with the City of Eau Claire, Wisconsin to cover costs associated with constructing and equipping its plant in Eau Claire. The principal is repayable at the rate of \$600,000 per annum commencing in 1985.

The capital lease obligation extends through the year 2002. The obligation requires monthly rentals of approximately \$125,000 and, discounted at 9.3%, had a present value of \$14,116,000 at December 28, 1979.

Under certain of the above agreements, the Company has agreed to certain financial and other covenants including covenants relating to the maintenance of working capital, the incurrence of additional debt and the payment of cash dividends on common stock.

Redeemable Preferred Stocks

As of December 28, 1979 and December 29, 1978, 1,000,000 shares of Series A and B \$100 par value (\$100 liquidation and redemption value) and 1,500,000 shares of no par preferred stock were authorized. Shares of Series A and B preferred stock were issued to senior lenders, principally Bank of America, under terms of loan agreements. The Board of Directors is authorized to determine rights, preferences and terms of the no par preferred stock. No shares of the no par preferred stock have been issued.

The Series A has terms which provide for: cumulative annual dividends at \$5 per share in 1978, \$6 per share in 1979 and 1980 and \$8 per share thereafter; sinking fund payments during 1983-1987 in equal annual amounts; and, a liquidation preference over any other issue of stock.

The Series B has terms which provide for: cumulative annual dividends at \$4 per share beginning in 1978 and increasing to \$6 per share in 1981; sinking fund payments during 1983-1992 in equal annual amounts; and, a liquidation preference over any other issue of stock except Series A preferred stock.

Early redemption of a portion of the preferred stock may be required if Memorex receives net proceeds in excess of \$1 million from the litigation against IBM.

Common Shareholders' Equity

Common Stock

In August 1978, the Company issued 750,000 shares of its common stock through a public offering. Concurrently, 519,536 shares of common stock were issued upon exercise of warrants to purchase common stock at \$10 per share. Net proceeds from the public offering and exercise of warrants aggregated \$41,558,000.

Shares reserved for possible future issuance are as follows:

	Number of Shares
Warrants issued at \$10 per share to senior lenders, expiring in 1989	347,924
Conversion of subordinated debentures	477,508
To employees under:	
Stock option plans	821,495
Common stock bonus plan (net of 139,000 shares accrued as if outstanding at December 28, 1979)	199,272
Total shares reserved	1,846,199

Retained Earnings

Under the most restrictive provisions of the Company's loan agreements, approximately \$21,000,000 of retained earnings was available for the payment of dividends on common stock at December 28, 1979.

Other Income and Expense, Net

Components of other income and expense (net) are as follows:

	1979	1978
	Thousands	
Interest income	\$ 2,588	\$ 1,580
Gain on repurchase of debentures	1,179	3,377
Sale of non-exclusive license	1,125	—
Gain on sale of stock investment	—	1,400
Foreign exchange adjustments, net	2,059	430
Total	\$ 6,951	\$ 6,787

Income Taxes

The provisions for income taxes are as follows:

	Federal	Foreign	State	Total
1979				
Currently payable	\$ —	\$ 10,685	\$ 1,666	\$ 12,351
Deferred	2,790	2,269	334	5,393
Provision for income taxes	\$ 2,790	\$ 12,954	\$ 2,000	\$ 17,744
1978				
Charge in lieu	\$ 5,943	\$ 2,306	\$ —	\$ 8,249
Currently payable	—	11,345	3,208	14,553
Deferred	6,581	994	—	7,575
Provision for income taxes	12,524	14,645	3,208	30,377
Loss carryforward benefits	5,943	2,306	—	8,249
Net provision for income taxes	\$ 6,581	\$ 12,339	\$ 3,208	\$ 22,128

For financial reporting purposes, the Company provides deferred income taxes for timing differences between financial accounting and income tax accounting. Principal timing differences relate to U.S. income taxes and arise from: 1) the use of an installment method of revenue recognition for income tax purposes, 2) the use of accelerated depreciation methods for income tax purposes, 3) intercompany profits which are taxed but have been eliminated in the consolidated income statement, and 4) inventory valuation allowances which are not yet deductible in tax returns. Investment tax credits in the amount of \$3,800,000 relating to 1979 acquisitions of qualifying property and equipment have been recognized for financial reporting purposes and the deferred tax liability has been correspondingly reduced. This amount will be restored to deferred taxes to the extent that the investment tax credits are realized on future income tax returns. For purposes of filing foreign income tax returns, certain subsidiaries of the Company have net operating loss carryforwards aggregating approximately \$7,000,000 as of December 28, 1979.

Undistributed earnings of foreign subsidiaries and the Company's DISC subsidiaries for which no U.S. income taxes have been provided aggregate approximately \$45,000,000 as of December 28, 1979.

Income tax expense for 1979 and 1978 at the Federal statutory rate is reconciled to the provision for income taxes for financial reporting purposes as follows:

	1979		1978	
	Amount	%	Amount	%
Thousands				
Computed tax on income before taxes and extraordinary credit at Federal statutory rate	\$22,672	46.0	\$34,716	48.0
Increase (reduction) in taxes resulting from:				
State taxes, net of Federal tax benefit	1,080	2.2	1,668	2.3
Foreign subsidiaries—rate differences and losses of subsidiaries	973	1.9	1,930	2.7
Undistributed earnings of Domestic International Sales Corporation	(2,914)	(5.9)	(2,880)	(4.0)
Investment tax credits	(3,800)	(7.7)	(6,000)	(8.3)
Other—net	(267)	(.5)	943	1.3
Provision for Income Taxes	\$17,744	36.0	\$30,377	42.0

Employee Benefit Plans

Stock Option Plans

The Company has four stock option plans: the 1973 Stock Option Plan, for "non-qualified" options; the 1974 Stock Option Plan, for "qualified" options; the 1976 Stock Option Plan, for either "qualified" or "non-qualified" options; and the 1979 Stock Option Plan, for "non-qualified" options. Under these plans, options may be granted to key employees to purchase up to 1,735,000 shares of common stock at 100% of market value on the date options are granted. The term of each option granted is determined by the Board of Directors and all options granted through December 28, 1979 expire either five or ten years from date of grant.

Stock option transactions under these plans and options assumed in an acquisition are summarized as follows:

	1979		1978	
	Price per Share	Number of Shares	Price per Share	Number of Shares
Outstanding, beginning of year	\$2.06-56.63	344,014	\$1.45-31.06	424,995
Exercised	2.75-31.06	(30,192)	2.06-31.06	(173,454)
Terminated	2.06-56.63	(49,048)	1.45-56.63	(50,527)
Non-qualified options granted	20.25-38.13	197,700	27.00-56.63	143,000
Outstanding, end of year	\$3.25-56.63	462,474	\$2.06-56.63	344,014
Exercisable		98,949		76,497
Available for grant		359,021		110,667

In December 1979, the Company granted certain employees the right to exchange certain outstanding options for new options to purchase an aggregate of 144,200 shares at a per share price of \$19.875.

Incentive Compensation Plans

The Company had an employment agreement with its President and Chief Executive Officer until December 31, 1979 and has incentive compensation and bonus plans for certain other employees. Incentive awards, which are charged to operations in the year earned, were approximately \$2,600,000 in 1979 and \$2,300,000 in 1978.

Pension Plan

The Company has a pension plan for the benefit of all eligible U.S. employees. Pension costs charged to 1979 and 1978 operations were approximately \$3,300,000 and \$2,500,000, respectively. On the basis of the most recent actuarial valuation of the pension plan, vested benefits were fully provided for and past service costs which have not been funded or otherwise provided for amounted to approximately \$5,600,000 and \$6,000,000 as of January 1, 1980 and 1979, respectively.

Common Stock Bonus Plan

Effective January 1, 1978, the Company adopted a common stock bonus plan (Employee Share Plan) for the benefit of all qualified U.S. employees. Amounts payable under the plan are based upon participating employees' earnings and depend upon consolidated income. Amounts charged against operations for 1979 and 1978 aggregated \$2,495,000 and \$2,030,000. These amounts are payable after year-end by the issuance to a trustee of common stock. In this connection, 139,000 and 69,000 shares are reported in the consolidated balance sheet as though they were outstanding at December 28, 1979 and December 29, 1978, respectively.

Financing Subsidiary

December 1978, the Company formed a subsidiary, Memorex Finance Company (MFC), which commenced active operations in 1979. The Company owns all of MFC's authorized and outstanding preferred stock (\$2,700,000) and owns 80,000 shares of MFC's common stock which it purchased for \$300,000. MFC employees own the remaining 15,000 shares of outstanding common stock and the Company has options to acquire these shares through 1985. An additional 5,000 shares is reserved for sale by MFC to key employees. The Company accounts for its investment in MFC under the equity method.

MFC was formed for the purpose of financing end-user equipment leases. These leases are either operating or finance type leases as defined by Financial Accounting Standard No. 13 and cover both Memorex and other equipment manufacturers' products which are packaged under a common lease. For domestic income tax purposes, the subsidiary is included in the Company's income tax returns; accordingly, the Company's income tax provision includes the tax effect relating to the subsidiary's results of operations. Summarized financial information of the subsidiary as of and for the year ended December 28, 1979 is as follows:

	<i>Thousands</i>
Assets	
Cash and Receivables	\$ 2,162
Investment in Sales-type Leases	874
Rental Equipment, net	1,576
Other	936
Total Assets	\$ 5,548
Liabilities	
Due to Memorex Corporation	\$ 264
Due to Financial Institutions (\$375,000 due within one year)	842
Other Liabilities	1,163
Total Liabilities	\$ 2,269
Shareholders' Equity	\$ 3,279
Operations	
Sales Revenue	\$13,242
Rental Revenue	1,132
Other	445
Total Revenue	\$14,819
Less Costs and Expenses	\$14,535
Income Before Income Taxes	\$ 284

Litigation

In 1973 the Company filed an action against IBM in the United States District Court for the Northern District of California alleging violation of the federal antitrust laws. At the trial the Company presented evidence of actual damages totaling \$333 million and sought to recover treble damages, its costs and attorneys' fees.

On July 5, 1978 the court declared a mistrial because the jury was unable to reach a verdict. On August 11, 1978 the court granted IBM's motion for a directed verdict, i.e., the court ruled that no reasonable jury could find in favor of Memorex on any of the substantive issues. The court also ruled that if its directed verdict in favor of IBM is overturned on appeal, Memorex will not be entitled upon retrial to a jury trial because of the complexity of the case. The Company has appealed the trial court's rulings to the United States Court of Appeals for the Ninth Circuit. The Company is unable to predict either when the appeal will be decided or, in the event of a reversal, when a new trial would begin.

The Company's costs incurred in the litigation have been expensed as incurred, and a final judgment adverse to the Company will not result in any writeoff of assets. The trial court judgment entitles IBM to recover its own court costs. The court has determined this amount to be approximately \$410,000, should final judgment be entered against the Company. Both the Company and IBM have agreed not to contest this amount.

In 1979 the Company and various other parties including its independent accountants were named as defendants in two purported class actions. The complaints allege violations of the federal securities laws and state securities and common laws in connection with a public offering of the Company's common stock in August 1978. The plaintiffs seek damages, including punitive damages in an unspecified amount or, in the alternative, rescission of the stock purchased in the offering. The Company believes both lawsuits are without merit and intends to defend them vigorously. In one of the cases, the court has granted the Company's motion to dismiss the complaint but has given the plaintiff an opportunity to amend it. Similar motions in the other case have not yet been heard by the court. Management is of the opinion that neither action will have a material adverse impact on operations or on the financial position of the Company.

Although there are other actions pending to which the Company is a party, management is of the opinion that such actions will not have a material adverse impact on operations or on the financial position of the Company.

Business Segments

The Company manufactures and markets computer peripheral equipment and media products which utilize magnetic coating technology for information storage. The principal markets for its products include users of data processing installations, manufacturers of data processing systems, broadcasters and educational users of videotape, home audio equipment users, and users of electronic word processing equipment. The Company's products are principally distributed by its own sales force and, to a lesser extent, through independent distributors. Operations are conducted worldwide and are grouped into three geographic areas: United States; Europe, Middle East and Africa (EUMEA); and Americas and Asia (A&A).

Operations are grouped into two product lines. Equipment Products and Media Products. The Equipment Products line consists of computer peripheral equipment based on electromechanical and electronic technology, such as disc storage systems, semiconductor memory units, communications controllers and terminals, tape storage systems and printers. The Media Products line consists of products such as computer tape, disc packs, audio tape and video tape, based on magnetic coating technology which are used in computer information storage systems, recording equipment and word processing equipment.

See Third-Party Transactions for sales to a customer (Lease Financing Corporation) exceeding 10% of total revenues in 1978. No single customer accounted for 10% or more of the Company's total revenues in 1979.

The following tables summarize the operations of the Company on a geographic and on a product line basis as of December 28, 1979 and December 29, 1978 and for the years then ended.

Geographic Basis (Thousands)	REVENUES			OPERATING INCOME			Identifiable Assets
	External	Internal	Total	External	Internal	Total	
1979							
United States	\$379,260	\$172,923	\$552,183	\$ 41,602	\$ 40,173	\$ 81,775	\$333,271
Europe, Middle East & Africa	279,150	—	279,150	21,882	—	21,882	203,610
Americas & Asia	79,351	—	79,351	9,137	—	9,137	66,746
General Corporate	—	—	—	(14,108)	—	(14,108)	26,688
Elimination	737,761	172,923	910,684	58,513	40,173	98,686	630,315
	—	(172,923)	(172,923)	—	(40,173)	(40,173)	(31,996)
	\$737,761	\$ —	\$737,761	\$ 58,513	\$ —	\$ 58,513	\$598,319
1978							
United States	\$347,991	\$161,863	\$509,854	\$ 66,751	\$ 40,907	\$107,658	\$256,967
Europe, Middle East & Africa	217,049	—	217,049	16,050	—	16,050	169,203
Americas & Asia	68,226	—	68,226	11,977	—	11,977	59,492
General Corporate	—	—	—	(15,600)	—	(15,600)	37,668
Elimination	633,266	161,863	795,129	79,178	40,907	120,085	523,330
	—	(161,863)	(161,863)	—	(40,907)	(40,907)	(35,681)
	\$633,266	\$ —	\$633,266	\$ 79,178	\$ —	\$ 79,178	\$487,649
Product Line Basis (Thousands)							
	Revenue	Operating Income	Identifiable Assets	Depreciation		Capital Expenditures	
1979							
Equipment Products	\$490,899	\$ 45,710	\$407,515	\$ 6,277	\$ 28,569	\$ 23,325	\$ 48,228
Media Products	246,862	26,911	164,116	6,777	3,448	13,485	1,982
General Corporate	—	(14,108)	26,688	1,101	—	939	—
	\$737,761	\$ 58,513	\$598,319	\$ 14,155	\$ 32,017	\$ 37,749	\$ 50,210
1978							
Equipment Products	\$424,726	\$ 77,775	\$311,360	\$ 4,645	\$ 23,877	\$ 18,374	\$ 52,364
Media Products	208,540	17,003	138,621	6,776	3,936	11,732	2,984
General Corporate	—	(15,600)	37,668	561	—	1,887	—
	\$633,266	\$ 79,178	\$487,649	\$ 11,982	\$ 27,813	\$ 31,993	\$ 55,348

• Operating income is derived by adding interest expense and other income and expense (net) to income before income taxes and extraordinary credit.

• Internal revenues accrue to United States operations from product sales to foreign subsidiaries which are principally sales and service operations. Internal selling prices are designed to allocate manufacturing profits to manufacturing entities and sales and service profits to those entities.

Quarterly Summary (Unaudited)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1979	1978	1979	1978	1979	1978	1979	1978
Revenues:								
Sales	\$136,124	\$103,212	\$138,991	\$121,491	\$140,664	\$114,215	\$147,625	\$144,452
Rental and Service	41,824	35,652	42,307	37,015	44,328	38,370	45,898	38,859
Total Revenues	177,948	138,864	181,298	158,506	184,992	152,585	193,523	183,311
Costs and Expenses:								
Cost of Sales, Rental and Service	109,363	83,745	113,560	95,960	119,407	92,578	132,665	111,906
Selling, Administrative and Development	47,767	35,824	48,883	41,318	52,558	42,243	55,045	50,514
Interest Expense	3,530	2,786	3,476	3,164	4,335	4,161	4,835	3,529
Other Income and Expense, Net	(2,307)	(550)	(991)	76	(1,236)	(2,277)	(2,417)	(4,036)
Total Costs and Expenses	158,353	121,805	164,928	140,518	175,064	136,705	190,128	161,913
Income before Income Taxes and Extraordinary Credit	19,595	17,059	16,370	17,988	9,928	15,880	3,395	21,398
Provision for Income Taxes	7,838	7,677	5,819	7,744	2,854	5,970	1,233	8,986
Income before Extraordinary Credit	11,757	9,382	10,551	10,244	7,074	9,910	2,162	12,412
Extraordinary Credit	—	4,979	—	3,270	—	—	—	—
Net Income	\$ 11,757	\$ 14,361	\$ 10,551	\$ 13,514	\$ 7,074	\$ 9,910	\$ 2,162	\$ 12,412
Primary Income per Common Share:								
Before Extraordinary Credit	\$ 1.47	\$ 1.35	\$ 1.32	\$ 1.45	\$.87	\$ 1.30	\$.20	\$ 1.56
Net Income	\$ 1.47	\$ 2.15	\$ 1.32	\$ 1.98	\$.87	\$ 1.30	\$.20	\$ 1.56
Fully Diluted Income per Common Share:								
Before Extraordinary Credit	\$ 1.47	\$ 1.34	\$ 1.32	\$ 1.43	\$.87	\$ 1.30	\$.20	\$ 1.56
Net Income	\$ 1.47	\$ 2.14	\$ 1.32	\$ 1.96	\$.87	\$ 1.30	\$.20	\$ 1.56
Proforma Income per Common Share —								
Assuming preferred dividends had been payable at the maximum rate scheduled to be paid after 1980;								
Primary:								
Before Extraordinary Credit	\$ 1.43	\$ 1.29	\$ 1.27	\$ 1.39	\$.83	\$ 1.25	\$.15	\$ 1.51
Net Income	\$ 1.43	\$ 2.09	\$ 1.27	\$ 1.92	\$.83	\$ 1.25	\$.15	\$ 1.51
Fully Diluted:								
Before Extraordinary Credit	\$ 1.43	\$ 1.28	\$ 1.27	\$ 1.38	\$.83	\$ 1.25	\$.15	\$ 1.51
Net Income	\$ 1.43	\$ 2.08	\$ 1.27	\$ 1.90	\$.83	\$ 1.25	\$.15	\$ 1.51

Notes to Quarterly Summary

The Company purchases its outstanding 5 1/4% Convertible Subordinated Debentures to satisfy future sinking fund requirements. Gains from such purchases are included in Other Income and Expense, Net and increased pre-tax earnings as follows:

	1979	1978
First Quarter	\$ 1,163	\$ 497
Second Quarter	16	45
Third Quarter	—	465
Fourth Quarter	—	2,370
Total	\$1,179	\$3,377

The annual effective tax rates for 1979 and 1978 were 36% and 42%, respectively. Quarterly effective tax rates were based upon interim estimates of the annual rate. As changes in the estimated annual rate were made, the cumulative effect was recorded in the quarter of change. Following are the interim rates:

	1979	1978
First Quarter	40%	45%
Second Quarter	36%	43%
Third Quarter	29%	38%
Fourth Quarter	36%	42%

Fourth quarter 1979 results were favorably affected by the sale of a non-exclusive license for the manufacture of flexible disc media in Japan. The related \$1.1 million pre-tax income is reported as a component of Other Income and Expense, Net.

Third quarter 1978 results were favorably affected by the sale of common stock holdings in Computer Communications, Inc. The common stock was purchased in 1975 in connection with a cross-manufacturing agreement and its sale resulted in a pre-tax gain of approximately \$1.4 million. This gain is reported as a component of Other Income and Expense, Net.

Fourth quarter 1978 results were affected by unusual items, the net effect of which decreased net income by approximately \$1.5 million. These consisted of net year-end adjustments which decreased income by approximately \$2.9 million after tax and were offset by a gain of \$1.4 million after tax from purchases of the Company's 5 1/4% Convertible Subordinated Debentures. The year-end adjustments related to changes in accounting estimates, corrections of accounting errors and inventory valuations. Such adjustments also resulted in decreasing Rental and Service Revenues by \$2.6 million and increasing Cost of Sales by \$2.4 million. These adjustments did not have a material effect on previously reported quarterly results.

Estimated Replacement Cost Information

(Unaudited)

In 1976, the Securities and Exchange Commission (SEC) adopted a requirement that certain companies disclose the impact which current estimated replacement costs would have on their operations, and on the economic investment which would be required for inventories, rental equipment, and productive capacity if such assets were valued on a replacement cost basis. Beginning in 1980, the Company is required by Financial Accounting Standard Number 33 to include in its annual report similar information on a "current cost" basis and will no longer be required to present replacement cost data.

The Company's annual report to the SEC on Form 10-K includes specific information relating to the estimated replacement costs of inventories, rental equipment and productive capacity (plant and equipment and leased facilities) as of December 28, 1979 and December 29, 1978 and the related cost of sales, and depreciation expense for the years then ended based on estimated replacement costs.

Report of Independent Accountants

To the Shareholders and Board of Directors of
Memorex Corporation:

We have examined the consolidated balance sheets of Memorex Corporation and subsidiaries as of December 28, 1979 and December 29, 1978 and the related consolidated statements of income, common shareholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to in the preceding paragraph present fairly the financial position of Memorex Corporation and subsidiaries at December 28, 1979 and December 29, 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Deloitte Haskins + Sells

San Francisco, California
January 25, 1980

MEMOREX CORPORATION
Five-Year Summary

Years Ended December

	1979	1978	1977	1976	1975			
Summary of Operations		(Thousands except per share amounts)						
Revenues:								
Sales	\$563,404	\$483,370	\$330,019	\$237,811	\$162,139			
Rental and Service	174,357	149,896	120,093	106,822	101,855			
Total Revenues	737,761	633,266	450,112	344,633	263,994			
Costs and Expenses:								
Cost of Sales, Rental and Service	474,995	384,189	258,260	197,272	162,821			
Selling, Administrative and Development	204,253	169,899	117,138	86,727	67,941			
Interest Expense	16,176	13,640	12,138	13,191	16,644			
Other Income and Expense, Net	(6,951)	(6,787)	(2,557)	(3,031)	(856)			
Total Costs and Expenses	688,473	560,941	384,979	294,159	246,550			
Income before Taxes and Extraordinary Credits	49,288	72,325	65,133	50,474	17,444			
Provision for Income Taxes	17,744	30,377	31,264	25,792	9,385			
Income before Extraordinary Credits	31,544	41,948	33,869	24,682	8,059			
Extraordinary Credits	—	8,249	22,094	15,073	9,577			
Net Income	\$ 31,544	\$ 50,197	\$ 55,963	\$ 39,755	\$ 17,636			
	Fully Primary	Fully Diluted	Fully Primary	Fully Diluted	Fully Primary	Fully Diluted	Fully Primary	Fully Diluted
Per Share Data								
Income per Common Share:								
Before Extraordinary Credits	\$3.91	\$3.91	\$5.65	\$5.64	\$5.25	\$5.22	\$4.31	\$4.26
Net Income	\$3.91	\$3.91	\$6.90	\$6.88	\$8.81	\$8.78	\$7.03	\$6.95
Proforma Income per Common Share:								
Before Extraordinary Credits	\$3.73	\$3.73	\$5.45	\$5.44	\$4.75	\$4.73	\$3.74	\$3.70
Net Income	\$3.73	\$3.73	\$6.70	\$6.68	\$8.32	\$8.28	\$6.46	\$6.39
Common Shares and Equivalents	7,578	7,582	7,198	7,220	6,613	6,642	5,674	5,747
Operating Data		1979	1978	1977	1976	1975		
Total Revenues:								
Equipment	\$490,899	\$424,726	\$273,351	\$210,370	\$156,307			
Media	246,862	208,540	176,761	134,263	107,687			
Operating Income (Loss):								
Equipment	45,710	77,775	74,870	60,930	28,425			
Media	26,911	17,003	15,641	11,624	4,807			
General Corporate	(14,108)	(15,600)	(15,797)	(11,920)	*			
International Revenue	358,501	285,275	168,190	136,000	112,000			
Research and Development Expenses	28,345	23,619	19,216	13,943	9,282			
Depreciation and Amortization	46,807	40,187	27,629	33,710	39,281			
Financial Position at Year End								
Cash and Temporary Investments	\$ 14,940	\$ 28,372	\$ 12,021	\$ 43,803	\$ 40,182			
Inventories	184,130	143,879	85,315	55,603	37,095			
Rental Equipment and Spare Parts:								
At Cost	210,664	192,935	163,227	172,183	182,211			
Net of Accumulated Depreciation	110,172	91,979	64,444	58,039	68,769			
Notes Payable	124,820	83,472	47,734	90,958	117,562			
Convertible Subordinated Debentures	50,576	54,752	65,687	67,218	68,045			
Common Shareholders' Equity (Deficiency)	175,386	141,264	46,157	(16,865)	(57,177)			

*General Corporate expenses were allocated to product lines in 1975.

Management's Discussion and Analysis of the Summary of Operations

The following discussion contains general comments on the results of Memorex's operations during 1979 and 1978 as compared to the previous years (1978 and 1977). Additional information related to operations is contained in the Financial Review section of the Annual Report.

Revenues

Total revenues increased 17 percent in 1979 and 41 percent in 1978. Sales revenues increased 17 percent in 1979 and 46 percent in 1978 while rental and service revenues increased 16 percent in 1979 and 25 percent in 1978. The service revenues portion of rental and service revenues has been steadily increasing since 1977 due to an expanding base of installed equipment. Revenue increases in 1979 were due to increased product shipments, particularly in the international markets, partially offset by the decreased sales and rental prices on certain models of equipment. The decreased rate of revenue growth in 1979 as compared with 1978 resulted primarily from lower sales and rental prices on certain models of equipment and a series of IBM actions during the year including product announcements and marketing tactics. The 1978 revenue increases were primarily due to increased volumes of product shipments, and to revenues attributable to the January 1978 acquisition of the European marketing and service operations of (Telex Europe) Telex Computer Products, Inc. Unit selling price changes were not significant between 1978 and 1977.

Equipment and media product revenues increased 16 percent and 18 percent, respectively, over 1978 and 55 percent and 18 percent, respectively, over 1977. The 1978 increase in equipment revenues was due in part to the acquisition of Telex Europe.

Cost of Sales, Rental and Service

Cost of sales increased 23 percent in 1979 and 47 percent in 1978. These increases were due to increased sales volumes and higher manufacturing costs. Cost of rental and service increased 27 percent in 1979 and 56 percent in 1978. Rental and service cost increases resulted from increased parts usage and increased numbers of personnel, both of which are required to adequately serve an expanding base of installed equipment. These costs increased at a greater rate in 1979 than related revenues due to inflation impacting costs during a period of decreasing rental prices and higher depreciation associated with a comparatively newer lease base. In 1978, the integration of the Telex Europe operations significantly increased service costs.

Selling, Administrative and Development

Selling, administrative and development costs increased 20 percent in 1979 and 45 percent in 1978. These increases were comprised of increased selling, general and administrative expenses of 20 percent in 1979 and 49 percent in 1978 and increased research and development expenditures of 20 percent in 1979 and 23 percent in 1978. The annual increases in selling, general and administrative expenses were primarily due to increased levels of employment to support expanding sales and marketing activities. Also included in the 1978 increase were the expenses of Telex Europe. The increases in research and development expenditures were primarily due to the Company's expanded product development efforts.

Interest Expense

Interest expense increased 19 percent in 1979 and 12 percent in 1978 primarily as a result of increased average outstanding borrowings.

Other Income and Expense, Net

Other income and expense, net increased 2 percent in 1979 and 165 percent in 1978. Increases in 1978 were due primarily to gains on repurchase of the Company's debentures and the sale of a stock investment.

Provision for Income Taxes

The effective tax rates of 36 percent in 1979 and 42 percent in 1978 represented the combined effect of taxes on Federal, state and foreign income. Factors which tend to raise the effective rates above the Federal statutory rate include losses of foreign subsidiaries for which tax benefits are not currently available, state income taxes and foreign income taxes at rates in excess of the Federal rate. Factors which tend to lower the effective rates are investment tax credits, Domestic International Sales Corporation (DISC) income not currently taxable and foreign taxes which are lower than the Federal rate. The 1979 effective tax rate was lower than the 1978 rate primarily due to a reduction in the Federal statutory rate from 48 percent to 46 percent, to the effect of lower overall foreign taxes, and to an increase in DISC benefits as a percentage of pretax income. The 1977 effective tax rate was higher than the 1978 rate principally because of the effect of investment tax credits.

Extraordinary Credit

The extraordinary credit in 1978 consisted of the estimated tax benefits from utilizing operating loss carryforwards.

Income Per Common Share

Income before extraordinary credit decreased 25 percent in 1979 and increased 24 percent in 1978. The related fully diluted per share amounts decreased 31 percent in 1979 and increased 8 percent in 1978. The percentage changes in per share earnings differed from the related income percentages due to the larger average number of outstanding common shares and equivalents as a result of the public offering in August 1978.

MEMOREX CORPORATION

**Supplementary 1979 and Five-Year Comparison of Selected Financial Data
Adjusted for Effects of Changing Prices (Unaudited)**

Years Ended December

	1979 Unadjusted	1979	Adjusted to Average 1979 Dollars				
			1978	1977	1976	1975	
<i>(Dollars in Thousands except per share amounts)</i>							
Total Revenues	\$737,761	\$737,761	\$704,565	\$539,142	\$439,432	\$356,032	
Cost of Revenues	474,995	503,683	*	*	*	*	*
Selling, Administrative and Development	204,253	206,066	*	*	*	*	*
Interest Expense	16,176	16,176	*	*	*	*	*
Other Income and Expense, Net	(6,951)	(6,951)	*	*	*	*	*
Provision for Income Taxes	17,744	17,744	*	*	*	*	*
Total Costs and Expenses	706,217	736,718	*	*	*	*	*
Net Income	\$ 31,544	\$ 1,043	*	*	*	*	*
Net Income (Loss) Per Common Share	\$ 3.91	\$ (.27)	*	*	*	*	*
Purchasing Power Gain on Net Monetary Liabilities Held During Year	—	\$ 18,341	*	*	*	*	*
Net Assets at Year-End	\$241,299	\$287,732	*	*	*	*	*
Market Price Per Common Share at Year-End	\$ 17.75	\$ 17.75	\$ 32.69	\$ 38.03	\$ 30.92	\$ 10.29	
Average Consumer Price Index	—	217.4	195.4	181.5	170.5	161.2	

*Information not required for years prior to 1979.

Management's Discussion and Analysis of Supplementary 1979 and Five-Year Adjusted Financial Data

The summary of adjusted data is presented in accordance with the requirements of Financial Accounting Standard Number 33 (FAS 33), which requires certain enterprises to present in their 1979 financial reports various financial information depicting the effects of general inflation. Data presented are based on historical costs, used in preparing the primary financial statements, which have been restated into average 1979 constant dollars. The *Consumer Price Index for All Urban Consumers* (CPI-U), prepared by the Bureau of Labor Statistics of the U.S. Department of Labor, is used to measure the effects of general inflation in the United States.

FAS 33 also requires presentation of "current cost" information, intended to depict the effects of changes in specific prices, beginning in 1980; this information has not been presented for 1979 because it has proved impracticable to accumulate the necessary data for timely summarization and presentation herein.

In preparing 1979 "constant dollar" data, amounts reported in the primary financial statements (i.e. unadjusted 1979 data) have been adjusted for depreciation and amortization expense and the inventory component of cost of revenues. These adjustments decrease net income since the Company's inventory, rental equipment and spare parts, and property, plant and equipment, have been adjusted upwards to reflect the replacement of older historical dollars by 1979 average constant dollars; such adjusted amounts serve as

the basis for computing the adjusted inventory element of cost of revenues and the adjusted depreciation and amortization expense for 1979 (\$46,807,000 on historical basis compared with \$59,034,000 on "constant dollar" basis). Revenues and all other operating expenses are assumed to approximate the average price levels for the year and, therefore, have not been adjusted. As required by FAS 33, net income amounts adjusted for general inflation are exclusive of any income tax effect for the "constant dollar" adjustments. The "constant dollar" loss per common share has been computed by subtracting preferred dividends from net income and dividing by the weighted average number of common shares outstanding during 1979; common stock equivalents have been omitted from this calculation since their inclusion would be anti-dilutive.

Adjusted information presented for 1978 and prior years has been restated into 1979 average constant dollars by multiplying historical dollars times the 1979 average CPI-U and dividing by the average CPI-U for each of the years.

The purchasing power gain on net monetary liabilities held during 1979 represents the theoretical gain resulting from liabilities exceeding monetary assets (primarily current assets exclusive of inventories) during a period of rising prices. That is, historical dollar liabilities are assumed to have been repaid or repayable using inflated dollars.

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 23, 1980, 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 5 1/4% 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
Mail Stop 12-39
San Tomas at Central Expwy.
Santa Clara, CA 95052

Common Stock and Convertible Debentures

Memorex common stock and 5 1/4% Convertible Subordinated Debentures are traded on the New York Stock Exchange, and the common stock is also traded on the Pacific Stock Exchange. The following tables represent the high and low sales range, as reported in the Wall Street Journal.

Common Stock*

1979	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	37 1/2	39	34	23 3/4
Low	28 3/4	26 1/2	19 1/4	16 5/8

Convertible Debentures

1979	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	66 1/2	71	66	58 1/2
Low	60 1/4	65	57	49

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

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, Envirotech
Corporation, Menlo Park, California,
manufacturer of waste control
and process equipment.

Alger Chaney
Chairman of the Board, Medford
Corporation, Medford, Oregon,
forest products manufacturer;
Senior Vice President and Director,
Baker, Fentress & Company, Chicago,
a non-diversified, closed-end registered
investment company.

Philip J. Gomez
Chairman of the Board and President,
HLX Data Systems Corporation, a point
of purchase terminal manufacturer.

Vester T. Hughes, Jr.
Partner, Hughes & Hill, Dallas, Texas,
a law firm.

Alvin C. Rice
Chairman of the Board and
President, Imperial Bank,
San Francisco, California, a bank.

T. Robert Sandberg
Vice President (Ret.), Cutter Labora-
tories, Inc., Berkeley, California, a
pharmaceutical manufacturer and
distributor.

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

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

Board Committees

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

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

**Stock Option and
Compensation Committees**
Mr. Schmidt, Chairman; Members:
Messrs. Gomez and Rice.

Nominating Committee
Mr. Schmidt, Chairman; Members:
Messrs. Chambers and Rice.

Memorex Fellows

Eric D. Daniel
Manager, Magnetic and Chemical
Technology Center

Dr. John C. Scott
President, Memorex Mini Disc
Drive Corporation

Frank J. Sordello
Manager, Recording Technology Center

Corporate Operating Committee

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

Charles S. Strauch*
Executive Vice President

George L. Bragg
Vice President, Corporate Development

Reto Braun
President,
Europe/Middle East/Africa Group

Theodore J. Cutler
President, Consumer Products Group

Robert L. Erickson
Vice President, Legal, and Secretary

Jack H. King
President, Computer Media Group

Walter B. Kurgas
Vice President, Manufacturing, and
Vice President, Domestic Operations
Eight-inch Disc Drive Program

Robert L. Malcolm
Vice President, Industrial Relations

Richard W. Martin
President, Communications Group

A. Keith Plant
President, General Systems Group

Steven H. Puthuff
Vice President, Engineering

James Simpson
President, Large Storage
Systems Group

F. Gordon Smith
Vice President, Marketing, and
Vice President, Marketing,
Large Storage Systems Group

Charles E. Splaine
President, Field Operations Group

Donald L. Waite
Vice President, Finance

Staff

Robert G. Coo
Treasurer

Thomas S. Stevens
Controller

Corporate Facilities

Sales and Service Locations

UNITED STATES

ALABAMA
Birmingham (205) 870-4240

ARIZONA
Phoenix (602) 254-5466

ARKANSAS
Little Rock (501) 374-0279

CALIFORNIA
Anaheim (714) 776-8571
Glendale (213) 240-4732
Garden Grove (714) 891-2541
Irvine (714) 557-7700
Los Angeles (213) 473-0811
Riverside (714) 784-3836
San Diego (714) 571-1133
San Francisco (415) 777-3822
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 (703) 821-3300

FLORIDA
Jacksonville (904) 398-4440
Miami (305) 558-9320
Orlando (305) 859-3420
Tampa (813) 872-6044

GEORGIA
Atlanta (404) 321-0200

ILLINOIS
Chicago (312) 620-3200
Peoria (309) 692-2180

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) 354-4521
Southfield (313) 354-0450

MINNESOTA
Minneapolis (612) 835-6635

MISSOURI
St. Louis (314) 576-4570

NEBRASKA
Omaha (402) 391-0486

NEW JERSEY
Newark (201) 325-0164

NEW YORK
Albany (518) 458-7099
Buffalo (716) 631-5410
Long Island (516) 681-3822
New York City (212) 541-7780
Rochester (716) 385-2670
Syracuse (315) 451-4330

NORTH CAROLINA
Charlotte (704) 527-4923
Greensboro (919) 294-4374
Raleigh (919) 787-7660

OHIO
Cincinnati (513) 621-7120
Cleveland (216) 447-0780
Columbus (614) 885-0415
Dayton (513) 228-3448

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

OREGON
Portland (503) 620-4800

PENNSYLVANIA
Allentown (215) 820-9707
Harrisburg (717) 737-3448
Philadelphia (215) 337-3990
Pittsburgh (412) 531-8711

RHODE ISLAND
East Providence (401) 434-0252

SOUTH CAROLINA
Greenville (803) 235-9637

TENNESSEE
Chattanooga (615) 756-3760

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

Cupertino

Fullerton

Irvine

Mountain View

Santa Ana

Santa Clara

IRELAND

Clondalkin

MEXICO

Nogales

WISCONSIN

Eau Claire

EUROPE/MIDDLE EAST/AFRICA

HEADQUARTERS:
London, United Kingdom
Tel: (44)-1-572 73 91
Telex: 851-938795

AUSTRIA
Vienna
Tel: (43)-222-73 24 17
Telex: 847-132734

BELGIUM
Brussels
Tel: (32)-2-673 80 80
Telex: 846-23438

DENMARK
Copenhagen
Tel: (45)-2-45 83 11
Telex: 855-33215

FINLAND
Helsinki
Tel: (47)-90-562 31 00
Telex: 857-121654

FRANCE
Lille
Tel: (33)-20-57 34 34
Lyon
Tel: (33)-78-90 82 12
Telex: 842-380418

NORWAY
Oslo
Tel: (358)-2-21 91 60
Telex: 856-16753

SPAIN
Barcelona
Tel: (34)-3-218 51 89
*Madrid
Tel: (34)-1-207 83 45
Telex: 831-43018

SWEDEN
Goteborg
Tel: (46)-31-12 27 00
(46)-31-12 70 22
Malmo
Tel: (46)-40-18 30 08

GERMANY
Cologne
Tel: (49)-221-88 10 31
Telex: 841-8873704

Dortmund
Tel: (49)-231-65 465
Telex: 841-822382

Dusseldorf
Tel: (49)-211-68 44 38
Telex: 841-848355

*Frankfurt/Main
Tel: (49)-611-66 051
Telex: 841-411240

Frankfurt/Main
Tel: (49)-611-74 08 91
Telex: 841-4189159

Hamburg
Tel: (49)-40-630 10 31
Telex: 841-215019

Munich
Tel: (49)-89-19 40 71
Telex: 841-5215500

Nuremberg
Tel: (49)-911-80 30 51
Telex: 841-623601

Stuttgart
Tel: (49)-711-76 60 03
Telex: 841-7255415

IRELAND
Cork
Tel: (353)-2-57 057

*Dublin
Tel: (353)-1-68 03 99
Telex: 852-30602

*Staines
Tel: (44)-784-51 488
Telex: 851-935013

AMERICAS AND ASIA

HEADQUARTERS:
Santa Clara, California
Tel: (408) 987-1000
Telex: 346442

AUSTRALIA
Melbourne
Tel: (61) 3-267-2955
Telex: 790-34025

Perth
Tel: (61) 9-381-7535
Telex: 790-93370

*Sydney
Tel: (61) 2-908-2211
Telex: 790-23005

BRAZIL
Rio de Janeiro
Tel: (55) 21-264-3483
Telex: 391-2121924

*Sao Paulo
Tel: (55) 11-288-7503
(55) 11-289-7522
(55) 11-287-6988
(55) 11-287-2262

Telex: 391-1122368

CANADA
Calgary
Tel: (403) 243-1710
Telex: 03-826654

Dorval
Tel: (514) 636-9912
Telex: 05-821654

Edmonton
Tel: (403) 454-8671
Telex: 037-3011

Ottawa
Tel: (613) 737-3411
Telex: 053-3670

*Toronto
Tel: (416) 449-9940
Telex: 06-966851

Vancouver
Tel: (604) 873-3322
Telex: 04-508656

Winnipeg
Tel: (204) 477-1855
Telex: 07-55578

JAPAN
Fukuoka
Tel: (81) 92-471-3205 3290

Hiroshima
Tel: (81) 822-28-1780.1742
Telex: 781-653377 MRX HRM

Nagoya
Tel: (81) 52-231-5005
Telex: 781-4424750 MRX NGY

Osaka
Tel: (81) 6-203-6601/4
Telex: 781-5228622 MRX OSK

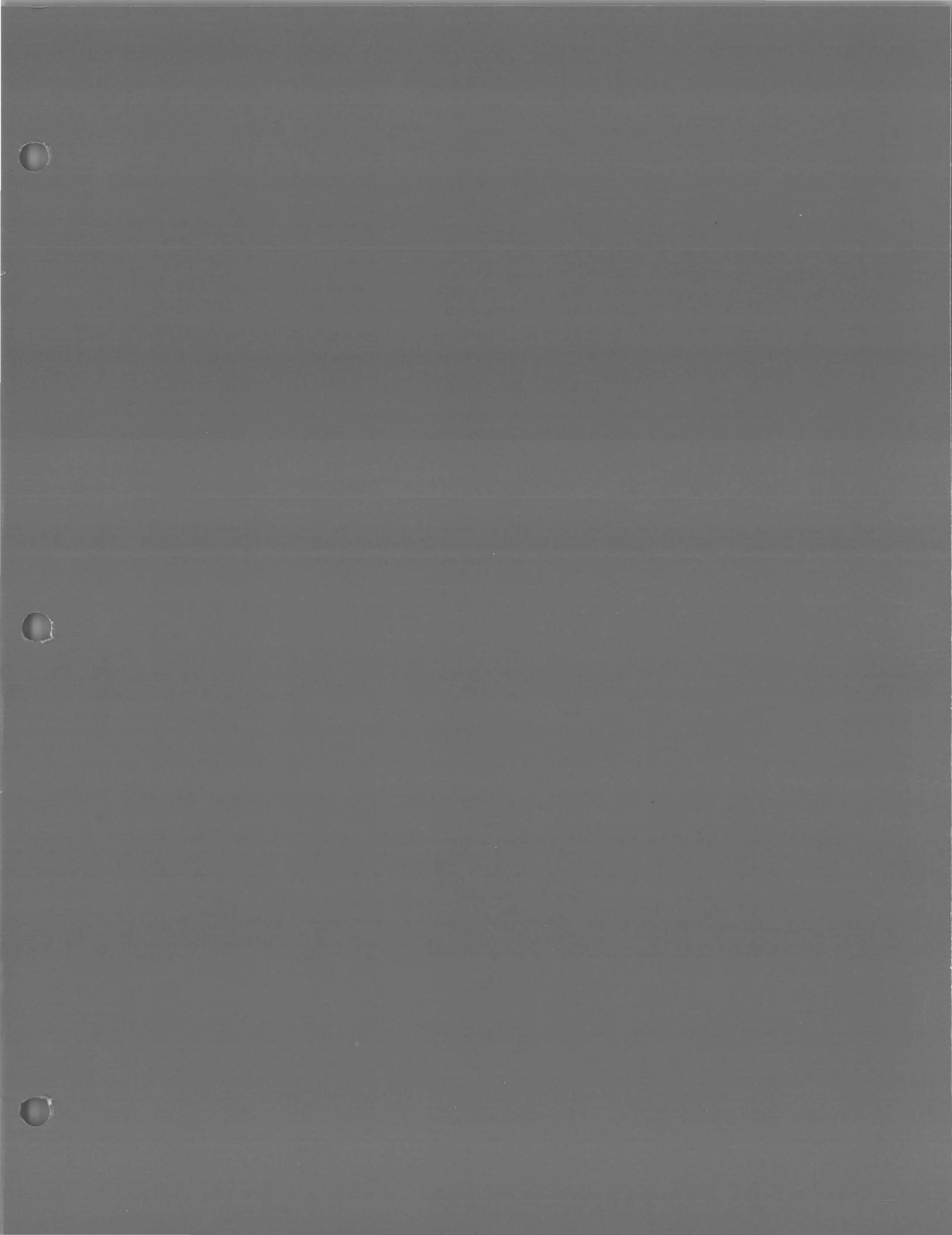
*Tokyo
Tel: (81) 3-273-8901
(81) 3-273-7727
Telex: 781-0224709 MRX JPN

MEXICO
Mexico City
Tel: (905) 531-4329
(905) 250-2132/2444
Telex: 383-1773086

PUERTO RICO
San Juan
Tel: (809) 754-7936
Telex: 345-0470

VENEZUELA
Caracas
Tel: (58) 2-925590
Telex: 395-24164

*Country headquarters



Memorex Corporation

San Tomas at Central Expressway

Santa Clara, California 95052

(408) 987-1000

Telex 346 442

