Measurex Corporation Annual Report 1975

HUMAN ENGINEERING

DIGITAL SENSOR TECHNOLOGY

MEASUREX DIGITAL MEASUREMENT AND CONTROL TECHNOLOGY

COMPUTER CONTROL TECHNOLOGY

Financial Highlights
(Dollar amounts in thousands except per share data)

	1975	1974	Percent Change
For the Year:			
Operating revenues	**$53,785**	$42,086	28%
Net income:			
Amount	**$ 3,899**	$ 3,965	−2%
Per share	**$ 1.20**	$ 1.31	−8%
Average number of common and common equivalent shares outstanding	**3,248,000**	3,031,000	7%
End of Year:			
Working capital	**$ 25,955**	$25,882	—
Total assets	**$122,813**	$92,157	33%
Shareholders' equity	**$ 40,657**	$36,304	12%
Number of employees	**1,077**	947	14%
Systems backlog	**$ 12,500**	$17,043	−27%
Shares issued	**3,200,000**	3,175,000	1%

To our Shareholders:

Review of 1975

As revealed in our summary financial and operating statistics on the prior page, 1975 was a difficult year. Although revenues increased 28% from $42.1 to $53.8 million, earnings per share decreased 8% from $1.31 to $1.20. The decline occurred in spite of a 16% increase in operating income from $7.0 million to $8.1 million. The principal reason for the decline in earnings—the first in our history—was a largely unrealized loss of $1.2 million resulting from the translation into U.S. dollars of foreign currency lease contract receivables. This problem has been controlled through matching borrowings, other hedging operations and sale of certain contracts so that our exposure of "uncovered" receivables has been reduced from $24 million to approximately $4 million.

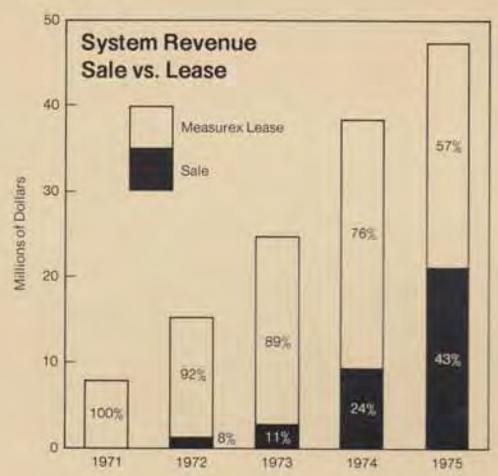
Net new equipment orders declined 6% from $48.3 million in 1974 to $45.5 million in 1975.

Backlog also declined during the year from $17.0 to $12.5 million. It will be our intent in 1976 to rebuild our backlog before increasing shipments as the world economy recovers and our orders grow. This will permit increased efficiencies in our manufacturing and service organizations.

Although we achieved our shipment goal for the year, we did not achieve the operating margins we had planned. This was largely caused by underestimating our cost of producing the Measurex 2000. A cost reduction project has been established to rectify this situation without degrading System performance or quality.

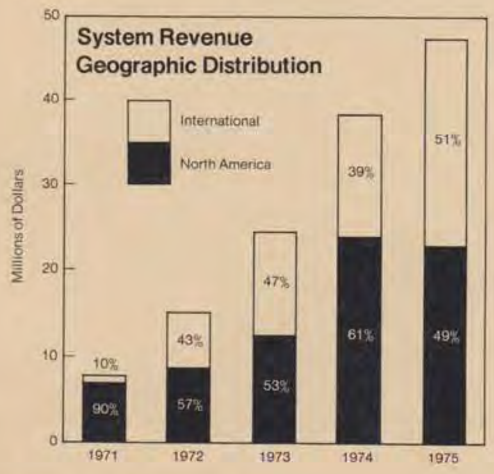
Manufacturing inventory, which grew substantially in 1974, remained at unsatisfactorily high levels in 1975. During 1975, computer based systems and procedures were implemented which we believe will enable us to obtain a better manufacturing inventory turns ratio, a major 1976 objective.

During the year, we were successful in increasing the amount of outright sales as compared to Measurex leases through increased use of leasing companies to finance our customers and by more direct purchases by our customers. We now have arranged for direct customer leasing from financial institutions in most of our market areas. The graph below illustrates our progress in this area.



In addition, after fiscal year end, we sold for cash $11.4 million of our Canadian leases to a major Canadian leasing company. The funds were used to reduce bank debt.

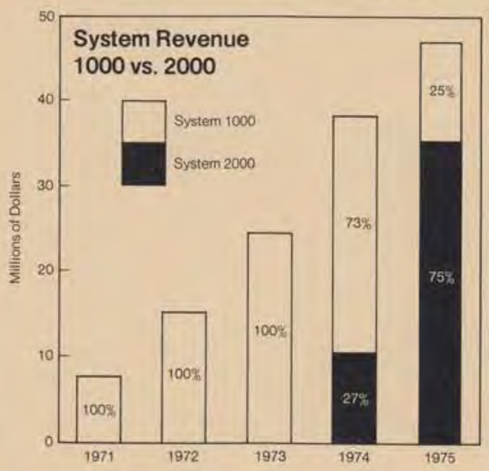
Our international business continued to increase in 1975, as did shipments from our subsidiary Measurex (Ireland) Ltd., where we now have 66,000 square feet of space. North American business, which was at essentially the same levels in 1975 as in 1974, seems to be recovering more rapidly from the world-wide recession.



Measurex Products

The average price of a system shipped in 1975 was $390,000, compared to $310,000 in 1974. This increase was due primarily to the success of the Measurex 2000, which is priced significantly higher than the Measurex 1000 or competitive systems. The Measurex 2000 accounted for 75% of the dollar volume of shipments in 1975, up from 27% in 1974.

In addition to being used on practically all types of paper machines, the versatile Measurex 2000 has now been applied



to tire calenders, plastic sheet extruders, extrusion coaters, batch digesters and recovery boilers. Measurex "Bloc" software systems coupled with large high speed memories and an interactive color video provide the capability to adapt the Measurex 2000 to practically any continuous process.

While the paper industry continued to provide the bulk of our business in 1975 (85%, compared to 90% in 1974), excellent progress was made in the tire industry, where we booked orders for 14 systems, including the largest single order for digital process control equipment ever awarded from a major domestic tire company.

In January 1976 at the Canadian Pulp and Paper Association Annual Meeting, we introduced the Measurex 1500, which has many of the advanced features of the Measurex 2000 at substantially lower cost. The 1500 will utilize the same sensors and scanners as the 2000, but is restricted in memory size to 65,000 words of high speed core memory and 32,000 words of semiconductor memory. This compares with 512,000 words of core memory and 80,000 equivalent words of semiconductor memory in the 2000. The 1500 will be utilized on processes where the substantially greater capability of the 2000 in data acquisition and control is not required.

We entered the direct energy control business in 1975 with a large contract for control of recovery and power boilers, steam distribution and monitoring of turbine generators. This business area has very large potential demand which will intensify as energy sources become more scarce and expensive.

A key to our business success is our advanced sensor technology. Several new sensors were introduced in 1975:

- X-ray backscatter sensors were successfully applied to measure rubber thickness during the calendering operation.
- An x-ray transmission sensor was developed for use on plastic sheet extruders.
- An x-ray sensor was introduced to the paper industry for measurement of clay (ash) content.
- An infrared sensor was developed for measurement of polyethylene coating on milk carton stock.
- An extremely wide range infrared reflectance type sensor was developed for measurement of moisture content.

All of the above sensors are computer supported.

Prospects for 1976

Looking forward to 1976, we have set several primary objectives for Measurex:

Our first objective for 1976 is to increase profit margins and return on shareholders' equity. This will require an increased backlog to lengthen manufacturing lead times and provide the opportunity to bring about efficiencies and improved margins. Also, substantial effort is in progress to improve the profit margins in our continuing service business.

Another objective is to increase further our sale-lease mix from the 1975 43%-57% level to approximately 60%-40% in 1976. We will continue to work with leasing companies around the world to assure that this happens. We were very pleased in 1975 at the success of our third party leasing program. One of the reasons for this success is that our equipment has an excellent operating history which financial institutions can verify with satisfied customers.

Another program in 1976 to reduce our need for outside capital will be to improve our asset turnover. The major areas of attention here will be faster collection of accounts receivable, better inventory utilization and faster installation of our systems in the field. The substantial increase in current receivables in 1975 is a direct result of the higher level of cash sales compared to long term leases.

The order rate during the first portion of the first quarter has been slow. However, the upturn currently taking place in Measurex' major geographic and industry markets is expected to result in an increased order rate in the coming months. Depending on the timing of this increased order rate, Measurex could experience decreased shipments and earnings in the near term. We are confident that during 1976 we will improve our margins, increase our backlog, reduce our need for outside capital and continue to provide digital control systems and the service support that give our customers demonstrable productivity and economic results. In our eight year history, Measurex has installed or on order over 450 digital computer based control systems, which is a testimony to the creativity and pride of Measurex employees around the world.

The following pages describe the planning and installation of a typical Measurex system. This is intended to provide some insight into the many technical and management disciplines necessary to achieve a successful installation.

Sincerely,

David A. Bossen

David A. Bossen
President

January 26, 1976

Meeting Customers' Needs

Measurex customers buy control systems in order to increase process efficiency and achieve improved economic results. The traditional goal of the process industries, to achieve better yields of finished products from raw materials, has been made even more important by sharp increases in raw material costs during the past few years.

However, capital that might otherwise be utilized for improving efficiency is increasingly earmarked for other projects such as pollution control. Thus, the process industries must meet their increased productivity objectives subject to limited capital availability. It is within this economic framework that each customer wants assurance that his conversion to computer control will meet his return on investment (ROI) objectives.

Measurex gives ROI assurance in two ways . . . first, by providing documented results achieved by Measurex systems at other installations on comparable processes. Second, a detailed forecast is made for the new customer which establishes goals, directly related to improved yield, to be achieved under Measurex digital control.

The success of this approach is evidenced by the fact that over 55% of Measurex new orders are from existing customers.

Technology transfers solve new problems

The Measurex 2000 System used for tire calender control is similar in appearance to those used in such divergent processes as pulp digesters, plastics extrusion control and paper machines.

This is the result of product planning that permits the use of the identical operator control centers, computer centers and many computer programs across industry and application lines. The differences among applications are the sensors and scanners used to measure the products, and the control and display program modules which are tailored to the specific application.

In Measurex' industry diversification program, up to 90 percent of previous hardware and computer program developments have been transferred from one application to the next, despite the uniqueness of application from industry to industry.

Using this approach, Measurex is able to apply its basic technology to new material processing applications at relatively low market entry cost.

HUMAN ENGINEERING

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COMPUTER CONTROL TECHNOLOGY

Selecting new markets

Measurex' computer-integrated system concept is applicable to all continuous processes. In practice, technology transfer requires detailed knowledge of each specific process application. The process experts must then convey the needs of the process to the development engineers who will adapt the system to meet those needs.

Measurex uses several criteria to select new applications:

• The new application must represent a large market potential.

• Potential customers must process materials in large enough volumes to make the dollar value of yield increases significant.

• The application must be compatible with Measurex hardware and software technology.

• Measurex technology must offer a decisive edge over existing competitive technology.

An example is a relatively new application—plastics extrusion coater control. A typical extruder processes several million dollars worth of resin per year. Since the oil crisis, the prices of resins have doubled since most are petroleum derivatives.

TEXTILES	SENSORS
TIRE & RUBBER	SCANNERS
PULP	OPERATIONS CENTER
PAPER	COMPUTER
MARKET APPLICATIONS ENGINEERING	APPLICATIONS ENGINEERING & DEVELOPMENT
METALS	PROCESS MATHEMATICS
PLASTICS	CONTROL STRATEGIES
TOBACCO	CONTROL PROGRAMS
FUTURE	INFORMATION PROGRAMS

Measurex' systems offer extrusion processors a 50 to 75 percent reduction on sheet thickness variations, resulting in approximately 6 percent more saleable product per pound of resin. Additionally, a computer control strategy that coordinates speed and thickness control allows production rates to be stepped up significantly. These easily measured returns are accompanied by a quality improvement bonus because of improved uniformity.

Initial customer contact

Measurex begins by discussing documented results of similar applications with those individuals responsible for achieving process and economic improvements. The individuals involved use the documented results to estimate their own return on investment and effects of quality improvements on their market share. Because a Measurex system is a capital investment which will have a significant effect on process producitivity, and profit, a broad spectrum of management is usually involved in the decision to acquire a Measurex system.

Process profitability forecast

Measurex applications engineers make an initial process and engineering survey at the customer's plant. Gathered with the aid of the plant's engineering and accounting staff, the survey covers current productivity and the suitability of the process for computer control.

The survey goes back through several months or even years of production data. These data become "base line" information for evaluation of productivity improvements. The plant manager's staff verifies the accuracy of the data, so that it will be a fair basis for comparison of the existing process with the process after the Measurex system is installed.

A "profitability analysis" is prepared. This predicts for the manager the amount he can expect to save on materials and energy, in reductions of scrap or off-grade product, improved speeds, etc. Essentially, it establishes standards which will be used for evaluating economic improvements.

FACILITIES PLANNING
RETURN ON INVESTMENT
CUSTOMER CONTACT
QUALITY CONTROL
HIGHER YIELDS
PRODUCTIVITY IMPROVEMENTS
ENERGY SAVINGS

CHECK AND EVALUATE AUDIT
TECHNICAL AUDIT
PROCESS & ENGINEERING ANALYSIS
RESULTS & PROFITABILITY FORECAST

Presenting the proposal

Measurex systems are generally priced higher than competing control systems. The potential customer must believe that the Measurex system will produce superior results and offer a better return on investment.

The application survey, which reflects actual plant savings potential along with competitive technical data and results, allows the plant management to make comparisons with alternatives he may be considering. For example, if a Measurex moisture sensor installed on a 300-ton-per-day newsprint machine can produce 0.5% better accuracy than an alternative means of control, a savings of material of $630,000 can result over an eight year period compared to competitive methods, thus justifying a higher price.

Financing the Measurex control system can also be a key element. The alternatives available include Measurex lease, purchase, third-party lease financing, or export financing. An increasing number of customers are finding the most attractive means of acquiring a Measurex system is through a third-party lease or to purchase it using export financing when available.

Preparing for installation

The time from the initial contact to the receipt of the order may take six to twelve months. After the order is received, an installation planning package is sent to the mill engineer. The customer is responsible for site preparation, which includes installation of electrical cable, planning for adequate power and adding any needed interface instruments in the process line.

Techniques that simplify installation are built into Measurex systems. As an example, basic Measurex 2000 System modules communicate through simple, two-wire digital transmission lines rather than conventional, multi-conductor cables, sharply reducing site preparation costs.

Measurex technical specialists prepare installation drawings and site preparation schedules for the customer. The computer and operator centers are adapted to the customer's specific application by use of the modular software packages. The scanners and sensors which gather the raw data from the customer's process are also optimized to the specific application. All system units are thoroughly tested and checked out as a working system before shipment.

Putting the system to work

A Measurex system is typically installed and integrated into routine production in two main phases: the blind run and the computer control run.

After the system is installed in the customer's plant, it is checked out in the process environment and sensor accuracies are verified. During the blind run, the sensors measure process variables while the operator continues to control the process with existing methods. Since a Measurex system measures with much greater accuracy and completeness than a conventional control system, the blind run printouts provide a wealth of information not available from manual test methods or previously used control equipment. This information provides a valid basis for results evaluation. More important, it provides greater insight into process control improvement potential. The process knowledge gained during the blind run will contribute to improved process management and also assist in "fine tuning" the system to the process line during the control run.

In the control run, the computer begins operating the control "loops." A loop is a control path that runs from sensors, through the computer system, to the process control actuators. The computer uses information from the sensors and translates these data through the control programs to cause process actuator adjustments. Since several interactive variables may be manipulated to control a single product variable, the individual loops must be tuned to eliminate the effect of these interactions in a manner that provides precise control of the product.

For example, in order to control the moisture content of paper accurately, it is necessary to "decouple" the effects of changes in basis weight which impact drying. The computer compensates for any control move on basis weight by outputting a control signal to the steam pressure which will maintain moisture content constant in spite of the weight change.

Building operator confidence

Measurex applications engineers work closely with machine operators, engineers, and management throughout the installation phase. Information generated by the system leads to greater understanding of the relationships among process and product variables.

New and better ways of managing the process can be used because Measurex

MEASUREX APPLICATIONS ENGINEER
INSTALLATION
FIELD SUPPORT

PROCESS MANAGEMENT DECISIONS
PROCESS MONITORING
CHECKOUT SYSTEM IN PROCESS ENVIRONMENT

systems control process variables with much greater precision than conventional controls. Because the Measurex system provides greater accuracy and control over the process, safety margins can be confidently reduced.

The process is frequently operated differently under Measurex computer control in order to optimize production. A paper machine operator, for example, is accustomed to leaving machine speed and steam pressure fixed once "on grade." A Measurex controlled machine is programmed to increase the speed whenever the dryer is able to handle a larger volume of paper. This technique, called "dry lim control," results in tighter control of moisture content, dramatic speed increases, quality improvement and energy savings.

The computer does not replace the operator—he still uses his skills and experience to tell the system what to do. Measurex systems are designed for ease of operator interaction within limits established by management. Computer-generated video displays of process and product variables provide the operator with enhanced visibility and understanding of his process. Hard copy printout of the data is also available at the push of a button.

Changes in control strategies

Managers and operators feel comfortable about shifting product variable targets shortly after the system begins to control the process and hard data is available on which their decision can be based.

The first shifts are generally straightforward changes to reduce raw material usage and increase yield. Papermakers can save pulp fiber by reducing basis weight, increasing moisture content, or both. Keeping the paper from becoming too dry improves quality and saves large amounts of energy while increasing the amount of finished paper that can be produced with a given amount of pulp fiber. Savings in raw material on a medium size newsprint machine typically run about $300,000 per year with additional savings coming from decreased energy usage and higher throughput.

PROCESS MANAGEMENT BEGINS

COMPUTER BEGINS ENFORCING MANAGEMENT GOALS

PROCESS RESPONSE MONITORING UNDER MANUAL CONTROL

INTERACTIVE VIDEO CONTROL BEGINS

SOFTWARE ENHANCEMENT BEGINS

Continuing service

A worldwide applications and service organization of over 500 engineers and service specialists serve the growing Measurex customer base. Service is provided under contract by Measurex service specialists who reside near each site. The inherent reliability of Measurex systems, combined with preventive maintenance, typically provide 99% system uptime for customers.

Expanding the customer base

Since its founding in 1968, Measurex has installed or on order over 450 systems world-wide. As previously stated, more than half of all follow-on sales are repeat orders. Some 23 customers have ordered between 5 and 25 Measurex systems, giving testimony to the value of Measurex digital control systems.

Arjomari-Prioux SA
Bowater Group
Canadian International Paper Co.
Crown Zellerbach Corp.
De Forenede Papirfabrikker A/S
E. B. Eddy Co.
Eddy Forest Products Ltd.
Finch, Pruyn & Co., Inc.
Firestone Tire & Rubber Co.
Georgia-Pacific Corp.
International Paper Co.
La Rochette Cenpa
Longview Fibre Co.
Quebec North Shore Paper Co. Ltd.
Reed Group
SAPPI, Ltd.
G. A. Serlachius Oy
Stora Kopparbergs Bergslags AB
Union Camp Corp.
Veitsiluoto Oy
Westvaco Corp.
Weyerhaeuser Co.
Yhtyneet Paperitehtaat Oy

Measurex people take pride in their recognition for technical excellence, but they also recognize that advanced product technology is only of value if it serves the customer. Measurex' product acceptance and reputation for quality are based on the productivity and economic results achieved by its many customers. These results, as we have seen, require the coordinated effort of the marketing, sales, engineering, application, financial and service organizations, as well as the confidence and cooperation of many, many valued customers.

APPLICATIONS & FIELD ENGINEERING

PROCESS BROUGHT UNDER FULL COMPUTER CONTROL

ACCEPTANCE OF SYSTEM

SUPPORT SERVICES

Measurex Corporation and Subsidiary Companies

Five Year Financial Review

(Dollar amounts in thousands except per share data)

Fiscal years ended November 30

Summary of Operations[1]	**1975**	**1974**	**1973**	**1972**	**1971**
Operating revenues	$53,785	$42,086	$27,123	$16,336	$ 8,613
Cost of sales, rentals and services	25,556	20,172	12,757	7,058	3,073
Operating expenses	20,099	14,903	10,140	6,877	3,816
Foreign currency exchange adjustments	1,249	132	(619)	66	–
Interest income	3,992	2,222	1,331	607	275
Interest expense	6,349	4,186	2,108	584	383
Provision for income taxes	625	950	1,590	806	837
Income before extraordinary credit	3,899	3,965	2,478	1,552	779
Extraordinary credit— Utilization of operating loss carryforwards	–	–	–	95	742
Net income	$ 3,899	$ 3,965	$ 2,478	$ 1,647	$ 1,521
Net income per common and common equivalent share:					
Income before extraordinary credit	$ 1.20	$ 1.31	$ .92	$ .64	$ .39
Extraordinary credit	–	–	–	.04	.37
Net income	$ 1.20	$ 1.31	$ .92	$ .68	$ .76
Average number of common and common equivalent shares (in thousands)	3,248	3,031	2,685	2,429	1,994
Financial Position at Year-end					
Working capital	$ 25,955	$25,882	$14,528	$ 8,021	$ 5,219
Total assets	122,813	92,157	56,034	33,166	17,334
Capitalization:					
Long-term debt—senior	45,062	32,572	20,919	10,386	9,033
Long-term debt—subordinated	10,000	10,000	5,000	–	–
Shareholders' equity	40,657	36,304	22,110	19,357	6,493
Statistics and Key Ratios					
Employees at year-end	1,077	947	667	360	220
Systems backlog at year-end	$12,500	$17,043	$ 8,058	$ 4,240	$ 2,242
Income before extraordinary credit as a percent of:					
Operating revenues	7%	9%	9%	9%	9%
Shareholders' equity at beginning of year	11%	18%	13%	24%	16%
Current ratio at year-end	2.1	3.4	3.3	3.7	4.0
Senior long-term debt to total capitalization at year-end[2]	.47	.41	.44	.35	.58
System revenue:					
Percent sold	43%	24%	11%	8%	–
Percent leased by Measurex	57%	76%	89%	92%	100%

[1]Years prior to 1974 have been restated to reflect charging product development costs to expense as incurred. Also, years prior to 1975 have been reclassified to conform to 1975 presentation for foreign currency exchange adjustments.

[2]Total capitalization is defined as the sum of senior and subordinated long-term debt and shareholders' equity.

Management Discussion and Analysis of the Summary of Operations

Net Income

Net income increased by $1,487,000 in 1974 and decreased by $66,000 in 1975, representing changes of 60% and 2%, respectively. The various factors contributing to these changes are discussed below.

Operating Revenues

Total operating revenues increased from $27,123,000 in 1973 to $42,086,000 in 1974, an increase of 55%. 1975 operating revenues were $53,785,000, an increase of 28% over 1974.

Sales increases in 1974 and 1975 were 54% and 23%, respectively. The 1974 increase was primarily due to expansion in the pulp and paper industry, as well as introduction of the Company's products into other industries. The 1975 increase was primarily the result of an increase in average unit sales prices resulting from increased sales of the Company's new, higher-priced System 2000 and price increases instituted in 1974 and 1975. Unit shipments in 1975 did not increase from the 1974 levels due to the economic conditions in the industries served by the Company.

Increases in rentals and service income of 75% in 1974 and 82% in 1975 resulted from the continued increase in the number of systems serviced by the Company and increases in service rates.

Cost of Sales, Rentals and Services

Increases in cost of sales, rentals and services were consistent with the increases in operating revenues.

It had been anticipated that a higher gross profit percentage would be achieved by the Company in 1975, but this improvement was not obtained for reasons mentioned in the "President's Letter." Plans have been implemented which are expected to reduce unit manufacturing costs in 1976 and future years.

Operating Expenses

Increases in operating expenses in 1974 and 1975 were generally consistent with the increase in revenues in those years, although the 1975 increase was slightly greater than the related increase in revenues due to higher staffing levels in the marketing and finance functions.

Foreign Currency Exchange Adjustments

Foreign currency exchange adjustments resulted in a gain of $619,000 in 1973 and in losses of $132,000 and $1,249,000 in 1974 and 1975, respectively. These adjustments related to foreign currency receivables held by the Company in periods of relative weakness in 1973 and strength in 1974 and 1975 of the U.S. dollar in international monetary markets.

During the latter half of 1975, action was taken to minimize exposure to future currency fluctuations, as explained in the "President's Letter."

Interest Income

Interest income increased in 1974 and 1975 by 67% and 80%, respectively. These increases resulted primarily from a higher number of systems on long-term leases and higher average discount rates used in accounting for these leases in each of these years. See Note 1—"Summary of Accounting Policies" of Notes to Consolidated Financial Statements for a description of the Company's accounting policy regarding the recognition of interest income on long-term leases.

Interest Expense

Increases in interest expense resulted from higher interest rates in 1974 and increased borrowing in each of 1974 and 1975.

Provision for Income Taxes

Taxes on income decreased in each of 1974 and 1975 because a larger percentage of the Company's income before taxes was earned by the Company's Irish subsidiary which has a 15-year tax holiday expiring in 1988, and in 1975 because of the effect of foreign currency exchange adjustment losses. See Note 3—"Income Taxes" of Notes to Consolidated Financial Statements for a more detailed explanation of the Company's tax position.

Measurex Corporation and Subsidiary Companies

Consolidated Statement of Income—1975 and 1974 by Quarter (Unaudited)

(Dollar amounts in thousands except per share data)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1975	1974	**1975**	1974	**1975**	1974	**1975**	1974
Operating revenue	$13,356	$ 8,818	$13,690	$ 9,413	$14,095	$10,668	$12,644	$13,187
Cost of sales and operating expenses	11,246	7,233	11,739	7,686	12,010	8,884	10,660	11,272
Operating income	2,110	1,585	1,951	1,727	2,085	1,784	1,984	1,915
Foreign currency (gain) loss	(610)	(44)	455	(376)	1,316	230	88	322
Interest, net	732	502	500	457	551	482	574	523
Income before taxes	1,988	1,127	996	1,646	218	1,072	1,322	1,070
Provision for income taxes	601	348	53	446	(344)	67	315	89
Net income	$ 1,387	$ 779	$ 943	$ 1,200	$ 562	$ 1,005	$ 1,007	$ 981
Net income per common and common equivalent share	$ .43	$ .29	$ .29	$ .39	$ .17	$ .32	$ .31	$ .30

Note: Quarterly amounts for 1974 have been restated to include on an interim reporting basis unrealized foreign currency gains and losses as follows:

	Pre-tax (Gain) Loss	Earnings per Share As Previously Reported	Earnings per Share Restated
First Quarter	$ (44,000)	$ .28	$ .29
Second Quarter	(376,000)	.33	.39
Third Quarter	230,000	.35	.32
Fourth Quarter	322,000	.34	.30
Year	$132,000	$1.31	$1.31

Earnings per share for each quarter do not add to earnings per share for the year, due to changes in the number of common and common equivalent shares outstanding during the year.

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1975	1974	**1975**	1974	**1975**	1974	**1975**	1974
Price range of common stock:								
High	$17-3/4	$28	$21-7/8	$23	$26	$18-3/4	$15-1/2	$15-7/8
Low	10-1/2	19-1/4	16-3/4	15	14-1/4	11-1/8	11	10

The Company's common stock is traded in the over-the-counter market. The table reflects the range of daily bid prices of the Company's common stock for fiscal quarters indicated, as reported by the National Quotation Bureau, Inc.

The Company has not paid cash dividends on its common stock.

Measurex Corporation and Subsidiary Companies

Consolidated Statements of Income

for the years ended November 30, 1975 and 1974

	1975	1974
Operating Revenues		
Sales	$47,899,000	$38,855,000
Rentals on short-term leases and service income	5,886,000	3,231,000
Total Operating Revenues	53,785,000	42,086,000
Cost of sales, rentals and services	25,556,000	20,172,000
Gross Profit	28,229,000	21,914,000
Selling, general and administrative expenses	16,342,000	11,852,000
Product development costs	3,757,000	3,051,000
Operating Income	8,130,000	7,011,000
Foreign currency exchange adjustments	1,249,000	132,000
Interest income	(3,992,000)	(2,222,000)
Interest expense	6,349,000	4,186,000
	3,606,000	2,096,000
Income before income taxes	4,524,000	4,915,000
Provision for income taxes	625,000	950,000
Net Income	$ 3,899,000	$ 3,965,000
Net income per common and common equivalent share	$ 1.20	$ 1.31

The accompanying notes are an integral part of the financial statements.

Measurex Corporation and Subsidiary Companies

Consolidated Balance Sheets

November 30, 1975 and 1974

Assets	1975	1974
Current assets:		
Cash	$ 1,104,000	$ 1,099,000
Current portion of lease contracts receivable	7,605,000	8,141,000
Accounts receivable	20,695,000	8,661,000
Inventories:		
Purchased parts and components	11,658,000	9,728,000
Work in process	4,535,000	4,600,000
Subassemblies and finished systems	4,072,000	4,125,000
	20,265,000	18,453,000
Prepaid expenses	153,000	208,000
Total current assets	49,822,000	36,562,000
Lease contracts receivable to be sold to C.A.C. Leasing Company (Note 9)	11,409,000	—
Lease contracts receivable less current portion and valuation provision	52,350,000	47,395,000
Systems leased to others under short-term leases (including installation costs), at cost less accumulated depreciation and amortization of $206,000 in 1975 (1974—$349,000)	553,000	850,000
Residual value of systems leased to others under long-term leases	585,000	591,000
Property, plant and equipment, at cost:		
Land	1,215,000	818,000
Buildings and improvements	2,682,000	2,481,000
Machinery and equipment	4,448,000	3,025,000
	8,345,000	6,324,000
Less accumulated depreciation	1,723,000	1,003,000
	6,622,000	5,321,000
Other assets	1,472,000	1,438,000
	$122,813,000	$92,157,000

The accompanying notes are an integral part of the financial statements.

Liabilities	1975	1974
Current liabilities:		
Short-term and long-term debt due within one year	$ 13,206,000	$ 2,891,000
Trade accounts payable	3,112,000	2,747,000
Accrued expenses:		
Payroll and payroll related items	3,032,000	2,575,000
Initial and continuing services	1,579,000	936,000
Other	2,498,000	1,072,000
Current portion of deferred income taxes	440,000	459,000
Total current liabilities	23,867,000	10,680,000
Long-term debt less amount due within one year	55,062,000	42,572,000
Deferred income taxes less current portion	3,227,000	2,601,000
Total liabilities	82,156,000	55,853,000

Shareholders' Equity		
Preferred stock, $1 par value: Authorized: 1,000,000 shares; issued and outstanding: none		
Common stock, without par value: Authorized: 5,000,000 shares; issued and outstanding: 3,200,241 shares in 1975 (1974—3,175,333)	98,000	96,000
Additional paid-in capital	28,793,000	28,341,000
Retained earnings	11,766,000	7,867,000
Total shareholders' equity	40,657,000	36,304,000
	$122,813,000	$92,157,000

Measurex Corporation and Subsidiary Companies

Consolidated Statements of Changes in Financial Position

for the years ended November 30, 1975 and 1974

	1975	1974
Financial Resources Provided		
Issuance of common stock	$ 326,000	$ 10,184,000
Additions to long-term debt	23,490,000	26,774,000
Reduction in long-term lease contracts receivable	9,024,000	10,790,000
Issuance of warrants	128,000	45,000
Total financial resources provided	32,968,000	47,793,000
Financial Resources Applied		
Operations:		
Net income	(3,899,000)	(3,965,000)
Items included in net income not involving the use of working capital:		
Depreciation and amortization	(884,000)	(596,000)
Deferred income taxes	(644,000)	(811,000)
Net book value of systems converted from short-term to long-term leases	(468,000)	(342,000)
Operating revenues financed under long-term lease contracts receivable from customers	25,388,000	29,979,000
Financial resources applied to operations	19,493,000	24,265,000
Reductions of long-term debt	11,000,000	10,121,000
Expenditures for property, plant and equipment	2,277,000	1,585,000
Other, net	125,000	468,000
Total financial resources applied	32,895,000	36,439,000
Increase in Working Capital	$ 73,000	$11,354,000
Changes in Elements of Working Capital		
Current assets—increase (decrease):		
Cash	$ 5,000	$ 368,000
Current portion of lease contracts receivable	(536,000)	4,165,000
Accounts receivable	12,034,000	1,967,000
Inventories	1,812,000	9,146,000
Prepaid expenses	(55,000)	173,000
	13,260,000	15,819,000
Current liabilities—increase (decrease):		
Short-term and long-term debt due within one year	10,315,000	2,671,000
Trade accounts payable	365,000	293,000
Accrued expenses	2,526,000	1,387,000
Current portion of deferred income taxes	(19,000)	114,000
	13,187,000	4,465,000
Increase in working capital	$ 73,000	$11,354,000

The accompanying notes are an integral part of the financial statements.

Measurex Corporation and Subsidiary Companies

Consolidated Statements of Shareholders' Equity
for the years ended November 30, 1975 and 1974

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balance December 1, 1973	2,627,193	$69,000	$18,139,000	$ 3,902,000	$22,110,000
Public offering of common stock less related expenses of $761,000	527,200	26,000	9,889,000	—	9,915,000
Issuance of warrants to purchase 45,000 shares of common stock	—	—	45,000	—	45,000
Other issuances (including 19,690 shares under employee stock option plans)	20,940	1,000	268,000	—	269,000
Net income—1974	—	—	—	3,965,000	3,965,000
Balance November 30, 1974	3,175,333	96,000	28,341,000	7,867,000	36,304,000
Issuance of warrants to purchase 128,500 shares of common stock	—	—	128,000	—	128,000
Stock issued under employee stock option plans	24,908	2,000	324,000	—	326,000
Net income—1975	—	—	—	3,899,000	3,899,000
Balance November 30, 1975	3,200,241	$98,000	$28,793,000	$11,766,000	$40,657,000

The accompanying notes are an integral part of the financial statements.

Auditors' Report

To the Shareholders
Measurex Corporation

We have examined the consolidated balance sheets of Measurex Corporation and Subsidiary Companies as of November 30, 1975, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was 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. We previously examined and reported upon the consolidated financial statements of Measurex Corporation and Subsidiary Companies for the year ended November 30, 1974.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Measurex Corporation and Subsidiary Companies at November 30, 1975 and 1974 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Coopers & Lybrand
Palo Alto, California

January 26, 1976

1. Summary of Accounting Policies

Accounting policies of the Company and its subsidiaries conform with generally accepted accounting principles and reflect practices appropriate to the industry in which they operate. The significant policies are summarized below.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except for directors' qualifying shares. All significant intercompany items have been eliminated.

Sales and Lease Accounting

The amounts shown as "Sales" in the accompanying Consolidated Statements of Income include the following:

	1975	1974
Systems under long-term leases	$28,092,000	$29,728,000
Systems sold	21,525,000	9,339,000
Other	629,000	356,000
	50,246,000	39,423,000
Less provision for non-collection and system returns	2,347,000	568,000
	$47,899,000	$38,855,000

The Company offers its customers both short-term and long-term lease financing. Short-term leases have terms from 12 to 42 months, and long-term leases have terms from 60 to 102 months. Long-term leases are accounted for using the finance method. Such method recognizes as revenue at the time of shipment of a system an amount equal to the present value of future committed lease payments discounted using a rate which approximates the customer's borrowing rate. The excess of the aggregate committed lease payments over the present value of such payments is recognized as interest income on the sum-of-the-digits method over the term of the lease. The discount rates used to calculate the present value of future committed lease payments have ranged from 10-1/4% to 10-1/2% in 1975 (1974—7% to 12%).

Short-term leases are accounted for using the operating method. On a monthly basis, rentals are recorded as revenue and depreciation of the leased equipment and amortization of installation costs are recorded as expenses.

Since its inception, it has been the Company's practice to grant its customers an initial period, generally six months following installation, in which to evaluate systems. During the initial period customers may return systems and require the refund of all rentals, service fees or the purchase price paid for the systems. The Company has established provisions which, in the opinion of management, are sufficient to absorb losses which may be incurred in the event systems are returned.

Foreign Currency Translation

Foreign currency balance sheet accounts are translated into United States dollar equivalents at year-end rates of exchange, except for property, plant and equipment which are translated at historical rates. Income statement accounts are translated into United States dollar equivalents using rates of exchange which approximate the average rates in effect during the year, except that depreciation is translated at historical rates.

Net foreign exchange adjustments, including those resulting from performed and unperformed forward exchange contracts, are included in net income.

Inventory Valuation

Inventories are stated at the lower of standard cost (which approximates actual cost determined on a first-in first-out basis) or market. Included in inventories is approximately $6,119,000 (1974—$4,489,000) representing inventories held for the purpose of servicing systems covered by service contracts.

Property, Plant and Equipment

Expenditures for property, plant and equipment and for renewals and betterments which extend the originally estimated economic life of assets are capitalized. Expenditures for maintenance, repairs and other renewals are charged to expense. When items are sold or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in net income.

Provisions for depreciation and amortization are made using the straight-line method and various estimated useful lives as follows:

Class of Property	Estimated Useful Life
Systems leased to others under short-term leases	9 years
Installation costs for systems leased to others under short-term leases	4 years
Buildings	25-40 years
Improvements	4-40 years
Machinery and equipment	3-10 years

Product Development Costs

The Company is actively engaged in basic technology and applied research and development programs which are designed to develop new or improved products, processes and applications. The costs of these programs are charged to net income as incurred.

Income Taxes

The provision for income taxes includes provision for timing differences between financial and taxable income. The most significant timing differences relate to:

a) Long-term leases, which are reported using the finance method of accounting for financial reporting purposes and the operating method for tax purposes.
b) Provisions for non-collection of accounts receivable from customers or system returns.
c) Provisions for unrealized foreign currency exchange adjustments.
d) Provisions for inventory obsolescence.

Investment tax credits relating to the acquisition of eligible fixed assets are accounted for using the flow-through method, which reduces the provision for Federal income taxes during the year in which the related assets are acquired. Investment tax credits relating to the cost of systems leased to customers are not accounted for until they are utilized to reduce taxes currently payable for any given year. The provision for income taxes has been reduced by $74,000 in 1975 (1974—$42,000) for investment tax credits.

Provision has not been made for income taxes relating to potential future distributions of accumulated earnings from the Irish subsidiary or the Company's Domestic International Sales Corporation, since it is the Company's present intention to utilize substantially all of the undistributed earnings of these companies in its foreign operations and qualified export activities.

Net Income per Common and Common Equivalent Share

Net income per common and common equivalent share is computed using the average number of common shares outstanding during the year, adjusted to reflect the assumed exercise of outstanding employee stock options and warrants to the extent these items had a dilutive effect on the computation.

The number of shares used in the computation of net income per share was 3,248,000 in 1975 (1974—3,031,000 shares).

Reclassifications

For comparability the 1974 figures have been reclassified, where appropriate, to conform with the financial statement presentation used in 1975.

Audit Committee of the Board of Directors

The Company has an Audit Committee of the Board of Directors. This Committee meets with the Company's financial management and its independent accountants at various times during each year and reviews internal control conditions, audit plans and results, and financial reporting procedures.

2. Lease Contracts Receivable

Lease contracts receivable are summarized as follows:

	1975	1974
Aggregate lease payments to be received under long-term leases accounted for using the finance method	$ 84,639,000	$75,465,000
Less unearned financing income	22,470,000	18,616,000
	62,169,000	56,849,000
Less amount due within one year	7,605,000	8,141,000
	54,564,000	48,708,000
Less allowance for non-collection and system returns	2,214,000	1,313,000
	$52,350,000	$47,395,000

The aggregate amount of payments receivable by the Company in years subsequent to 1975, excluding lease contracts receivable to be sold to C.A.C. Leasing Company of $11,409,000, is set forth below:

Year ending November 30,	Principal	Interest	Total
1976	$7,605,000	$4,675,000	$12,280,000
1977	9,206,000	5,132,000	14,338,000
1978	8,986,000	4,082,000	13,068,000
1979	8,529,000	3,127,000	11,656,000
1980	8,005,000	2,294,000	10,299,000
Thereafter	19,838,000	3,160,000	22,998,000
	$62,169,000	$22,470,000	$84,639,000

3. Income Taxes

The provision for income taxes has been computed as follows:

	1975	1974
Income before income taxes	$4,524,000	$4,915,000
Income of Domestic International Sales Corporation (DISC) and Irish subsidiary not subject to tax	(3,915,000)	(3,593,000)
Other (principally losses of foreign subsidiaries)	406,000	267,000
Taxable income	$1,015,000	$1,589,000
Provision for Federal, foreign and state income taxes	$ 625,000	$ 950,000
Effective tax rate	13.8%	19.3%

Amounts included above relating to 1974 have been restated to reflect the final determination during 1975 of transfer pricing policies between subsidiaries.

A description of the Company's significant accounting policies regarding income taxes is included in Note 1—"Summary of Accounting Policies."

The accumulated net income of the Company's Domestic International Sales Corporation for which no provision for income taxes has been made is $1,591,000 at November 30, 1975.

The Company's wholly-owned subsidiary in Ireland operates under a tax holiday granted by the Government of the Republic of Ireland which extends for a minimum of fifteen years from the date the subsidiary was formed in 1973. The accumulated undistributed net income of the Irish subsidiary is $7,524,000 at November 30, 1975.

As of November 30, 1975 the Company has cumulative net operating loss carryforwards for Federal income tax purposes of approximately $6,674,000. These net operating loss carryforwards, which result from timing differences between income for financial reporting and tax purposes, as explained in Note 1—"Summary of Accounting Policies," may be utilized to reduce future income for tax purposes. Utilization of these net operating loss carryforwards will not affect net income for financial reporting purposes.

Net operating loss carryforwards expire as follows:

1976	$1,213,000
1977	1,015,000
1979	3,520,000
1980	926,000

In addition, the Company has investment tax credit carryforwards of approximately $636,000 which may be utilized to reduce Federal income taxes payable. Of the carryforward amount, $362,000 has been utilized to reduce the provision for income taxes for financial reporting purposes. The benefit from the remainder has not been so utilized and, if realized, will reduce the provision for income taxes in future years. The investment tax credit carryforwards expire in varying amounts during the years 1976 through 1982.

4. Short-Term and Long-Term Debt

Details of short-term and long-term debt are presented below:

	1975	1974
Bank borrowings	$56,029,000	$33,123,000
7-3/4% and 9% subordinated notes with warrants	10,000,000	10,000,000
8-1/4% and 8-3/4% mortgages payable in monthly installments through 1999	1,847,000	1,875,000
Other borrowings	392,000	465,000
	68,268,000	45,463,000
Less amount due within one year	13,206,000	2,891,000
	$55,062,000	$42,572,000

A summary of the bank borrowings follows:

	Maximum Commitment at November 30,	Borrowings at November 30	
	1975	1975	1974
Domestic term financing agreement	$ 40,000,000	$15,200,000	$23,100,000
Multi-currency term financing agreement	35,000,000	27,786,000	7,523,000
Canadian term financing agreement	10,000,000	—	—
Multi-currency working capital agreement	15,000,000	13,043,000	2,500,000
	$100,000,000	$56,029,000	$33,123,000

The Domestic, Multi-currency and Canadian term financing agreements provide that funds may be borrowed by the Company through April 1977 and are repayable in equal monthly (Domestic and Canadian) or quarterly (Multi-currency) installments over six years. The multi-currency working capital agreement is payable in full on April 30, 1977. The term financing and working capital agreements also provide that interest is payable by the Company as follows:

Domestic—120% of 1/2% above prime rate (120% of 1% above prime rate after April 30, 1977).

Multi-currency—1-1/2% (2% after April 30, 1977) above the London Interbank Offered Rate.

Canadian—1-1/2% (2% after April 30, 1977) above the Canadian prime rate.

Multi-currency working capital—Various rates plus compensating balances equal to approximately 10% of domestic borrowings under the agreement.

Each of the term financing credit agreements require that the Company pay commitment fees of 1/4% per annum on the total bank commitment plus 1/2% per annum on the total unused commitment.

In accordance with provisions of the various term financing agreements, the Company may borrow varying amounts based on a formula applied to lease payments owing to the Company under long-term lease contracts which satisfy certain criteria regarding collectibility, customer payment status, and leased system installation status. At November 30, 1975 the maximum borrowings available to the Company under provisions of the term financing agreements were approximately $49,802,000.

The provisions of the term financing agreements also allow the banks, at their request, to obtain a security interest in certain leased systems owned by the Company. Also, the provisions of the multi-currency working capital agreement allow the banks to obtain a security interest in the Company's accounts receivable, domestic inventories and certain unencumbered domestic assets. As of November 30, 1975, the banks had not requested any security interests in the Company's assets.

The subordinated notes were issued in 1973 ($5,000,000) and 1974 ($5,000,000). The 1973 notes bear interest at 9% per annum and are payable in equal semi-annual installments commencing November 30, 1977 and extending to November 30, 1979. The notes were issued with six year warrants for the purchase of a total of 160,000 shares of the Company's common stock at $28 per share. The 1974 notes bear interest at 7-3/4% per annum through October 1976 and were issued with warrants to purchase 45,000 shares of the Company's common stock at $25 per share. The Company may, at its option, extend the notes beyond October 1976, in which event the number of shares issuable under the warrant agreement will be increased to 200,000 shares. The Company presently intends to extend the notes, in which case the notes will be repayable in annual installments of $1,000,000 from 1978 through 1980, with the remaining amount payable in 1981.

The various loan agreements contain certain restrictive provisions regarding working capital, indebtedness and shareholders' equity. In the event of default by the Company, the banks are entitled to accelerate the maturity of all amounts owing under the agreements. At November 30, 1975, the Company was in compliance with all restrictive covenants of the agreements.

Aggregate principal payments on short-term and long-term debt in each of the next five years and thereafter (assuming the subordinated notes are extended) are approximately as follows:

1976—$13,206,000; 1977—$5,296,000; 1978—$10,255,000; 1979—$10,258,000; 1980—$8,263,000; thereafter—$20,990,000.

5. Profit-Sharing Plans

The Company has an employee cash profit-sharing plan providing for contributions of up to 10 percent of consolidated income before provisions for income taxes and amounts payable under the plan. The plan is subject to annual renewal and has been renewed for 1976.

The Company also has an annually renewable bonus plan whereby the president is paid a cash bonus of one-half of one percent of consolidated income before provisions for income taxes and amounts payable under the profit-sharing plan.

Profit-sharing contributions were $491,000 in 1975 (1974—$503,000).

6. Stock Option Plans

Under the Company's stock option plans, 820,000 shares (1974—620,000 shares) of common stock have been reserved for issuance to officers and key employees.

Options may be granted at prices not lower than the fair market value of the Company's common stock at the date of grant. Options become exercisable in four equal annual installments commencing one year from the date of grant.

Options expire if not exercised within five years from the date of grant.

In August 1974 the Company issued qualified stock options (new options) to certain of its employees to purchase 161,800 shares at $12.25 per share and 10,000 shares at $11.50 per share. In February 1975 additional new options were issued to purchase 1,550 shares at a price of $16.25 per share. The number of new options issued was equal to the number of unexercised options (old options) held by each respective employee at the date of grant. The old options had previously been issued to the employees at various dates from February 1972 to August 1974 and were issued for prices higher than the prices for the new options. The new options expire in August 1979 (except for 1,550 which expire in February 1980) and may be exercised only if old options have expired. The exercise of an old option will reduce the number of shares available to each respective employee under the new options. At November 30, 1975, 147,500 new options were outstanding.

A summary of transactions relating to options during 1975 is set forth below (the information regarding outstanding options assumes that optionees will exercise the new options described in the preceding paragraph):

	Shares Available For Grant	Options Outstanding Shares	Price Per Share	Amount
Balance December 1, 1974	22,116	266,133	$10.33-$35.13	$3,092,000
Additional shares authorized for grant	200,000	–	–	–
Options granted	(32,550)	32,550	11.50-22.75	443,000
Reduction for new options (see above)	(1,550)	–	–	(6,000)
Options terminated	36,887	(36,887)	10.33-28.25	(409,000)
Options exercised	–	(24,908)	10.33-18.00	(325,000)
Increase for termination of new options	25,850	–	–	–
Balance November 30, 1975	250,753	236,888	$10.33-$35.13	$2,795,000
Options exercisable at November 30, 1975 (134,258 shares if old options are exercised)		62,484	$10.33-$35.13	$ 862,456

7. Warrants

At November 30, 1975, warrants to purchase 235,000 shares of the Company's common stock were outstanding at prices ranging from $13.33 to $28.00. The warrants expire on various dates from December 29, 1975 to October 1, 1981. Also, see Note 4 for information with respect to warrants which may be issued if subordinated notes are extended.

8. Sale of Contracts Receivable

The Company has, at various times, sold portions of its domestic and foreign lease contracts receivable and the related equipment to certain financial institutions. These sales have been made on both a non-recourse and a full-recourse basis. The Company generally is entitled to participate with the financial institutions in revenues received pursuant to purchase or lease renewal options included in the lease contracts.

At November 30, 1975, the Company was contingently liable to the financial institutions for approximately $11,580,000, relating to those sales made on a full recourse basis.

9. Sale of Equipment and Assignment of Leases

On December 31, 1975, Measurex (Canada) Ltd., a wholly-owned subsidiary, sold certain digital process control systems and assigned the related leases for the systems to C.A.C. Leasing Company (C.A.C.), a division of Canadian Acceptance Corporation, Limited.

The balance sheet carrying value as of November 30, 1975 of the lease contracts assigned to C.A.C. was approximately $11,409,000. This amount has not been included in current assets as of November 30, 1975 since it is the Company's present intention to use the proceeds from the transaction to repay a portion of its long-term debt owing to banks.

The leases were previously recorded using the finance method of accounting and the gain on the assignment of the leases to C.A.C., which was not material, will be recorded in 1976.

The bills of sale and assignments of leases for four of the systems sold include provisions whereunder Measurex (Canada) Ltd. has agreed to fully reimburse C.A.C. for any losses which may be incurred due to the lessees' failure to pay amounts owing under the related leases. As of the date of sale, the Company was contingently liable for approximately $1,277,000 in the event losses are sustained by C.A.C.

Directors of Measurex Corporation

Paul Bancroft III
Senior Vice President
Bessemer Securities Corporation
(Investment company)

Dwight C. Baum
Senior Vice President
Blyth Eastman Dillon & Co. Incorporated
(Investment banking firm)

David A. Bossen
President
Measurex Corporation

*William H. Draper III
General Partner
Sutter Hill Ventures

Robert W. Frick
Vice President-Finance
Measurex Corporation

*John W. Larson
Partner
Brobeck, Phleger and Harrison
(Law firm)

*John W. McKittrick
President
Plantronics, Inc.
(Telecommunications equipment manufacturer)

*Member of Audit Committee

Principal Officers of Measurex Corporation and Subsidiaries

David A. Bossen
President

Doris S. Bossen
Vice President

Robert K. Dahl
Vice President & Controller

Robert W. Frick
Vice President-Finance

William P. Krum
Treasurer

John W. Larson
Secretary

Fernand Ostiguy
President
Measurex (Canada) Ltd.

Kenneth P. Ostrow
Vice President
Measurex Systems Inc.

S. Keith Swanson
Vice President
Measurex Systems Inc.

Charles S. Walker
Vice President
Measurex International Corp.

Charles M. Worthley
Managing Director
Measurex International Corp.

Robert L. Yeager
Vice President
Measurex Systems Inc.

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Manufacturers Hanover Trust Company
New York, New York

Registrars

Wells Fargo Bank
San Francisco, California

Bankers Trust Company
New York, New York

Auditors

Coopers & Lybrand
Palo Alto, California

General Counsel

Brobeck, Phleger and Harrison
San Francisco, California

Copies of Measurex' Form 10-K, the company's annual report filed with the Securities and Exchange Commission, are available on request. Please write the Assistant Secretary, Measurex Corporation, One Results Way, Cupertino, California 95014.

measurex
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