



The past year has been a very challenging one for all of us at Memorex Telex. While our core businesses showed an operating profit that compares favorably with other companies in our industry, management determined that our debt level was unacceptable. As a result, the Company announced and engaged in a comprehensive restructuring of capital.

The restructuring plan has the support of bondholders representing more than a majority in principal amount of each class of U.S. public debt. We also enjoy the continued support of J.P. Morgan, agent bank for the Company's senior bank lenders. We have made significant progress in this program to date, and expect to have completed it shortly. As the restructuring will bring considerable benefits to Memorex Telex, I am confident that on completion of the process we can focus on the key challenges and opportunities of our business.

The information technology industry is clearly under great strain. Less than favorable economic conditions have affected results in key markets around the world. Memorex Telex remains firmly anchored in the IBM plug-compatible marketplace, however, and our core businesses occupy strong positions here, offering high-quality products, service and support through a global network of direct sales and distribution organizations.

With a newly reorganized Network and Workstation Business Group,

we are in an excellent position to serve the market for networked personal computers and workstations. Memorex Telex's extensive experience in networking in the IBM environment allows us to provide our customers with the support they need to achieve and maintain a critical competitive advantage in the years to come. We offer a full range of networking products and services designed to help them deliver essential business information through effective networks around the world.

Our strong product line in Large Storage peripherals gives us a solid base of strength in Europe and the United States. Memorex Telex DASD storage devices are now among the most reliable in the industry, and our customers can look forward to exciting new implementations of advancing storage technologies and automation strategies.

The continuing decentralization of data processing power suggests we can expect considerable growth in the market for Midrange Systems. We have a solid product line for this market, and a dedicated sales force poised to make the most of the opportunities here.

In conclusion, I look forward with a great deal of confidence to a successful and dynamic future for Memorex Telex.

Giorgio Rando

## INCOME STATEMENT

Twelve Months Ending March 31, 1991 vs. Twelve Months Ending March 31, 1990. (\$ in millions)

	Core Business				Total Business			
	1991		1990		1991		1990	
Revenue	\$ 1,647.4	100%	\$1,532.3	100%	\$1,869.9	100%	\$ 1,983.4	100%
Gross Margin	549.2	33.3%	478.6	31.2%	608.5	32.5%	598.7	30.2%
SG&A (*)	425.1	25.8%	346.2	22.6%	470.7	25.2%	417.4	21.0%
Other (Income) / Expense	2.5	0.2%	(25.8)	(1.7%)	9.7	0.5%	(14.0)	(0.7%)
Operating Results before Realignment Costs and Goodwill Amortization	121.6	7.4%	158.2	10.3%	128.1	6.9%	195.3	9.8%
Realignment costs	107.7		(0.0)		107.9		0.0	
Goodwill Amortization	29.9		28.9		29.9		28.9	
Operating Income (Loss)	(16.0)		119.3		(9.5)		166.4	

(\*) Selling, General and Administrative Expense