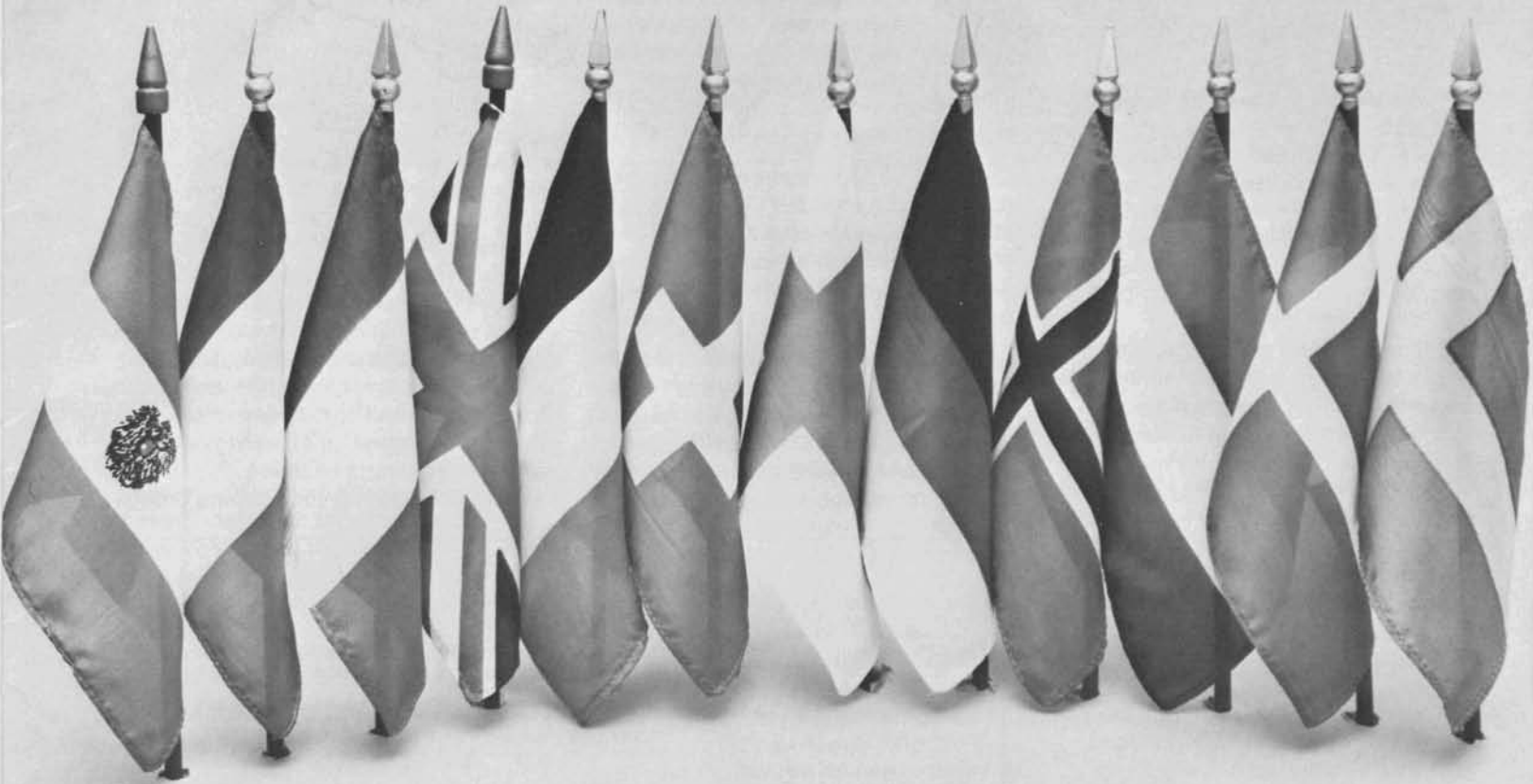


INTERCOM

Newsmagazine for Memorex Employees Worldwide

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Company Makes Major Gains in Profit, Cash and Growth; Results Made Possible by Employee Efforts

Memorex made significant gains in profit, cash and growth during the second quarter, and the improved results were made possible by employees making good things happen, such as reducing costs, producing quality products and managing assets.

These actions contributed to second quarter earnings of \$6.2 million, compared to a loss of \$5.3 million a year earlier. And, of course, employees benefit from the improved profits through greater job security and possible future improvements in the employee benefit program.

The improvements in cash generation and conservation are important to Memorex because they give the Company greater freedom of action to build for the future, and because everyone in the Corporation controls cash by eliminating waste and non-productive expenditures, by increasing productivity, and by improving quality workmanship, employees have a large role in shaping Memorex's future and its ability to build long-term profitability.

Improved cash liberation during the first and second quarter of 1975 provided Memorex with the opportunity to purchase its own debentures (bonds). The advantage of the purchase was a reduction of senior debt three dollars for every dollar spent to buy the bonds. The purchase will not only reduce debt by about \$7 million, but it will also increase net worth correspondingly, and decrease interest expense by \$625,000. These results will add to future profitability.

Even though Memorex spent \$2.5 million to buy the debentures and \$10.1 million in cash repayments of senior debt during the quarter, cash-on-hand improved to \$20.5 million, a significant increase of \$4.6 million. However, President **Robert C. Wilson** has stated that Memorex has more opportunities than it has available cash, so continued cash conservation is needed.

Cash and profitability not only improved during the quarter, but Memorex's revenues grew 24 per cent over last year—\$65.6 million for this second period compared to \$53 million during the same period in 1974.

How does this quarterly growth rate compare with the Company's competitors? Well, IBM grew seven per cent, less than a third of Memorex's growth, and 3M grew only 2.6 per cent, or about one-eighth as fast.

Let's look at the Company's productivity rate compared to its competitors' rate. One way to measure productivity is to divide the revenues by the number of employees. For the second quarter, Memorex's revenues-per-employee are about \$14,018. IBM's second quarter productivity rate is \$11,164, about \$4,000 less than Memorex's, and 3M's is \$8,144, about \$6,000 less. At the current rate of productivity, each Memorex employee generates about \$56,000 annually.

Although the Company's growth and productivity rates compare favorably to competition, competitive actions are being strengthened and the economic environment continues to be difficult. However, the Company's operating performance should continue to improve through a summation of individual efforts throughout the organization, from the turning out of lights, to obtaining orders.

SECOND QUARTER RESULTS	Three Months Ended June 30		Six Months Ended June 30	
	1975	1974	1975	1974
Total Revenues	\$65,620,000	\$53,081,000	\$127,245,000	\$101,884,000
Income (Loss) before Taxes and Extraordinary Credits ..	\$ 2,700,000	\$(5,345,000)	\$ 4,743,000	\$(6,952,000)
Income Taxes	1,365,000	—	2,400,000	—
Income (Loss) before Extraordinary Credits	1,335,000	(5,345,000)	2,343,000	(6,952,000)
Extraordinary Credits:				
Gain on Purchase of Debentures (net of tax of \$2,214,000)	2,031,000	—	2,031,000	—
Income Tax Benefit from Utilizing Loss Carryforwards (Includes \$1,875,000 relating to gain on purchase of debentures)	2,850,000	—	3,425,000	—
Net Income (Loss)	\$ 6,216,000	\$(5,345,000)	\$ 7,799,000	\$(6,952,000)

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On The Cover:

Country Flags and photos highlight the world of EUMEA, the Memorex organization which markets products in Europe, the Middle East and Africa. (See story on page 4.)



Disc Pack Research & Development and Manufacturing teams gather around the first production units of the new Data Mark module.

First Customer Shipments of Data Mark On Schedule

Unique Device Combines Disc Pack Technology with Disc Drive Engineering

First customer shipments of the new Data Mark 70F module were made on schedule June 30th, just three months after the product was first announced.

"The on-schedule deliveries were made possible by the team efforts of our Research and Development (R&D) and Manufacturing organizations," said **Don Mattson**, General Manager for Disc Pack Operations.

He said both groups made the commitment to make the first shipments by July 1, and they accomplished their goal through a tremendous team effort.

The new, futuristic-looking module, which stores 70 million bytes of data (approximately 12 million words), is unique in that it combines disc pack technology with disc drive engineering. The module houses disc recording surfaces, recording heads, spindle, head carriage, base plate, and electronic circuitry, in a completely self-contained unit.

A lot of innovative technology was designed into the Data Mark. A proprietary disc coating process and surface shield were specially developed; recording heads, lighter and closer flying than conventional heads, were incorporated into the unit; and an ultra modern clean room was constructed for Data Mark manufacturing.

Mattson says the production of the new Data Mark covers a wide spectrum of engineering disciplines, all of which

Memorex has mastered through its expertise in chemical resin technology, metal working, assembly and electronic testing required for disc pack manufacturing; in processing and coating disc packs and tape; and in the production of disc drives, recording heads, and other magnetic media.

Noah Anglin, Development Program Manager, said that development personnel are initially handling the manufacture of the product, but he explained that the Manufacturing organization, directed by **Warren Kisling**, will soon take over the operation.

Anglin mentioned that test equipment for the Data Mark had to be designed and built by the R&D staff. "We had to build the testers because there aren't any testers on the market that can meet the stringent testing requirements of the module." (The recording tracks of the disc, for example, are so narrow and close together that two of them could be contained on the edge of a data processing card).

"Customer reaction to our new Data Mark has been fantastic," said **Steve Stone**, Data Mark Product Manager. "Orders are coming in at an increasing rate from around the world. We already have a three month backlog of orders."

Stone also said that repeat orders from customers are running 30 percent above expectations. "One such repeat order resulted in an exclusive contract to

supply modules for the State of Alaska," he said.

"What impresses me most about the high order rate for the new product is the fact that it's being offered on a sale-only-basis," said Stone. That tells me we've got a darn good product when customers would rather purchase ours than lease from our competitors."

As for advertising, Stone explained that "we've got an excellent ad which has appeared in 'Computerworld Magazine.' Other ads will run later this year when Data Mark production is expected to be in high gear."

Common Stock Listed on Pacific Exchange

The Company's common stock is now listed on the Pacific Stock Exchange; its trading symbol is 'MRX'.

The advantage of being listed on the Exchange is that it provides a convenient and orderly market for the trading of Memorex securities. Investors in the Company and the public in general also will now find it easier to obtain timely price quotations.

Memorex's stock has been traded over-the-counter where its 5¼ percent Convertible Subordinate Debentures will continue to be traded. The Company's stock was once traded over the New York Stock Exchange, but was delisted two years ago due to previous financial difficulties.

The World of EUMEA

***This Dynamic Group
Markets the Company's
Products from Madrid
to Tehran, and from
Capetown to Helsinki***

This is the 12th article on the Company's organizations and their contributions to the Memorex "team effort." This month's feature looks at the international team which markets Memorex products throughout Europe, the Middle East and Africa—the EUMEA Organization.

Memorex's European operations began ten years ago in Maidenhead, Berkshire, England, when three employees began selling computer tape to local computer users.

Today, the EUMEA Organization is made up of 750 people who market Memorex products in 20 countries from Madrid, Spain to Tehran, Iran, and from Capetown, South Africa to Helsinki, Finland. This dynamic organization is directed by **William S. McCalmont**, Vice President and General Manager.

EUMEA has grown rapidly since it began in 1965. In the past five years alone, the organization's revenues have increased 300 per cent—a growth rate matched by few companies.

But EUMEA's success hasn't come easy. A lot of hard work by dedicated people made EUMEA the strong organization it is today.

McCalmont says the group's accomplishments have been attained by the marketing expertise of the country organizations, and the effective support provided by manufacturing, customer and technical services, finance, and administrative groups.

"Together as a team, the organization is posturing for maximum profit and

efficiency, aggressively entering new markets, and meeting inflation and currency fluctuations head-on. These factors are becoming increasingly important in meeting today's challenges: political changes, economies slowing or overheating, and rampant inflation in some countries," said McCalmont.

But he said, even with these obstacles, EUMEA continues to show strengths in its ability to cope with economic problems and continues to grow at a rapid rate.

The Marketing Organization

EUMEA is made up of 12 country organizations, each with its own sales, service, administrative and accounting personnel who are nationals of the country. The group also includes an export organization which sells products to the Middle East, Africa and Eastern Bloc countries.

Each country organization operates on a basis of mutual cooperation and coordination with the other country organizations. However, each manager has developed his own management and marketing style suiting the conditions and traditions of the country—yet remaining essentially Memorex.

Heading the marketing teams are five area managers. Each has worked more than five years to help establish Memorex as a leader in the field information storage and retrieval business internationally.

Area managers include **Magnus Ambjorn**—United Kingdom and Scandinavia; **Hermann Becker**—Germany, Austria and Switzerland; **Alain de Forges**—France; **Johann Klingen**—Benelux and exports; and **Georgio Ronchi**—Italy.

All country managers operate their operations on a positive cash flow basis. For example, if Hermann Becker's group orders a 3670 Disc Drive from Santa Clara, the unit is paid for in cash, even if the machine is leased.

EUMEA Headquarters

Supporting the work of the country groups is EUMEA Headquarters and Operations Center located in Liege, Belgium. The facility is home base for about 300 people involved in manufacturing, servicing and financial functions. It's located in the 400-acre Hauts-Sarts Industrial Park in the small community of Herstal in the province of Liege.

Prior to 1975, EUMEA Headquarters was located in London, while the manufacturing, technical support-customer services functions were handled in Liege.

According to McCalmont, the move to Liege has improved customer service, reduced overhead and provided faster communications.

An example of how communications have speeded up is put into personal perspective by McCalmont: "Sometimes I'd have to wait hours or days to obtain specific information about the operations. Now I just walk down the hall and find out from the 'man in charge.' Hence, communications have not only become a lot easier, but more effective as well. Additionally, the move of our management and support people to Liege has allowed greater face-to-face structured communications on a consistent basis . . . that was impractical in London due to the geographical distance."

The Liege Operations Team

Vice President and General Manager **James Simpson** manages the Liege Operations Center where the careful process of finishing jumbo reels of coated computer and video tape and disc packs, shipped from Santa Clara, is performed. In addition, equipment products are reconditioned.

Why aren't the reels of tape shipped to Liege finished rather than unfinished? The reason is twofold. First, by supplying Liege with unfinished rather than finished product, Memorex pays less duties and taxes. And second, video tape must be manufactured to suit the special requirements of broadcasters, as a number of countries are using a somewhat different transmitting signal.

American Investment Overseas Stimulates U.S. Economy

When a U.S. based company, such as Memorex, builds a plant and markets products overseas, what happens to employment and investment at home?

Some groups claim that foreign operations reduce jobs at home. To test this theory, a worldwide research and counseling organization made a recent study of 133 U.S. multinational manufacturing firms, tracing their employment and investment experience since 1960.

The study found that the firms with the heaviest international investments hired and invested at home at a greater rate than U.S. manufacturers as a whole. This resulted in part from their ability to avoid the fluctuations of one economy, and because overseas activities require increased domestic support.

