FORM 10-K

Annual report pursuant to section 13 and 15(d)

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IOMEGA CORP

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT

pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

1-12333
(Commission file number)

Iomega Corporation
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	86-0385884 (IRS employer identification number)
1821 West Iomega Way, Roy, UT (Address of principal executive offices)	84067 (ZIP Code)

(801) 778-1000
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.03-1/3 per share	New York Stock Exchange
Rights to Purchase Series C Junior Participating Preferred Stock, $0.01 par value per share	New York Stock Exchange
6-3/4% Convertible Subordinated Notes due 2001	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes |X| No _______

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.____

The aggregate market value of Common Stock held by non-affiliates of the registrant at January 31, 1999, was $1,702,661,625, based upon the last reported sales price of the Common Stock as reported by the New York Stock Exchange. The number of shares of the registrant's Common Stock outstanding at January 31, 1999, was 268,274,768.

Documents incorporated by reference:

- Specifically identified portions of the Company's Annual Report to Stockholders for the year ended December 31, 1998, into Part I and Part II of Form 10-K.
- Specifically identified portions of the Company's Definitive Proxy Statement for its 1999 annual meeting of stockholders into Part III of Form 10-K .

PART I

This Annual Report on Form 10-K contains a number of forward-looking statements, including, without limitation, information with respect to Iomega(1) Corporation's ("Iomega" or the "Company") plans to establish and maintain original equipment manufacturer ("OEM") relationships and license its Zip(R), Jaz(R) and Clik!(TM) technologies to third parties, the Company's manufacturing strategies, cost control and cost-reduction initiatives, relationships with third parties, the availability of key components, current and future product development projects, including the anticipated availability of new products expected to be shipped in 1999, including, without limitation, a Clik! drive designed to fit into a PCMCIA slot for slimline notebook computers and an internal Zip 250MB drive, the expectation that the first cameras with built-in Clik! drives will reach the market during 1999, anticipated products to be engineered, manufactured or marketed in 1999 by third parties under licensing arrangements, efforts to protect its intellectual property rights, the possible effects of another party succeeding in producing and selling Zip-, Jaz- or Clik!-compatible disks without infringing or violating the Company's intellectual property rights, the possible effects of adverse outcomes in litigation or in resolutions of infringement claims asserted by third parties, the expected decline in first quarter revenue as compared to fourth quarter revenue and the expected results of operations for the first quarter of 1999. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects", "intends" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause actual events or the Company's actual results to differ materially from those indicated by such forwarding-looking statements. These factors include, without limitation, market acceptance of, and demand for, the Company's drive and removable disk products, manufacturing issues, including availability of certain key components of the Iomega Zip, Jaz and Clik! drives and disks, sales mix between disks and drives, sales mix of OEM drive sales versus retail and distribution sales, product development delays, quality issues, the Company's success in filling a number of key management vacancies, including the appointment of a new Chief Financial Officer and a new head of the global Product, Sales and Marketing function, intellectual property rights, the outcome of litigation described in Part I, Item 3 of this Annual Report on Form 10-K and the other factors set forth under the captions "Factors Affecting Future Operating Results", "Year 2000 Readiness" and "Disclosures About Market Risk" included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Annual Report on Form 10-K.

ITEM 1. BUSINESS:

The Company designs, manufactures and markets innovative personal and professional storage solutions, based on removable-media technology, for users of personal computers and consumer electronics devices. The Company's primary data storage solutions include disk drives and disks marketed under the trademarks Zip, Jaz and Clik!. The Company's Zip and Jaz storage systems are designed to provide users with the benefits of high capacity and rapid access generally associated with hard disk drives and the benefits of media storage generally associated with floppy disk drives and disks, including expandable storage capacity and data transportability, management and security. The Company's Clik! storage systems are designed to provide a miniaturized removable-media storage solution for use in notebook computers and a variety of hand-held electronic devices.

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(1) Iomega, Zip, Jaz, Bernoulli and the stylized "i" logo are trademarks of Iomega Corporation registered in the United States and certain other countries; Clik!, ZipPlus, Ditto, Ditto Max, n hand, Zip Built-In, AutoDetect and RecordIt are trademarks of Iomega Corporation. All other products and brand names mentioned are the property of their respective owners.

Iomega Storage Solutions

The Company believes its Zip, Jaz and Clik! disk drives and disks address key information storage and management needs of personal computer users and various electronic device users by providing affordable, easy-to-use storage solutions that combine the high capacity and rapid access of hard disk drives with the benefits of media removability generally associated with floppy disk drives. The Company's Clik! disk drives and disks provide an affordable storage solution for portable digital products from digital cameras and handheld personal computers ("HPCs") to notebook computers. Specifically, the Company's Zip, Jaz and Clik! products are designed to offer the following benefits to personal computer users:

Expandable Storage Capacity

As personal computer users and other electronic device users (in the case of Clik!) are increasingly forced to expand their primary storage capacity (generally provided by the hard disk drive incorporated in the computer or flash memory in the case of consumer electronic devices), Zip, Jaz and Clik! provide an easy and efficient way to do so. The Zip, Jaz and Clik! drives can be easily connected or installed and offer unlimited additional storage capacity, in increments of 40 megabytes ("MBs") in the case of Clik!, 100 or 250MBs in the case of Zip and 1 or 2 gigabytes ("GBs") in the case of Jaz.

Media Removability

The Company's Zip and Jaz products store data on high-capacity removable disks, thus enabling personal computer users to:

- take programs and files from an office computer to use on a home or laptop computer;

- share or transfer programs and files with other personal computer users;

- organize data by storing different files on different disks;

- create a "separate personal computer" for each person using the computer (such as different family members) -- each user can store his or her software and data on a single disk that can be removed from the computer and privately stored when that person is not using the computer;

- remove particularly sensitive or valuable information from the computer for storage in a different location, thus protecting it against viewing, modification or damage by another user of the computer; and

- create easily-accessible backup copies of important electronic data.

The Company's Clik! products store data on high-capacity removable disks, thus enabling users of various consumer electronic devices to:

- download high resolution photos from CompactFlash(TM) or Smart Media(TM) memory cards on a single Clik! disk without having to return to a personal computer;

- carry e-mails, web pages, presentations, price lists, contact lists, letters and memos for a laptop or handheld computer on a single Clik! disk;

- have a removable storage solution for various HPCs and notebook computers; and

- take programs and files from an office computer to use on a home or laptop computer.

Data Backup

The Company's Zip, Jaz and Clik! storage systems, offer a convenient and effective way for personal computer users to create backup copies of their programs and files.

Attractive Price, Performance and Features

The Company believes that its storage systems provide a combination of price, performance and features that make them attractive data storage solutions for their target markets. Zip offers data access times, transfer rates and storage capacity that greatly exceed those offered by conventional floppy disk drives and disks, along with the benefits of removable media, at a price that is attractive to mass-market customers. Jaz offers many performance features comparable to those of most other data storage devices (including conventional hard disk drives), at a competitive price. Clik! offers compact storage and higher capacity than current mobile storage solutions at an attractive price for a variety of hand-held electronic device customers.

Products

The Company offers products targeted at both the mass market and the high-performance market. Zip drives and Clik! drives were designed to achieve price levels that the Company deems crucial to mass-market consumers. The Jaz 1GB and 2GB drives, on the other hand, are principally targeted to more professionally-demanding customers, while still offering affordability. Iomega's Zip, Jaz and Clik! products continued to be recognized by industry publications and trade groups during 1998, receiving a number of prestigious awards, including: Info World's "Industry Innovations Award - The Best and the Brightest" (Zip); MacHome Journal "Home Choice Award - Removable Media Drive" (Zip); PC Computing's "MVP Award" (Zip); PC World's "Best Buy Zip ATAPI" (Zip); Computer Currents' "Best Removable Drive" (Jaz); Computer Shopper's "Best Removable/Backup Drive" (Jaz); PC Computing's "MVP Award" (Jaz); and Popular Science's "Best of What's New" (Clik!).

The following table lists the principal data storage devices currently being offered by the Company:

<TABLE>

Product Family	Capacity	Model	Interface (Year introduced)	Typical Retail Price (2)	Technology
<S>	<C>	<C>	<C>	<C>	<C>
Zip Drives:					
	100MB	External	Parallel Port (1995)	$ 99.95	Composite
			SCSI (1995)	99.95	winchester heads
			USB (1998)	129.95	
		Internal	3.5" ATAPI (1997)	99.95	
		Notebook	15 MM ATAPI (1997)	199.95	
			12.7 MM ATAPI (1998)	199.95	
	250MB	External	Parallel Port (1998)	199.95	
			SCSI (1998)	199.95	
Zip Disks:					
	100MB		(1995)	$ 9.99	Advanced
	250MB		(1998)	16.66	flexible media
Clik! Drives:					
	40MB	Various drive bundles			Composite
		(see description below)	(1998)		winchester heads
Clik! Disks:					
	40MB		(1998)	$ 9.99	Advanced
					flexible media
Jaz Drives:					
	1GB	External	SCSI (1995)	$299.95	Thin-film heads
		Internal	3.5" SCSI (1995)	279.95	
	2GB	External	SCSI (1998)	349.95	
		Internal	3.5" SCSI (1998)	349.95	
Jaz Disks:					
	1GB		(1995)	$ 84.95	Dual rigid media
	2GB		(1998)	99.95	

</TABLE>

(2) Indicates the minimum advertised price or, if none, the typical price at which the drive and disks are sold at retail. Disk prices represent per unit purchase price in multi-packs.

Zip Products

Since their introduction in March 1995 and through the end of 1998, more than 21 million Zip drives have been shipped. Designed as an affordable mass-market product, Zip drives address multiple needs of personal computer users: data storage, archiving, hard drive expansion, data transportability, distributing files (including multimedia presentations), data security and backup. Zip drives use durable, high-capacity flexible media and Winchester-type composite nanoslider heads with a special airbearing surface combined with a linear voice coil motor. Zip drives provide high capacity and rapid access and can be used for a number of data storage purposes. The original Zip 100MB disks provide users of personal computers, including Apple/Macintosh-compatible personal computers, with a minimum of 70 times the capacity of, and up to 20 times faster performance than, traditional floppy disks. Zip drives operate with leading operating systems for personal computers and workstations, including Windows 98, Windows 95, Windows NT, Windows 3.x, Macintosh and OS/2. Software included with the Zip drives provide a data storage solution by helping users organize, copy, move and backup their data and offers software read/write protection, which further enables users to secure and protect their data. All models feature a compact design, operation lights and a finger slot for easy cartridge insertion and removal.

Zip drives carry a one-year limited warranty. Certain OEM customers have a three-year limited warranty on the Company's Zip drives. Prior to 1998, Zip disks had a limited lifetime warranty except where local law prohibited such warranties. Beginning in 1998, Zip disks carry a limited five-year warranty.

Zip 100MB External. Originally introduced in 1995, Zip 100MB external drives are now available in three interface models: parallel port, SCSI and USB. The parallel port version is for use with IBM compatible PCs, the SCSI version for use with SCSI-enabled (either built in or through the addition of an adapter board with an external connector) computers and the USB version for use with PCs and the latest Apple computer models such as the G3 and iMac. The SCSI version of the Zip 100MB drive offers faster performance than the parallel port and USB versions of the drive, featuring a maximum sustained data transfer rate of up to 1.4MBs per second. All external models feature a window for viewing the cartridge label.

Zip 100MB Internal. Originally introduced in February 1996 (with an IDE interface), the 3.5-inch form factor Zip 100MB drive is now available with an ATAPI interface for both OEMs and retail channels. In 1997, the Company introduced a 15 mm version for the notebook computer market. This was followed with a 12.7 mm version in 1998. The ATAPI version features a maximum sustained transfer rate of 1.4MBs per second. The notebook versions are sold to OEMs for incorporation into notebook computers and external models.

Zip 250MB. Introduced in the fourth quarter of 1998, the Zip 250MB drive was designed to meet demand for higher storage capacity fueled by the prevalence of graphics in most applications, the emergence of audio and video files and the proliferation of internet downloads. In addition to two and one-half times the capacity of the original Zip 100MB drive, the ZIP 250MB drive has increased performance by one and one-half times and reads and writes to Zip 100MB cartridges allowing sharing of files with users of Zip 100MB drives. The SCSI version of the Zip 250MB drive offers faster performance than the parallel port version of the drive, featuring a maximum sustained transfer rate up to 1.4MBs per second.

The Zip 250MB is available as an external drive with either parallel port or SCSI interfaces. A 3.5-inch form factor internal Zip 250MB drive with an

ATAPI interface is expected to be available in 1999.

OEMs. As of March 1999, the following PC companies incorporate, or have announced plans to incorporate, Zip 100MB drives in selected models of their lines of personal computers as a standard or optional feature: Acer, Apple, Chicony, Clevo, Compal, Compaq, Dell, Fujitsu Limited ("Fujitsu"), Gateway, Hewlett-Packard, Hitachi - Japan, IBM, LaCie Limited, Micron Electronics, NEC Corporation ("NEC"), Packard Bell, Sharp, Siemens, Sony, Toshiba Corporation ("Toshiba") and Umax.

Clik! Products

Clik! is a miniaturized removable-media storage solution for use in a variety of hand-held consumer electronics devices such as digital cameras, personal digital assistants ("PDAs"), audio recorders, mobile telephones, hand-held global positioning system ("GPS") units and palm top and notebook computers. The Company began shipping limited quantities of its Clik! drive for digital cameras and 40MB Clik! disks in December 1998. The Company also began shipping limited quantities of its Clik! drive for mobile computers and its Clik! Drive Plus bundle for digital cameras, notebook computers and Windows CE products in early 1999.

Clik! drives are designed to connect to virtually any portable digital or desktop product and to allow consumers to easily share information between products and synchronize information back to a desktop computer. For digital cameras, Clik! disks are like tiny rolls of film since they are designed to store more than current mobile storage solutions and at a lower cost. The 40MB Clik! disk will hold approximately 60-80 "megapixel" images or hundreds of lower resolution images. The handheld Clik! Mobile Drive weighs less than seven ounces and Clik! 40MB disks are 2" by 2", approximately half the size of a credit card. A Clik! drive designed to fit into a PCMCIA slot for slimline notebook computers and the first digital camera with a built-in Clik! drive are expected to be available in 1999.

The Clik! Drive for Mobile Computers is available with a typical retail price of $199. The Clik! Drive for Digital Cameras is available for a typical retail price of $249. The Clik! Drive Plus is available with a typical retail price of $299. The 40 MB disks sell for a typical retail price as low as $9.99 per disk, when purchased in a 10-pack.

Clik! drives carry a one-year limited warranty. Clik! disks have a limited five-year warranty.

OEMs. At the end of 1998, the Company had announced the following OEM partners for Clik!: AGFA, Compaq, Sharp and Varo Vision. The Company has signed licensing or co-development agreements with Citizen Watch Co., Ltd. ("Citizen"), Matsushita Communication Industrial Co., Ltd. ("MCI") and NEC that grant non-exclusive rights to manufacture and market Clik! mobile storage drives to other OEMs and consumers worldwide and for use in their own portable electronic products.

Jaz Products

Jaz products address the high-performance needs of personal computer and other system users in several areas: professional applications (graphics, desktop publishing, software development, IT/MIS, CAD/CAM, audio and video), corporate users (sales force automation and backup) and personal computer enthusiasts (multimedia and worldwide web applications). Jaz drives incorporate many advanced technological features including tri-pad thin-film recording heads, dynamic head loading and drag and drop motorized cartridge ejection. Jaz disks feature a dual rigid platter cartridge and a proprietary disk capture system that secures the dual disk platters when not installed in a drive, eliminating rattle and reducing the possibility of losing valuable information. The drives operate with leading operating systems for personal computers and workstations, including Windows 98, Windows 95, Windows NT, Windows 3.x, Macintosh and OS/2. Software included with Jaz drives provide a data storage solution by helping users organize, copy, move and backup their data and offers software read/write protection, which further enables users to secure and protect their data.

The external versions of the drives weigh approximately two pounds, feature design enhancements similar to those introduced with external Zip drives, including a unique colored casing, a window to allow visibility of the label on the cartridge being used and operating lights. Additional features include an auto-switching power supply to allow operation in different countries and auto-sensing SCSI termination.

Jaz drives carry a one-year limited warranty. Prior to 1998, Jaz disks had a limited lifetime warranty except where local law prohibited such warranties. Beginning in 1998, Jaz disks carried a limited five-year warranty.

Jaz 1GB. The Company began shipping Jaz 1GB drives and Jaz 1GB disks in December 1995. The Jaz 1GB drive offers data transfer rates comparable to those of many current hard disk drives, with an average sustained transfer rate of 5.4 MBs per second, 12 millisecond average seek time and 17.5 millisecond average access time. Using 1GB disks, Jaz is capable of storing 1,000 24-bit full color pictures, 56 minutes of video (2X CD-ROM quality data), or 1.7 hours of audio (CD-quality, stereo). The Jaz 1GB drive is available in external and internal SCSI versions. An adapter, the Jaz Traveler, is offered to connect the external drive to a PC's parallel port connector.

Jaz 2GB. Due to the demand for an even higher capacity drive, the Company began shipping Jaz 2GB, a 2-gigabyte storage solution, in February 1998. The Jaz 2GB removable drive utilizes an ultra-SCSI interface, includes a complete software suite, provides twice the capacity and up to 40 percent faster performance than the original Jaz 1GB drive. With an average sustained transfer rate of 7.4 megabytes per second, Jaz 2GB is fast enough to deliver full-screen, full-motion video. The Jaz 2GB drive is also capable of reading and writing to Jaz 1GB disks. The Jaz 2GB drive is available in external and internal SCSI versions.

Ditto Products

In March 1999, the Company announced that it had entered into an agreement to sell certain assets associated with its Ditto tape product line to Tecmar Technologies, Inc. ("Tecmar"). Under the terms of the agreement, Tecmar will pay the Company $3.0 million for intellectual property and exclusive rights to the Company's Ditto product line which includes the Ditto 2GB, 10GB DittoMax Pro and the 7GB Ditto Max drives. As part of the agreement, Tecmar will also obtain certain software rights, intellectual property rights, equipment, the Ditto brand name for tape and tape-related products and product logos. No Iomega facilities or employees will be transferred to Tecmar in connection with the transaction. The Company will continue to sell its current Ditto finished goods inventory for three months following the closing of the sale; after which, Tecmar will buy the Company's remaining finished goods inventory. The Company will also continue to sell existing Ditto cartridges for a period of time. The Company will provide warranty support for its Ditto 2GB and Ditto Max products until the warranties expire and will provide technical support for Ditto products sold by the Company. Tecmar will provide out-of-warranty service for Ditto 2GB and Ditto Max tape drive customers.

Marketing and Sales

Marketing

The Company believes that broadening the distribution of its products through strategic marketing alliances with a variety of key companies within the computer and consumer electronic industries is a critical element in the Company's strategic goal of being the supplier of choice for smart, portable solutions for personal computers and the growing market of consumer electronic devices. The Company's initial marketing strategy for the introduction of its new products has been to generate consumer awareness of, and demand for, such products by focusing on aftermarket sales to existing users of personal computers through leading computer retail channels. The Company has also focused and will continue to focus on establishing and maintaining OEM relationships with leading personal computer manufacturers for Zip and Jaz products and consumer electronic manufacturers for Clik! products as well as granting royalty-based licenses that allow third-party manufacturers to produce and sell the Company's drives to OEMs and other customers for their own accounts. Sales of Zip drives to OEM customers increased to over 55% of total Zip drive unit sales in 1998, as compared to approximately 32% in 1997. To support and foster increased Zip OEM sales, Iomega initiated a broad-based Zip Built-In(TM) campaign during 1997.

During 1998, the Company announced the following three marketing programs to improve the role of the Company's products in the business and personal lives of its customers: Record/Play, Beyond-PC and software tools. Record/Play enables authors, artists, music producers and, eventually, video and film producers to protect their copyrighted property. Record/Play also enables businesses to protect confidential or proprietary business and client information. The Company's Zip, Jaz and Clik! disks carry an embedded serial number that allows content to be encrypted, thus allowing content to be replayed but not re-recorded. Beyond-PC promotes the installation of the Company's storage technologies on digital appliances other than the PC. Zip drives are being designed into, or made compatible with, scanners, set-top boxes, projection systems, music and audio devices, medical devices and printers. By the end of 1998, Beyond-PC had garnered support from non-PC makers such as WebSurfer Inc. (TV set-top boxes for internet access), Microtek International, Inc. (stand-alone scanners), Lexmark and NEC (external compatibility with printers), Roland Corporation (music recorders), 360 Systems (broadcast-quality sound record/playback), InFocus Systems Inc. (projection systems) and Stryker Endoscopy (digital capture for high-resolution medical images). Software tools for the Company's Zip, Jaz and Clik! drives are provided by the Company to improve customer satisfaction and to increase media consumption. The software tools are available as a free download on the Company's website (www.iomega.com) and include such tools as Iomega RecordIt, Norton Zip Rescue and Iomega Photoprinter. Iomega RecordIt, when used with the Company's Zip, Jaz and Clik! disks, allows a PC or Mac computer to be used as a digital audio recorder. Norton Zip Rescue is a disaster recovery software tool that is stored on a single 100MB or 250MB Zip disk that allows Zip drive users to perform system recovery quickly and easily. Iomega Photoprinter, primarily designed for the Clik! drive for digital cameras, allows users to view JPG, bitmap and pic images in thumbnail views and allows users to size images up to 8x10. Iomega Photoprinter also works with Zip and Jaz drives as well as hard drives.

The Company's worldwide marketing group is responsible for positioning and promoting the Company's products. The Company participates in various industry tradeshows, including CeBit, COMDEX and MacWorld, and seeks to generate coverage of its products in a wide variety of trade publications. During 1998, the Company continued major print advertising campaigns for its Zip, Jaz and Ditto products and television advertising campaigns in support of its Zip products with an emphasis on the Company's Zip Built-In campaign aimed at increasing awareness of the availability of, and demand for, Zip storage solutions as a built-in feature in personal computers.

Retail Distribution

Retail outlets for the Company's products include computer superstores, consumer electronic superstores, mail order catalogs, office supply superstores, specialty computer stores and other retail outlets. The Company sells its products to retail channels directly as well as indirectly through distributors. The Company's products are sold at a retail level by most of the leading retailers of computer products in the United States and Europe. Retailers carrying the Company's products include Best Buy, Circuit City, CompUSA, Costco Warehouse, Fry's Electronics, MicroCenter, OfficeDepot, Office Max, Sam's Club and Staples in the U.S.; and Dixons, FINAC, Media Markt, PC World and Vobis in Europe. Distributors include CMS Peripherals, Ingram Micro, Merisel, MicroAge and Tech Data in the U.S.; Actebis, Computer 2000, Ingram Micro Europe and Karma International in Europe; and Gennett Technologies, Q*Soft Australia Pty. Ltd. and Sunkyong Distribution Ltd. in Asia.

Strategic Marketing Alliances

In addition to sales through retail and distribution channels, the Company has entered into a number of strategic marketing alliances with a variety of companies within the computer and consumer electronic industries. These alliances include OEM arrangements providing for certain of the Company's products to be incorporated in new computer systems and portable electronic devices at the time of purchase. During 1998, the Company continued to gain significant industry support from major PC companies that began, or announced plans to begin, incorporating Zip drives into their computer systems as standard or optional features. At the end of 1998, the Company's OEM partners included, among others: Acer, Apple, Chicony, Clevo, CNF, Compal, Compaq, Dell, Fujitsu, Gateway, Hewlett-Packard, Hitachi, IBM, LaCie Limited, Lexmark, Micron Electronics, Microtek, NEC, Packard Bell, Sharp, Siemens, Sony, Toshiba, Umax, and VST. The Company is beginning to gain significant industry support from major consumer electronic companies that have announced plans to begin to incorporate Clik! drives into their computer systems as standard or optional features. At the end of 1998, the Company had announced the following OEM partners for Clik!: AGFA, Compaq, Sharp and Varo Vision. The Company has signed licensing or co-development agreements with Citizen, MCI and NEC that grant non-exclusive rights to manufacture and market Clik! mobile storage drives to other OEMs and consumers worldwide and for use in their own portable electronic products.

The Company's strategic alliances also include private-branding and co-branding arrangements with major vendors of computer products covering the resale of the Company's products by such companies as Maxell, Fuji and Verbatim who offer Zip drives in Japan and Zip disks globally in packages which feature Iomega's name in addition to the partner's name.

International

The Company sells its products outside of North America primarily through international distributors and retailers. The Company has increased its sales and marketing efforts in the European and Asian markets in the past several years and has established several sales offices in both Europe and Asia. Prior to 1997, the Company had been invoicing predominantly in foreign currencies in Europe. In 1997 and 1998, the majority of sales to European customers were denominated in U.S. dollars. Sales to Asian customers are typically denominated in U.S. dollars with the exception of Japan, where sales are primarily invoiced in the Japanese Yen. In total, sales outside of the United States represented 34%, 39% and 34% for the years ended December 31, 1998, 1997 and 1996, respectively.

Sales

As is common practice in the industry, the Company's arrangements with its retail and distribution customers generally allow customers, in the event of a price decrease, credit equal to the difference between the price originally paid and the new decreased price on units in the customers' inventories on the date of the price decrease. When a price decrease is anticipated, the Company establishes reserves for amounts estimated to be reimbursed to qualifying customers. In addition, distribution and retail customers generally have the right to return excess inventory within specified time periods. The Company establishes reserves for inventory returns. There can be no assurance that these reserves will be sufficient or that any future returns or price protection charges will not have a material adverse effect on the Company's results of operations and financial condition.

The Company sells its products primarily through computer product distributors, retailers and OEMs. Accordingly, since the Company grants credit to its customers, a substantial portion of outstanding accounts receivable are due from computer product distributors, certain large retailers and OEMs. At December 31, 1998, the customers with the ten highest outstanding accounts receivable balances totaled $124.0 million, or 42% of gross accounts receivable, with one customer accounting for $29.3 million, or 10% of gross accounts receivable. If any one or a group of these customers' receivable balances should be deemed uncollectible, it would have a material adverse effect on the Company's results of operations and financial condition.

During the year ended December 31, 1998, sales to Ingram Micro, Inc., a distributor, accounted for 16% of sales. During the year ended December 31, 1997, sales to Ingram Micro, Inc., accounted for 14% of sales. No other single customer accounted for more than 10% of the Company's sales in 1998 or 1997.

Seasonality and Other Fluctuations of Revenue

Iomega's Zip products are targeted to the retail consumer market and to personal computer OEMs. The Company's Jaz products are targeted primarily to the retail consumer market. The Company's Clik! products are targeted to the retail consumer market and to various consumer electronic device OEMs. Management believes the markets for the Company's products are generally seasonal, with a higher proportional share of total sales occurring in the fourth quarter and sales slowdowns commonly occurring during the first quarter and summer months. Due to first quarter seasonality and component constraints associated with ramping new products, the Company publicly stated in January 1999 that it expected first quarter 1999 results to be approximately breakeven with the possibility of a small profit or loss. However, there can be no assurance that the expected results will be realized.

Revenues and growth rates for any prior quarter are not necessarily indicative of revenues or growth rates to be expected in any future quarter.

Manufacturing

The Company's products are manufactured by the Company at facilities in Penang, Malaysia and Roy, Utah and by independent parties who manufacture products for the Company on a contract basis. Manufacturing activity generally consists of assembling various components, subcomponents and prefabricated parts manufactured by outside vendors. Since the first quarter of 1997, a substantial portion of the Company's Zip drives and Jaz drives and disks have been manufactured in the Penang, Malaysia facility that was purchased by the Company in September 1996.

During 1995, the Company was unable to produce enough of its products to fill all of its orders and, therefore, turned to third-party manufacturers to help satisfy demand. During 1996, the Company purchased a 376,000 square-foot, manufacturing facility in Penang, Malaysia to serve as an additional manufacturing site for the Company's Zip drives and Jaz drives and disks. During 1998, the Company announced plans to open a new manufacturing facility in Roy, Utah to serve as a regional manufacturing facility to produce products to be sold in the Americas. Utah was selected as a new manufacturing location because of its favorable economics from a logistical perspective and good geographic proximity to both OEM customers and the Company's core Zip research and development team. Regional manufacturing is part of the Company's move toward the virtual enterprise model that provides cost savings and reduces the Company's required investment in inventory. Although the Company believes it is positioned (either through existing capacity or planned additional capacity) to produce the majority of its products in the future, it still intends to use certain third-party manufacturers for the foreseeable future. There can be no assurance that the Company will not from time to time encounter difficulties in providing necessary levels of manufacturing capacity; that it will be successful in managing relationships with third-party manufacturers; or that third-party manufacturing will be able to meet the Company's quality requirements or third-party quantity requirements for manufactured products. The Company currently has third-party manufacturing relationships with MegaMedia Corporation and Sentinel N.V. (which produce a significant majority of all Zip disks).

During 1996 and 1997, the Company granted non-exclusive worldwide licenses to MCI and NEC, respectively, to manufacture and sell Zip drives under MCI's and NEC's brand names, as well as to OEMs. MCI commenced shipping drives in April 1997, and NEC commenced shipping drives in May 1997. In 1998, the Company granted Toshiba a non-exclusive worldwide license to redesign, manufacture and market slimline internal Zip drives and external PCMCIA-connected Zip solutions. Toshiba has announced plans to manufacture and market slimline Zip drives to OEM notebook manufacturers worldwide and into the beyond-PC applications market in 1999. Toshiba is also expected to engineer and manufacture slimline Zip drives for the Company to be included in a substantial portion of Iomega-branded notebook OEM and future smaller form factor retail Zip drives. In 1998, the Company granted non-exclusive worldwide licensing or co-development agreements to Citizen, MCI and NEC to manufacture and sell Clik! drives for use in their own portable electronic products, to other OEMs and consumers worldwide. These agreements increase competition faced by the Company, including price competition, since the Company does not control the price at which Citizen, MCI or NEC sells products for its own account. The Company receives (or will receive) royalties on units sold to third parties by Citizen, MCI and NEC.

Certain components incorporated in, or used in, the manufacture of the Company's products are currently available only from single or sole source suppliers. In particular, media used in Zip disks is currently obtained exclusively from Fuji Photo Film and certain integrated circuits used in Zip drives are obtained exclusively from L.S.I. Logic Corporation. The Company has experienced difficulty in the past, and may experience difficulty in the future, in obtaining a sufficient supply of key components on a timely basis. The Company continues to develop relationships with qualified manufacturers with the goal of securing high-volume manufacturing capabilities and controlling the cost of current and future models of the Company's products; however, there can be no assurance that the Company will be able to obtain a sufficient supply of components on a timely basis or realize any future cost savings. For example, sales were adversely affected during the second and third quarters of 1997 due to a shortage of certain integrated circuits for Zip drives and supplier quality problems. Sales were also adversely affected in the fourth quarter of 1997 due to a shortage of components for notebook Zip drives. Sales may be adversely affected for these or similar reasons in the future.

The Company purchases a portion of its single, sole and limited source components pursuant to purchase orders without guaranteed supply arrangements. The inability to obtain sufficient components and equipment, to obtain or develop alternative sources of supply at competitive prices and quality or to avoid manufacturing delays could prevent the Company from producing sufficient quantities of its products to satisfy market demand (or, in the case of a component purchased exclusively from one supplier, the Company could be prevented from producing any quantity of the affected product(s) until such component becomes available from an alternative source), delay product shipments, increase the Company's material or manufacturing costs or cause an imbalance in the inventory levels of certain components. Moreover, difficulties in obtaining sufficient components may cause the Company to modify the design of its products to use a more readily available component; and such design modifications may result in product performance problems. Any or all of these problems could in turn result in the loss of customers, provide an opportunity for competing products to achieve market acceptance and otherwise adversely affect the Company's business and financial results.

The Company had a backlog at the end of January 1999 of approximately $71 million, compared to a backlog at the end of January 1998 of approximately $220 million. The backlogs at the end of January 1999 and 1998 were related to both orders with scheduled shipment dates in future months and delays in new product introductions. The purchase agreements or purchase orders pursuant to which orders are made generally allow the customer to cancel orders without penalty, and the Company has experienced some cancellations or rescheduling of orders in backlog. Moreover, it is common in the industry during periods of product shortages or perceived product shortages for customers to engage in practices such as double ordering in order to increase a customer's allowance of available product. Accordingly, the Company's backlog as of any particular date should not be relied upon as an indication of the Company's actual sales for any future period.

Product Development

An important element of the Company's business strategy is the ongoing enhancement of existing products and the development of new products. During 1997 and 1998, the Company's efforts were primarily focused on the development of the Company's Clik! products and enhancing the features, developing different system interfaces, developing higher capacity and performance versions, enhancing and expanding compatibility with various computers and operating systems and reducing the production costs of its existing Zip and Jaz products. Moreover, the Company is looking at advanced head/media systems for future platforms beyond the current family of Jaz products and plans to increase its efforts in the areas of software utilities and solutions, which will continue to emphasize "ease of use" functionality.

Clik!, a miniaturized removable-media storage solution for use in notebook computers and a variety of handheld electronic devices, began shipping late in the fourth quarter of 1998 in limited volumes. Clik! (successor to the n hand technology announced in 1996) represents the Company's first product which is primarily targeted to digital camera and other consumer electronic manufacturers. The Company believes Clik! has the potential to open up several new markets for removable magnetic recording devices. The Company does not have prior experience in these channels. Accordingly, there are additional risks that the Clik! products will not achieve significant market presence or otherwise be successful.

During 1998, 1997 and 1996, the Company's research and development expenses were $101.5 million, $78.0 million and $42.1 million, respectively (or 6.0%, 4.5% and 3.5%, respectively of net sales). Increased research and development spending in 1998 was primarily related to increased spending for new product development, including Clik! development, and continued development and enhancement of Zip, Jaz and other products.

The Company operates in an industry that is subject to both rapid technological change and rapid change in consumer demands. The Company's future success will depend in significant part on its ability to continually develop and introduce, in a timely manner, new removable-media disk drive products with improved features and to develop and manufacture those new products within a cost structure that enables the Company to sell such products through effective channels at lower prices than those of competing products. There can be no assurance that the Company will be successful in developing, manufacturing and marketing new and enhanced products that meet both the performance and price demands of the data storage market.

Competition

The Company believes that its Zip and Jaz products compete with other data storage devices, such as fixed hard drives (for upgrade), magnetic cartridge disk drives (that use either floppy or rigid media), magnetic tape drives, magneto optical drives, optical disk drives and "floptical" disk drives. The Company believes that its Clik! products compete with other data storage devices including various formats of flash memory, certain fixed hard drives and magnetic cartridge disk drives (that use either floppy or rigid media). Current competing solutions of removable media data storage devices include LS-120, or SuperDisk, (product co-developed by the consortium of Compaq Computer, Imation, O.R. Technology and MKE), HiFD (product co-developed by Sony Corporation and Fuji Photo Film Co., Ltd.), UHD144 (product in development by Caleb Technology Corporation), Orb (product developed by Castlewood Systems, Inc.), Pro-FD (product in development by Samsung Electro-Mechanics Co., Ltd.), Microdrive (product in development by IBM), Memorystick (product developed by Sony Corporation), and the new CD-R and CD-RW drives. Although the Company believes that its Zip, Jaz and Clik! products offer advantages over the other removable-media storage devices and other storage solutions available today, the Company believes that the price, performance and usability levels of existing removable-media products have improved and will continue to improve and that other companies will introduce new removable-media storage devices and new non-removable storage solutions. Accordingly, the Company believes that its Zip, Jaz and Clik! products will face increasingly intense competition.

The Company believes that in order to compete successfully against current and future sources of competition, it will be necessary to further reduce the manufacturing costs of its products, thus enabling the Company to sell its products at lower prices. As new and competing removable-media storage solutions are introduced, it is possible that any such solution that achieves a significant market presence or establishes a number of significant OEM relationships will emerge as an industry standard or achieve a leading market position. If such is the case, there can be no assurance that the Company's products would achieve significant market acceptance.

To the extent that Zip and Jaz drives are used for incremental primary storage capacity, they compete with non-removable media storage devices such as conventional hard disk drives, which are offered by companies such as Seagate Technology, Western Digital Corporation, Quantum Corporation and Maxtor Corporation, as well as integrated computer manufacturers such as NEC, IBM, Fujitsu, Hitachi, Ltd. and Toshiba. In addition, the leading suppliers of conventional hard disk drives could at any time determine to enter the removable-media storage market.

The Company believes that it is currently the only source of supply for the disks used in its Zip, Jaz and Clik! drives. It is possible that other sources of supply for disks used in Zip or Jaz drives will emerge as a result of another party succeeding in producing disks that are compatible with Zip, Jaz and Clik! drives without infringing the Company's proprietary rights or as a result of licenses granted by the Company to other parties.

In the OEM market, the Company competes with the vendors mentioned above, as well as with the manufacturers of personal computers, who may elect to manufacture data storage devices themselves.

The Company has entered into license agreements with MCI and NEC for the manufacture and sale of Zip drives. The Company has signed licensing or co-development agreements with Citizen, MCI and NEC that grants non-exclusive rights to manufacture and sell Clik! mobile storage drives to other OEMs and consumers worldwide and for use in its own portable electronic products. Accordingly, the Company faces competition from such licensees and expects to compete in the future with any other licensees of the Company's products. In addition, the Company has granted certain companies the right to purchase drives or disks from the Company (generally at a discount to the price paid by retail channels) and resell such products under private brand names; the Company's products may become subject to increased price competition from such private branded resellers. Price competition from other resellers of the Company's products, whether or not the Company has a manufacturing relationship with any such party, may result in increased pressure on the Company to reduce the prices at which its products are sold to such resellers or others or to offer rebates. The Company continually evaluates its prices and may elect to reduce prices or offer rebates in the future. Reductions in the prices at which the Company sells its products or any rebates offered by the Company would adversely affect gross margins to the extent such reductions or rebates are not offset by reductions in the cost of manufacturing such products.

The Company believes that most consumers distinguish among competitive data storage products on the basis of some or all of the following criteria: price (cost per unit and cost per megabyte of storage capacity), performance (speed and capacity), functionality (reliability, product size, removability, transportability and size of installed base of users), ease of installation and use and security of data. Price is a particularly important factor with respect to the Company's mass-market products (the Zip and Clik! drives). Additional competitive considerations, particularly in the OEM market, are the size (form factor) of the drive and the interface type with which the drive is compatible. Winchester drives are available in 5.25-inch, 3.5-inch, 2.5-inch and 1.8-inch form factors. The most common form factor for Winchester and floppy drives is 3.5-inches. The Company currently offers 3.5-inch Zip and Jaz drives. The most common system interface for the OEM market is ATAPI. The Company currently offers internal Zip drives in ATAPI and SCSI interface models and internal Jaz drives in SCSI interface models.

The data storage industry is highly competitive, and the Company expects that competition will substantially increase in the future. In addition, the data storage industry is characterized by rapid technological development. The Company competes with a number of companies that have greater financial, manufacturing and marketing resources than the Company. The availability of competitive products with superior performance, functionality, ease of use, security or substantially lower prices could adversely affect the Company's business.

Proprietary Rights

The Company relies on a combination of patent, copyright and trade secret laws to protect its technology. While the Company currently intends to vigorously enforce its intellectual property rights, there can be no assurance that the steps taken by the Company to protect its technology and enforce its rights will be successful. The Company has filed approximately 300 U.S. and foreign patent applications relating to its Zip, Jaz and Clik! drives and disks, although there can be no assurance that such patents will be issued. The Company holds more than 120 individually or jointly owned U.S. and foreign patents relating to its Zip, Jaz, Clik! and Bernoulli(R) technologies. There can be no assurance that any patents obtained by the Company will provide substantial value or protection to the Company, that their validity will not be challenged or that affirmative defenses to infringement will not be asserted. The validity of certain of the Company's patents has been challenged by parties against whom infringement claims have been asserted. If another party were to succeed in producing and selling Zip-, Jaz- or Clik!- compatible disks in volume, without infringing or violating the Company's intellectual property rights, the Company's sales would be adversely affected and such adverse effects could be material. It is also possible that the price at which the Company sells its proprietary disks could be adversely affected by the availability of such disks from other parties. Moreover, because the Company's Zip, Jaz and Clik! disks have higher gross margins than the Zip, Jaz and Clik! drives, the Company's net income would be disproportionately affected by any such sales shortfall. Due to the rapid technological change that characterizes the Company's industry, the Company believes that the success of its products will also depend on the technical competence and creative skill of its personnel in addition to legal protections afforded its existing drive and disk technology.

As is typical in the data storage industry, from time to time, the Company has been, and may in the future be, notified of claims that it may be infringing certain patents, trademarks and other intellectual property rights of third parties. It is not possible to predict the outcome of such claims and there can be no assurance that such claims will be resolved in the Company's favor. If one or more of such claims is resolved unfavorably, there can be no assurance that such outcomes will not have a material adverse effect on the Company's business or financial results. The data storage industry has been characterized by significant litigation relating to infringement of patents and other intellectual property rights. The Company has in the past been engaged in infringement litigation, both as plaintiff and defendant. There can be no assurance that future intellectual property claims will not result in litigation. If infringement were established, the Company could be required to pay substantial damages or be enjoined from manufacturing and selling the infringing product(s) in one or more countries, or both. In addition, the costs of engaging in intellectual property litigation may be substantial regardless of outcome, and there can be no assurance that the Company will be able to obtain any necessary licenses on satisfactory terms.

Certain technology used in the Company's products is licensed on a royalty-bearing basis from third parties, including certain patent rights relating to Zip products. The termination of a license arrangement could have a material adverse effect on the Company's business and financial results.

Employees

As of December 31, 1998, the Company employed 4,865 persons worldwide, consisting of 3,489 in manufacturing, 477 in general management and administration, 321 in research and development, 222 in sales, marketing and service, 225 in customer satisfaction and 131 in product management. None of the Company's employees are subject to a collective bargaining agreement, and the Company has never experienced a work stoppage. The Company's success will depend in large part upon the services of a number of key employees. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. Effective March 24, 1998, Kim B. Edwards resigned as President and Chief Executive Officer of the Company. Effective October 22, 1998, the Company announced the appointment of Jodie K. Glore as Chief Executive Officer and President of the Company. Mr. Glore was also elected to serve as a member of the Company's Board of Directors. During the interim period, the position was filled by James E. Sierk, a member of the Company's Board of Directors. Effective June 5, 1998, Leonard C. Purkis resigned as Senior Vice President, Finance and Chief Financial Officer. Dan E. Strong, Vice President and Corporate Controller, has assumed the role of interim Chief Financial Officer while the Company conducts a search for a new Senior Vice President, Finance and Chief Financial Officer. The Company is in the process of conducting a search for an Executive Vice President to head the global Product, Sales and Marketing function. Jodie K. Glore has assumed this role during the interim period. In January 1999, the Company announced organizational changes designed to focus the Company's 1999 corporate priorities of growing revenue and improving profitability and asset utilization. With this organizational realignment, the Company is now organized around business functions as opposed to its previous structure of decentralized product business units. As a result of this organizational change, two members of the Company's senior management team, Ted Briscoe, formerly President of the Company's personal storage division, and Fred Forsyth, formerly President of the Company's professional products division, will be leaving the Company. There can be no assurance that the Company will be successful in attracting and/or retaining key employees, that the transition to a functional organization will not result in short-term disruptions or that the transition will eventually produce the desired results.

Government Contracts

No material portion of the Company's business is subject to renegotiations of profits or termination of contracts at the election of the United States government.

Environmental Matters

Compliance with federal, state and local environmental protection laws had no material effect on the Company in 1998 and is not expected to have a material effect in 1999.

ITEM 2. PROPERTIES:

The Company's executive offices, certain distribution facilities, certain manufacturing facilities and certain research and development facilities are located in leased offices and warehouses in the Roy, Utah area. The Company leases warehouse facilities in North Carolina to serve as its principal distribution center for North America. In addition, the Company also leases office space in various locations throughout North America for local sales, marketing and technical support personnel as well as other locations used for warehouses and for research and development activities. The Company has announced plans to open a new manufacturing facility in Roy, Utah during 1999 to serve as a regional manufacturing facility to produce products to be sold in the Americas. The manufacturing facility will be located in a leased warehouse in the Roy, Utah area.

Additionally, the Company leases office space in Geneva, Switzerland for use as its international headquarters, and in Utrecht, the Netherlands for use by its European logistics and distribution personnel. The Company also leases office space throughout Europe and Asia for local sales, marketing and technical support personnel. In September 1996, the Company purchased a 376,000 square foot manufacturing facility in Penang, Malaysia.

The Company owns substantially all equipment used in its facilities through either outright purchases or capital leases.

ITEM 3. LEGAL PROCEEDINGS:

Except as set forth below, in management's opinion, there are no material pending legal proceedings, other than ordinary routine litigation incidental to its business, to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

On September 10, 1998, a purported class action lawsuit, Rinaldi et al. v. Iomega Corporation, was filed against the Company in the Superior Court of Delaware, New Castle County. The suit alleges that a defect in the Company's Zip drives causes an abnormal clicking noise that may indicate damage to the Zip drive or disks. The Company intends to vigorously defend against this suit.

On October 9, 1998, Hi-Val, Inc. filed a complaint against the Company and other parties, Hi-Val, Inc. v. Nomai, S.A., Nomus, Inc., Kevin Scheier and Iomega, in the Superior Court of California, County of Santa Clara. The complaint alleges tortious interference with contract, tortious interference with prospective economic advantage, unfair business practices, and conspiracy against Iomega, and other claims against the other parties. The claims are related to an alleged arrangement between Nomai, S.A. and Hi-Val for Hi-Val to distribute Nomai's XHD cartridges. Plaintiff seeks to recover $26 million in alleged, unspecified damages. The Company intends to vigorously defend against this complaint.

Beginning on February 10, 1998, several purported class action complaints were filed in the United States District Courts for the District of Utah and the Southern District of New York, against the Company and certain of its former officers on behalf of certain persons who purchased the Company's common stock during the period from September 22, 1997 to January 22, 1998. These cases have now been consolidated in the District of Utah and a consolidated class action complaint, Karacand v. Kim B. Edwards, Leonard C. Purkis and Iomega Corporation, was filed on July 8, 1998. A separate individual suit, Ora v. Iomega Corporation, et al., was filed on May 27, 1998, in Superior Court of the State of California for the County of Los Angeles. The Karacand complaint alleges that the Company and certain of its former officers violated certain federal securities laws; the Ora complaint alleges that the Company and certain of its former officers violated certain federal and state securities laws and alleges that Mr. Edwards breached his duties as a director of the Company. Both complaints seek an unspecified amount of damages. Management believes that the named defendants have highly meritorious defenses to the allegations made in these lawsuits. The Company intends to vigorously defend against such allegations.

On February 25, 1998, the Company was served with a complaint in a purported class action filed in the Supreme Court of the State of New York, entitled Christian Champod v. Iomega Corporation. The named plaintiff claims to have commenced the action on behalf of a purported class consisting of certain persons who purchased Iomega Ditto tape drives since February 18, 1992, and a subclass consisting of such purchasers who called the Company's "800" or "888" telephone number for technical assistance and/or customer service and were charged a fee for the call. The complaint claims violations of certain provisions of the New York General Business Law and fraudulent inducement, based on, among other things, alleged advertising and product packaging representations regarding the Ditto products' ability to "read" certain non-Ditto cartridges. Additionally, the complaint alleges that Iomega's product packaging, indicating that a customer could call a toll free "800" or "888" telephone number for technical assistance, implicitly, but falsely, represented that the customer could receive free telephone technical support. The Company intends to vigorously defend against such allegations.

On July 23, 1997, the Company initiated litigation against SyQuest Technology, Inc. ("SyQuest") in the United States District Court in the District of Delaware for infringing the Company's U.S. Patent No. 5,644,444, U.S. Design Patent No. D378,518 and the Company's registered trademark "JET". The complaint sought monetary damages and injunctive relief enjoining SyQuest from further infringement. The matter was scheduled for trial in April 1999; however, the trial date has been delayed as a result of SyQuest's filing of a voluntary petition in the United States Bankruptcy Court under Chapter 11 of the U.S. Bankruptcy Code in November 1998. The Company also filed complaints on March 6, 1998 and April 29, 1998 in the Paris District Court alleging claims of copyright and patent infringement. On January 13, 1999, the Company announced that it had entered into a definitive agreement to purchase certain assets of SyQuest, including all of its intellectual property, and its inventory and fixed assets in the U.S., for $9.5 million in cash, subject to certain closing conditions and adjustments (see Note 16 of the Company's 1998 Annual Report to Stockholders, which section is incorporated herein by reference). One of the conditions of the proposed purchase was approval by the U.S. Bankruptcy Court, which was obtained on February 24, 1999. As part of the agreement, the Company would release SyQuest and SyQuest would release the Company from all claims in connection with patent and trademark infringement litigation pending between the parties in Delaware and in Paris, France.

The Company continues to be committed to vigorously protecting and enforcing its intellectual property rights and to attacking unfair competition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

No matters were submitted to a vote of the Company's security holders during the quarter ended December 31, 1998.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company as of March 1, 1999 were as follows:

Name	Age	Position
Jodie K. Glore	51	Chief Executive Officer, President and Director
L. Scott Flaig	55	Executive Vice President and Chief Operating Officer
James A. Taylor	52	Executive Vice President and Chief Marketing Officer
Dan E. Strong	40	Vice President, Corporate Controller and Interim Chief Financial Officer

Laurie B. Keating	45	Senior Vice President, General Counsel and Secretary
James C. Kelly	41	Senior Vice President, Product Development and Chief Technology Officer
Anton J. Radman, Jr.	46	Senior Vice President, Strategic Business Development
Roxie Craycraft	44	Acting Vice President, Customer Service and Applications
Kevin O'Connor	40	Vice President, Human Resources
Robert J. Simmons	36	Vice President and Treasurer

Jodie K. Glore joined the Company as Chief Executive Officer and President on October 22, 1998. From 1994 to 1998, Mr. Glore served as President and Chief Operating Officer of Rockwell Automation, the leading supplier of industrial automation products, systems and software in North America, and a division of Rockwell International. From January 1992 until January 1994, Mr. Glore served as Senior Vice President for the Industrial Computer and Communications Group ("ICCG"), which later became known as the Automation Group of Rockwell International. From September 1985 until January 1992, Mr. Glore served in various management positions at Square D Company, including Corporate Vice President of Sales and Marketing, Vice President and General Manager of Square D's Automation Products Division and Vice President and General Manager of Square D's Power Equipment Business. Prior to that, Mr. Glore was employed for six years at Allen Bradley, now part of Rockwell Automation, in various supervisory and managerial positions including, new product development, market planning services and product marketing.

L. Scott Flaig joined the Company in November 1997. From 1996 to 1997, Mr. Flaig was an adjunct professor at Northwestern University, lectured at top business schools across the country and performed consulting services in the area of supply chain management. From 1992 to 1995, Mr. Flaig was Senior Vice President, Worldwide Operations for Dell Computer Corporation based in Austin, Texas. He has also held senior operations management positions at Ernst & Young, Digital Equipment Corporation and Xerox.

James A. Taylor joined the Company as Executive Vice President and Chief Marketing Officer in April 1998. From 1996 to 1998, Mr. Taylor served as Senior Vice President of Global Marketing at Gateway 2000, Inc. From 1994 to 1996, Mr. Taylor served as Executive Managing Director and General Manager at Hill & Knowlton, an international public relations firm. Prior to that, Mr. Taylor served as Executive Managing Director of Yankelovich Partners, an international marketing research and public opinion firm and as a partner with Ernst & Young as National Director of Marketing.

Dan E. Strong assumed the role of Interim Chief Financial Officer in June 1998. Mr. Strong was promoted to Corporate Controller in January 1997, and Vice President and Corporate Controller in January 1998. Mr. Strong has held various management positions within the finance and accounting organizations of the Company from January 1985 to June 1994 and from September 1995 to December 1996. From June 1994 through September 1995, Mr. Strong was Vice President and Chief Financial Officer of Pro Image Inc., a retailer of licensed sports apparel.

Laurie B. Keating joined the Company as Senior Vice President, General

Counsel and Secretary in January 1997. Previously, Ms. Keating served as Senior Vice President, General Counsel and Secretary of Sybase, Inc., a software company, which she joined in March 1989 as General Counsel and Secretary. Prior to that, Ms. Keating, from May 1987 to March 1989, served as Group Counsel at Tandem Computers Incorporated, a fault-tolerant computer maker and software provider.

James C. Kelly was appointed Senior Vice President, Product Development and Chief Technology Officer in January 1999. Mr. Kelly joined the Company in June 1991 and his previous positions with the Company have included President and Vice President and General Manager of the Mobile Storage Division, Vice President of Tape Engineering and Director of Tape Engineering. Previously, Mr. Kelly served as a Staff Engineer at Cipher Data Products from November 1984 to June 1991.

Anton J. Radman, Jr. has been Senior Vice President, Strategic Business Development since April 1995. Mr. Radman joined the Company in April 1980 and his previous positions with the Company have included Senior Vice President, Sales and Marketing; Senior Vice President, Corporate Development; President of the Bernoulli Optical Systems Co. ("BOSCO") subsidiary of the Company; Vice President, Research and Development, Vice President, OEM Products and Sales Manager and Senior Vice President, Micro Bernoulli Division.

Roxie Craycraft was appointed as Acting Vice President, Customer Service and Applications in January 1999. Mr. Craycraft joined the Company in January 1996 and his previous positions with the Company have included Director, Materials & Inventory and Vice President, Customer Satisfaction. Previously, Mr. Craycraft was employed at Gates Corporation from 1975 to 1995 and served in various supervisory and managerial positions, including Corporate Materials Manager; Managing Director, Asia/Pacific in Hong Kong; Plant Manager and Business Manager.

Kevin O'Connor joined the Company as Vice President, Human Resources in January 1997. Mr. O'Connor came to the Company from Dell Computer Corporation where he held several senior human resource positions. While at Dell, from October 1995 to December 1996, Mr. O'Connor was Vice President, Human Resources Asia Pacific; from July 1994 to September 1995, he was Vice President, Human Resources North America; and from May 1993 to June 1994, he was Director, Human Resources Worldwide Operations. Prior to his employment with Dell, Mr. O'Connor spent six years as a Senior Group Manager of Human Resources with the Frito Lay Division of Pepsico.

Robert J. Simmons joined the Company as Treasurer in January 1996. In January 1998, he was promoted to Vice President, Treasurer. He was Assistant Treasurer of Oracle Corporation, a software company, from June 1989 to January 1996.

Executive officers are elected on an annual basis and serve at the discretion of the Board of Directors.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS:

The information required by this item is found in the section entitled "Securities" of the Company's 1998 Annual Report to Stockholders, which section is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA:

The information required by this item is found in the tables entitled "Trends in Operations" and "Financial Conditions and Trends" of the Company's 1998 Annual Report to Stockholders, which tables are incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

The information required by this item is found in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's 1998 Annual Report to Stockholders, which section is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

A discussion of the Company's exposure to, and management of, market risk is contained in the section entitled "Disclosures About Market Risk" of the Company's 1998 Annual Report to Stockholders, which section is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA:

The information required by this item is contained in the section entitled "Financial Highlights" of the Company's 1998 Annual Report to Stockholders, which section is incorporated herein by reference, and in the financial statements and schedule referred to in the Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule, filed as a part of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE:

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT:

The information required by this item appears in the sections of the Company's Proxy Statement for its 1999 annual meeting of stockholders entitled "Item One - ELECTION OF DIRECTORS" and "-- STOCK OWNERSHIP INFORMATION -- Section 16(a) Beneficial Ownership Reporting Compliance", which sections are incorporated herein by reference and in Part I of this Annual Report on Form 10-K under the heading "EXECUTIVE OFFICERS OF THE COMPANY" except for the following information about Messrs. Nolan and Sheehan, who are retiring from the Board upon the expiration of their terms at the 1999 Annual Meeting of Stockholders.

John E. Nolan, age 71, has been a partner at the law firm of Steptoe & Johnson LLP since 1963. He has served as counsel for Chrysler and Ford in major environmental cases, for Aleyska in the Trans-Alaska Pipeline case and for the New York Stock Exchange. He is a member of the Center for Public Resources' Panel of Distinguished Neutrals, a Mediator for the United States Court of Appeals for the District of Columbia Circuit and an arbitrator of major governmental and business cases. He is a director of Hooper Holmes, Inc.

The Honorable John E. Sheehan, age 69, an entrepreneur since 1976, is a director and the principal stockholder of several of the privately owned enterprises which he founded. He is Chairman and Chief Executive Officer of Rhome Management Co., which provides oversight to his various corporate interests. He is also a member of the Executive Committee of the Associates of the Harvard Business School and Chairman Emeritus of the Board of Trustees of the U.S. Naval Academy Alumni Association. Mr. Sheehan is a former member of the Board of Governors of the Federal Reserve System.

ITEM 11. EXECUTIVE COMPENSATION:

The information required by this item appears in the sections of the Company's Proxy Statement for its 1999 annual meeting of stockholders entitled "ITEM ONE - ELECTION OF DIRECTORS - DIRECTOR Compensation", "-- Executive Compensation" and "-- Compensation Committee Interlocks and Insider Participation" which sections are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT:

The information required by this item is contained in the section of the Company's Proxy Statement for its 1999 annual meeting of stockholders entitled "ITEM ONE - ELECTION OF DIRECTORS - STOCK OWNERSHIP INFORMATION -- Ownership by Management and Principal Stockholders", which section is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS:

The information required by this item is contained in the sections of the Company's Proxy Statement for its 1999 annual meeting of stockholders entitled "ITEM ONE - ELECTION OF DIRECTORS EXECUTIVE COMPENSATION -- Employment and Severance Agreements", which section is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K:

(a) The following documents are filed as part of, or are included in, this Annual Report on Form 10-K:

1. The financial statements listed in the Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule, filed as a part of this Annual Report on Form 10-K.

2. The financial statement schedule listed in the Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule, filed as a part of this Annual Report on Form 10-K.

3. The exhibits listed in the Exhibit Index filed as a part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K: No reports on Form 8-K were filed by the

Company during the last quarter of the year ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IOMEGA CORPORATION

By: /s/Jodie K. Glore

Jodie K. Glore
Chief Executive Officer and President

Date: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Name	Title	Date
<S>	<C>	<C>
/s/ Jodie K. Glore --------------------------------- Jodie K. Glore	Chief Executive Officer and President	) March 25, 1999
/s/ Dan E. Strong --------------------------------- Dan E. Strong	Vice President, Corporate Controller and Interim Chief Financial Officer (Principal financial and accounting officer)	) March 25, 1999
/s/ David J. Dunn --------------------------------- David J. Dunn	Chairman of the Board of Directors	) March 25, 1999
/s/ John W. Barter --------------------------------- John W. Barter	Director	) March 25, 1999
/s/ Robert P. Berkowitz --------------------------------- Robert P. Berkowitz	Director	) March 25, 1999

/s/ John R. Myers --------------------------------- John R. Myers	Director	)	March 25, 1999
/s/ John E. Nolan --------------------------------- John E. Nolan	Director	)	March 25, 1999
/s/ M. Bernard Puckett --------------------------------- M. Bernard Puckett	Director	)	March 25, 1999
/s/ John M. Seidl --------------------------------- John M. Seidl	Director	)	March 25, 1999
/s/ John E. Sheehan --------------------------------- The Honorable John E. Sheehan	Director	)	March 25, 1999
/s/ James E. Sierk --------------------------------- James E. Sierk	Director	)	March 25, 1999

</TABLE>

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements appear in the Company's 1998 Annual Report to Stockholders and are incorporated herein by reference:

DESCRIPTION

Report of Independent Public Accountants

Consolidated Balance Sheets at December 31, 1998 and 1997

Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

The following schedule is included in this Annual Report on Form 10-K:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

To Iomega Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Iomega Corporation's annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated January 19, 1999 (except with respect to the matter discussed in Note 6, as to which the date is January 29, 1999.) Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the index on page 24 is the responsibility of the Company's management and is presented for the purpose of complying with Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Salt Lake City, Utah
January 19, 1999

IOMEGA CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

<TABLE>
<CAPTION>

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions	Balance at end of period
			(in thousands)	
<S>	<C>	<C>	<C>	<C>
ALLOWANCE FOR DOUBTFUL ACCOUNTS:				
Year ended December 31, 1998	$ 11,266	$ 805	$ (2,009)*	$ 10,062
Year ended December 31, 1997	$ 8,992	$ 3,598	$ (1,324)*	$ 11,266
Year ended December 31, 1996	$ 1,861	$ 9,022	$ (1,891)*	$ 8,992
PRICE PROTECTION AND VOLUME REBATES:				
Year ended December 31, 1998	$ 28,499	$ 89,033	$ (69,936)**	$ 47,596
Year ended December 31, 1997	$ 17,041	$ 44,956	$ (33,498)**	$ 28,499
Year ended December 31, 1996	$ 1,633	$ 24,480	$ (9,072)**	$ 17,041

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*   Represents write-offs of Accounts Receivable
**   Credits granted against Accounts Receivable
</TABLE>

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K into the Company's previously filed Registration Statements on Form S-8, File Nos. 2-87671, 33-13083, 33-20432, 33-23822, 33-41083, 33-54438, 33-59027, 33-62029, 333-15335, 333-26375, 333-43775, 333-41955 and 333-64921.

/S/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Salt Lake City, Utah
March 25, 1999

EXHIBIT INDEX

The following exhibits are filed as part of this Annual Report on Form 10-K:

<TABLE>
<CAPTION>

	Exhibit Number			Description
	<S>	<C>	<C>	<C>
	3.(i).1		(13)	Restated Certificate of Incorporation of the Company, as amended.
	3.(ii).1		(17)	By-Laws of the Company, as amended.
	4.1		(7)	Indenture, dated March 13, 1996, between the Company and State Street Bank and Trust Company.
	4.2		(3)	Rights Agreement, dated as of July 28, 1989, between the Company and The First National Bank of Boston, as Rights Agent.
	4.2	(a)	(4)	Amendment No. 1, dated September 24, 1990, to Rights Agreement dated as of July 28, 1989 between the Company and The First National Bank of Boston.
	4.3			Instruments with respect to other long-term debt of the Company and its Consolidated subsidiaries are omitted pursuant to Item 601(b) (4)(iii) of Regulation S-K since the total amount authorized under each such omitted Instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
**	10.1		(1)	1981 Stock Option Plan of the Company, as amended.
**	10.2		(1)	1987 Stock Option Plan of the Company, as amended.
**	10.3		(1)	1987 Director Stock Option Plan of the Company, as amended.
**	10.4		(16)	1995 Director Stock Option Plan of the Company, as amended.
**	10.5		(2)	Form of Indemnification Agreement between the Company and each of

				its directors.
**	10.6			1997 Stock Incentive Plan, as amended.
**	10.7		(11)	Iomega Corporation Nonqualified Deferred Compensation Plan.
**	10.8		(5)	Employment Letter, dated November 29, 1993, between the Company and Kim Edwards.
**	10.9		(6)	Iomega Incentive Plan for Kim B. Edwards.
	10.10		(3)	Rights Agreement, dated as of July 28, 1989, between the Company and The First National Bank of Boston, as Rights Agent.
	10.11	(a)	(4)	Amendment No. 1, dated September 24, 1990, to Rights Agreement dated as of July 28, 1989 between the Company and The First National Bank of Boston.
	10.12		(7)	Indenture, dated March 13, 1996, between the Company and State Street Bank and Trust Company.
	10.13		(12)	$200 million Credit Agreement, dated March 11, 1997.
	10.13	(a)	(12)	Pledge Agreement, dated March 11, 1997.
	10.13	(b)	(12)	Security Agreement, dated March 11, 1997.
	10.13	(c)	(14)	First Amendment to $200 million Credit Agreement, dated January 23, 1998.
	10.13	(d)	(15)	Waiver of Credit Agreement, dated March 29, 1998.
	10.13	(e)	(17)	Amended and Restated Credit Agreement, dated July 15, 1998.
	10.13	(f)		Amendment No. 1 to Credit Agreement, dated January 29, 1999.
	10.14		(8)	Lease Agreement, dated January 25, 1996 between the Company and Boyer Iomega LLC, by the Boyer Company, L.C., its Manager.
	10.15		(9)	Agreement for the Sale and Purchase of Assets in Malaysia, dated September 13, 1996, between the Company and Quantum Corporation.
	10.15	(a)	(9)	Exhibit A to the Agreement for the Sale and Purchase of Assets in Malaysia, dated September 13, 1996, between the Company and Quantum Corporation - Preliminary Form of Secured Promissory Note.
	10.15	(b)	(9)	Exhibit B to the Agreement for the Sale and Purchase of Assets in Malaysia, dated September 13, 1996, between the Company and Quantum Corporation - The Indemnification Agreement.
	10.16		(14)	Lease Agreement, dated May 13, 1997, between the Company and Liberty Property Limited Partnership.
	10.17		(15)	Letter Agreement between the Company and James E. Sierk, dated March 25, 1998.
	10.18	(a)	(15)	Severance Agreement and General Release between the Company and Kim B. Edwards, dated April 15, 1998.
	10.18	(b)	(15)	Secured Promissory Note, dated April 15, 1998.
	10.18	(c)	(15)	Pledge Agreement between the Company and Kim B. Edwards, dated April 15, 1999.
	10.18	(d)	(15)	Non-Competition and Non-Recruitment Agreement between the Company and Kim B. Edwards, dated April 15, 1998.
**	10.19		(17)	1998 Bonus Plan.

	10.20	(a)	(18)	Senior Subordinated Promissory Note Agreement, Idanta Partners Ltd. and Dunn Family Trust, dated July 8, 1998.
	10.20	(b)	(18)	$20 Million Senior Subordinated Promissory Note, Idanta Partners Ltd., dated July 1, 1998.
	10.20	(c)	(18)	$7.5 Million Senior Subordinated Promissory Note, Idanta Partners Ltd., dated July 8, 1998.
	10.20	(d)	(18)	$12.5 Million Senior Subordinated Promissory Note, Dunn Family Trust, dated July 8, 1998.
**	10.21			Employment Letter, dated October 13, 1999, between the Company and Jodie K. Glore.
**	10.22			Form of Executive Employment Agreement between the Company and certain executive officers of the Company, dated October 1, 1998.
	13.1			Portions of the Company's 1998 Annual Report (which is not deemed to be "filed" except to the extent that portions thereof are expressly incorporated by reference in this Annual Report of Form 10-K).
	21.1			Subsidiaries of the Company.
	23.1			Consent of Independent Public Accountants (appears on page 27 of this Annual Report on Form 10-K).
	27.			Financial Data Schedule (only filed as part of electronic copy).

** Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

</TABLE>

<TABLE>

<S>	<C>
(1)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-11963).
(2)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-11963).
(3)	Incorporated herein by reference to the exhibits to the Company's Current Report on Form 8-K filed on August 12, 1989 (File No. 0-11963).
(4)	Incorporated herein by reference to the exhibits to the Company's Amendment No. 1 to Current Report on Form 8-K filed on September 25, 1990 (File No. 0-11963).
(5)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the period ended December 31, 1994 (File No. 0-11963).
(6)	Incorporated herein by reference to the Exhibits to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 1995 (File No. 0-11963).
(7)	Incorporated herein by reference to the exhibits to the Company's

	Registration Statement on Form S-3 (File No. 33-64995).
(8)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the period ended December 31, 1995 (File No. 0-11963).
(9)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended September 29, 1996 (File No. 0-11963).
(10)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the period ended December 31, 1996 (File No. 1-12333).
(11)	Incorporated herein by reference to the exhibits to the Company's Registration Statement on Form S-8 (File No.333-43775).
(12)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997 (File No. 1-12333).
(13)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 1997 (File No. 1-12333).
(14)	Incorporated herein by reference to the exhibits to the Company's Annual Report on Form 10-K for the period ended December 31, 1997 (File No. 1-12333).
(15)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended March 29, 1998 (File No. 1-12333).
(16)	Incorporated herein by reference to Appendix to the Company's definitive Proxy Statement for the 1998 Annual Meeting of Stockholders (File No. 1-12333).
(17)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended June 28, 1998 (File No. 1-12333).
(18)	Incorporated herein by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the period ended September 27, 1998 (File No. 1-12333).

</TABLE>

EXHIBIT 10.6

IOMEGA CORPORATION

1997 STOCK INCENTIVE PLAN
(as amended through October 30, 1998)

1. PURPOSE

The purpose of this 1997 Stock Incentive Plan (the "Plan") of Iomega Corporation, a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any present or future subsidiary corporations of Iomega Corporation as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code").

2. ELIGIBILITY

All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted options or restricted stock (each, an "Award") under the Plan to purchase shares of the Company's common stock, $0.03 1/3 par value per share (the "Common Stock"). Any person who has been granted an Award under the Plan shall be deemed a "Participant".

3. ADMINISTRATION, DELEGATION

(a) Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination relating to or under the Plan made in good faith.

(b) Delegation to Executive Officers. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to make Awards and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of shares subject to Awards and the maximum number of shares subject to Awards for any one Participant to be made by such executive officers in any calendar year.

(c) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). The Board shall appoint one such Committee consisting of not less than two members, each of whom shall be an "outside director" within the meaning of Section 162(m) of the Code and a "non-employee director" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All references in the Plan to the "Board" shall mean a Committee or the Board or the executive officer referred to in Section 3(b) to the extent of such delegation.

4. STOCK AVAILABLE FOR AWARDS

(a) Number of Shares. Subject to adjustment under Section 4(c), Awards may be made under the Plan for up to 12,000,000 shares of Common Stock. If any Award expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Award shall again be available for the grant of Awards under the Plan, subject, however, in the case of Incentive Stock Options (as hereinafter defined), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) Per-Participant Limit. Subject to adjustment under Section 4(c), the maximum number of shares with respect to which an Award may be granted to any Participant under the Plan shall be 500,000 shares per calendar year or, in the case of an initial Award made in connection with the employment of a new employee, 1,000,000 shares in the initial calendar year of such employee?s employment. The per-participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code.

(c) Adjustment to Common Stock. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, (i) the number and class of securities available under this Plan, (ii) the number and class of security and exercise price per share subject to each outstanding Option, and (iii) the repurchase price per security subject to each outstanding Restricted Stock Award, shall be appropriately adjusted by the Company (or substituted Awards may be made, if applicable). Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding an conclusive. If this Section 4(c) applies and Section 7(e) also applies to any event, Section 7(e) shall be applicable to such event, and this Section 4(c) shall not be applicable.

5. STOCK OPTIONS

(a) General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option (as hereinafter defined) shall be designated a "Nonstatutory Stock Option".

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) which is intended to be an Incentive Stock Option is not an Incentive Stock Option.

(c) Exercise Price. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable option agreement. The exercise price of each Incentive Stock Option granted under the Plan shall be no less than 100% of the Fair Market Value (as defined in paragraph (f)(2) of this Section 5) of the Common Stock at the time such Option is granted. The exercise price of each Nonstatutory Stock Option shall be no less than 25% of the Fair Market Value of the Common Stock at the time such Option is granted; provided however, that the maximum number of shares of Common Stock subject to Nonstatutory Stock Options granted in any calendar year at below 100% of Fair Market Value shall not exceed 10% of the total number of shares of Common Stock subject to Options granted in the prior calendar year (or, with respect to the first year of the Plan, in 1997).

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement. No Option will be granted for a term in excess of 10 years, except those options granted in foreign jurisdictions which can be granted for a term of up to 11 years.

(e) Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an Option, (i) delivery of an irrevocable and unconditional undertaking by a credit worthy broker to deliver promptly to the Company sufficient funds to pay the exercise

price, (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a credit worthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price; or (iii) delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by the Board in good faith ("Fair Market Value"), which Common Stock was owned by the Participant at least six months prior to such delivery;

(3) to the extent permitted by the Board and explicitly provided in the Option (i) by delivery of a promissory note of the Participant to the Company on terms agreed to and determined by the Board, (ii) by reduction in the amount of any liability owed by the Company to the Participant, including any liability attributable to the Participant's participation in any Company-sponsored deferred compensation program or arrangement, or (iii) by payment of such other lawful consideration as the Board may determine; or

(4) any combination of the above permitted forms of payment.

6. RESTRICTED STOCK

(a) Grants. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, "Restricted Stock Award"); provided, however, that the maximum number of shares of Common Stock subject to Restricted Stock Awards granted in any calendar year at below 100% of Fair Market Value shall not exceed 10% of the total number of shares of Common Stock subject to Awards made in the prior calendar year (or, with respect to the first year of the Plan, in 1997).

(b) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price (which shall not be less than the par value of the Common Stock), if any. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

7. GENERAL PROVISIONS APPLICABLE TO AWARDS

(a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each type of Award may be made alone in addition to any other type of Award. The terms of each type of Award made under the Plan need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award.

(e) Acquisition Events; Dissolution or Liquidation

(1) Consequences of Acquisition Events. Upon the occurrence of an Acquisition Event (as defined below), or the execution by the Company of any agreement with respect to an Acquisition Event, the Board shall provide that outstanding Awards shall be assumed, or equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), provided that any such Options substituted for Incentive Stock Options shall satisfy, in the determination of the Board, the requirements of Section 424(a) of the Code; provided, however, that if any successor corporation refuses to assume or substitute such Awards, then the Board shall: (i) upon written notice to the Participants, provide that all then unexercised Options will become exercisable in full as of a specified date (the "Acceleration Date") prior to the Acquisition Event and will terminate immediately prior to the consummation of such Acquisition Event, except to the extent exercised by the Participants between the Acceleration Date and the consummation of such Acquisition Event (provided that, in the event of an Acquisition Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share of Common Stock surrendered pursuant to such Acquisition Event (the "Acquisition Price"), the Board may provide that all outstanding Options shall terminate upon consummation of such Acquisition Event and each Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (A) the Acquisition Price multiplied by the number of shares of Common Stock subject to such outstanding Options (whether or not then exercisable), exceeds (B) the aggregate exercise price of such Options); and (ii) provide that all Restricted Stock Awards then outstanding shall become free of all restrictions prior to the consummation of the Acquisition Event.

An "Acquisition Event" shall mean: (a) any merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (b) any sale of all or substantially all of the assets of the Company; or (c) the acquisition of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities (other than through a merger or consolidation or an acquisition of securities directly from the Company) by any "person", as such term is used in Sections 13(d) and 14(d) of the Exchange Act other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

(2) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Board shall notify each Participant as soon as practicable prior to the effective date of such proposed event. The Board, in its discretion, may upon written notice to the Participants, (i) provide that all then unexercised Options will become exercisable in full as of a specified date and for a specified period of time prior to such proposed event and (ii) provide that all Restricted Stock Awards then outstanding shall become free of all restrictions immediately prior to the effectiveness of such proposed event.

(3) Assumption of Options Upon Certain Events. The Board may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another corporation who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of property or stock of the employing corporation. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

(f) Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Awards made to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part in shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

(g) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(h) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(i) Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, or that any Restricted Stock Awards shall be free of all restrictions, as the case may be.

8. MISCELLANEOUS

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date on which it is adopted by the Board, but no Award granted to a Participant designated as subject to Section 162(m) by the Board shall become exercisable, vested or realizable, as applicable to such Award, unless and until the Plan has been approved by the Company's stockholders. No Awards shall be granted under the Plan after the completion of ten years from the date on which the Plan was adopted, by the Board but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no Award granted to a Participant designated as subject to Section 162(m) by the Board after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award (to the extent that such amendment to the Plan was required to grant such Award to a particular Participant), unless and until such amendment shall have been approved by the Company's stockholders.

(e) Stockholder Approval. For purposes of this Plan, stockholder approval shall mean approval by a vote of the stockholders in accordance with the requirements of Section 162(m) of the Code.

(f) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

EXHIBIT 10.13 (f)

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of January 29, 1999 to the Amended and Restated Credit Agreement dated as of July 15, 1998 (the "Credit Agreement") among IOMEGA CORPORATION (the "Borrower"), the BANKS party thereto (the "Banks"), CITIBANK, N.A., as Administrative Agent, and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Documentation Agent (the "Documentation Agent").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the minimum Consolidated EBITDA financial covenant in the Credit Agreement for the periods ending on or closest to March 31, 1999 and June 30, 1999;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Reduction of Minimum Consolidated EBITDA. The chart in Section 5.13 of the Credit Agreement is amended by changing the numbers set forth opposite the dates March 31, 1999 and June 30, 1999 from "$57,500,000" to "$25,000,000" and from "$120,000,000" to "$90,000,000", respectively.

SECTION 3. Representations of Borrower. The Borrower represents and warrants that (i) the representations and warranties of the Borrower set forth in Article 4 of the Credit Agreement will be true on and as of the date hereof and (ii) no Default will have occurred and be continuing on such date.

SECTION 4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 6. Effectiveness. This Amendment shall become effective as of the date hereof when the Documentation Agent shall have received from each of the Borrower and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Documentation Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

IOMEGA CORPORATION

By: /s/ Robert J. Simmons

Name: Robert J. Simmons
Title: Vice President & Treasurer

CITIBANK, N.A.

By: /s/ J. Robert Cotton

Name: J. Robert Cotton
Title: Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/ Unn Boucher

Name: Unn Boucher
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Frank Benesh

Name: Frank Benesh
Title: Vice President

BANK OF AMERICA NATIONAL
TRUST AND SAVINGS BANK

By: /s/ Kevin Mc Mahon

Name: Kevin Mc Mahon
Title: Managing Director

FIRST SECURITY BANK, N.A.

By: /s/ Taft G. Meyer

Name: Taft G. Meyer
Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Thomas A. Crandell

Name: Thomas A. Crandell
Title: Vice President

ABN AMRO BANK N.V.

By: /s/ Lee-Lee Miao

Name: Lee-Lee Miao
Title: Vice President

By: /s/ Paul S. Faust

Name: Paul S. Faust
Title: Vice President

THE SUMITOMO TRUST & BANKING
CO., LTD.

By: /s/ Eleanor M. Chan

Name: Eleanor M. Chan
Title: Senior Vice President and Manager

THE NORTHERN TRUST COMPANY

By: /s/ John E. Burda

Name: John E. Burda
Title: Vice President

THE CIT GROUP/BUSINESS CREDIT, INC.

By: /s/ Cecil Chinery

Name: Cecil Chinery
Title: Vice President

By: /s/ Robert Castine

Name: Robert Castine
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Glenn Leyrer

Name: Glenn Leyrer
Title: Vice President

EXHIBIT 10.21

October 13, 1998

Mr. Jodie K. Glore
7960 North River Road
River Hills, WI 53217

Dear Jodie:

On behalf of the Board of Directors of Iomega Corporation, I am pleased to offer you the position of President and Chief Executive Officer of the Company. In this capacity, you will be responsible for strategic and operational leadership, reporting to the Board. We would like you to join us as soon as you can wrap up your current responsibilities, preferably by December 1, 1998. You will, of course, be elected to the Board of Directors effective the day you join us.

The compensation arrangements that we are offering are outlined below:

Base Salary

Your salary will be $600,000 per year, payable in bi-weekly installments in accordance with Iomega's normal payroll procedures, subject to withholding taxes and other normal deductions. Salary increases are determined by the Board on the advice of the Compensation Committee based on assessed performance. The first salary review will be undertaken after one year. It is our intent in the future to revise executive salaries every other year in furtherance of our objective of emphasizing the incentive compensation elements, both annual and long term, of our total compensation packages.

Annual Incentive

Your annual incentive award will be targeted at 100% of salary. Actual awards will vary from the target based on the achievement of specific goals and the Board's assessment of performance. As currently constituted, the incentive opportunity is uncapped. We anticipate establishing goals for 1999 in cooperation with you shortly after you join us. Recognizing that you will need time to assess the Company's capabilities and develop a sound business plan, we will guarantee a 1999 annual incentive award of at least $600,000. You would receive a pro rata award for the period of service in 1998 at this same level (e.g., $50,000 for service in December 1998).

Our normal practice is to determine and pay annual incentive awards in cash by mid-March following the close of the fiscal year on December 31st.

Long Term Incentives

As you know, we have reconfigured our long-term incentive program for executives during the past few months. The grant that we would make to you would consist of the following elements:

- A grant of 225,000 non-qualified stock options effective when you join the Company. These options will be priced at market, carry a ten-year term, and vest over five years at the rate of 20% on each of the first through the fifth anniversaries of grant.

- A grant of 75,000 performance-accelerated non-qualified options, priced at market, with a ten-year term, and a normal vesting schedule of 20% per year on each of the third through seventh anniversaries of grant. These options may vest earlier based on the attainment of financial and customer satisfaction goals. These goals have not yet been established, and we look to your participation in the development of these goals for the entire executive team.

- A grant of 75,000 performance units, the value of which will be determined over the three-year period January 1, 1999 through December 31, 2001 based on the attainment of financial and customer service goals that need to be set by September 30, 1999. These units have a maximum potential value of $10 each, or $750,000 in aggregate.

The three elements described above represent an annual grant under the long-term incentive program as recently redesigned. We anticipate you will be receiving future grants under this program. In addition, we will make two grants of options to you as a special incentive to drive Iomega's performance to higher levels. These grants are as follows:

- 1,000,000 non-qualified options when you join Iomega, priced at market, carrying a ten-year term, and vesting at the rate of 33.3% on each of the first through third anniversaries of grant.

- 500,000 non-qualified options when you join Iomega, priced at market, carrying a ten-year term, and vesting at the rate of 20% on each of the first through fifth anniversaries of grant.

Benefits

Iomega provides a comprehensive program of employee benefits, including:

- Medical expense protection, including hospitalization, major medical and dental coverage

- Section 401(k) retirement plan

- Vacation and holidays

- Participation in the Executive Life Insurance Program at two times annual base salary, subject to medical underwriting

- Participation in the Executive Long Term Disability Program

- Participation in the Executive Tax Planning Services provided by Price Waterhouse.

Perquisites

Iomega's executive perquisites are not as extensive as those you currently enjoy at Rockwell. In recognition of this, we will provide a one-time payment to you of $100,000, subject to withholding taxes, payable upon the commencement of employment.

Prior Compensation Opportunities

You will be leaving certain incentive opportunities and retirement benefits Aon the table@ when you leave Rockwell. Our outside compensation consultant (David Swinford of Pearl Meyer & Partners) has net present valued these opportunities as follows:

- Rockwell supplemental retirement benefit accrued to date: $802,000

- Your 1998 annual incentive award was expected to be approximately $300,000

- Amounts accrued to date under the current performance unit cycle are approximately $700,000.

In place of term life insurance, you have elected a survivor benefit equal to your base salary payable for ten years after your death while an active employee or a $1,000,000 lump sum payment after your retirement.

Our objective is to make you whole on the compensation opportunities that you are leaving behind, but to do so in a way that is tailored to your needs. Our thoughts at this time are to provide:

- An additional 300,000 non-qualified options, priced at market, with a ten-year term and vesting on your date of employment

- If you forfeit your FY1998 incentive award by virtue of leaving Rockwell, an additional sign-on bonus of $300,000 would be paid to replace your 1998 Rockwell bonus

- Replacement of the accrued performance unit amount, supplemental pension and survivor benefit (to the extent its value exceeds Iomega's coverage) with a package of equivalent value. I suggest that Pearl Meyer & Partners work with your advisors to develop an approach for our mutual consideration.

Relocation

Iomega provides comprehensive relocation assistance, as described in the attached policy. I understand from our discussions that you may have some special circumstances - I welcome an opportunity to discuss these with you in order to ensure as smooth a transition for you and Sandy as possible.

Severance and Change in Control Protection

We have every confidence that your relationship with Iomega will be a long and prosperous one. However, in the unlikely event that the Board should terminate you for reasons other than cause before December 31, 2001, we will continue your salary, target annual incentive and benefits for twenty-four months, and vest any additional options that would have vested by or on the next anniversary of your employment.

We will provide a higher level of protection in the case of a change in control. If your employment is terminated by the Company other than for cause or by you for good reason, your salary, annual bonus at target, and benefits will be continued for 36 months. However, these payments would be reduced (or in the case of benefits, eliminated) once subsequent employment is obtained during the period. Fifty percent of any options not yet vested on the date of the change in control will vest automatically on that date. The remaining options will vest over two years if you remain employed or immediately if and when you are terminated other than for cause.

Summary of Compensation Arrangements

Base Salary:	$600,000
Annual Incentive:	$600,000 target; uncapped opportunity; guaranteed for 1999
Stock Options:	2,025,000 options with immediate to five-year vesting 75,000 performance-accelerated options
Performance Units:	75,000 covering 1/1/99 - 12/31/01, with $750,000 maximum value
Benefits:	Iomega's standard package Special package to be developed with advisors
Sign-on bonus:	$100,000 plus an additional $300,000 if you forfeit your FY 1998 Rockwell bonus
Severance protection:	12 months' salary, annual incentive and benefits continuance, plus full vesting of options which would have vested by or on the next anniversary date of your employment if terminated by the Company other than for cause prior to 12/31/01
Change in control:	36 months' salary, annual incentive and benefits continuation plus full vesting of options and performance unit awards if terminated, other than for cause, within two years following a change in control.

Other Provisions

We have agreed that if you join Iomega and buy a house but decide to purchase a lot and build a new home, Iomega will guarantee you against loss on the sale of the original home for a period up to three years.

The start of your employment is contingent upon your acceptance of this offer and the terms and conditions described in this letter and your signature to the enclosed Agreement. As you will note, this offer for a position constitutes an at-will relationship with Iomega. This means that both you and Iomega share the right to sever the employment relationship at any time, for any reason or no reason, and with or without notice.

Please fax a copy of the signed offer letter (indicating the date that you will begin work) and relocation agreement to me at Iomega's offices. In the meantime, if you have any questions, please contact me at (619) 452-9690.

Jodie, on a more personal note, I couldn't be more pleased than I am with your interest in Iomega. I hope you will accept our offer. I am sure that you will do an excellent job for us and we are all looking forward to working with you. If there is anything we can do to facilitate matters or be of assistance to you or Sandy, please let me know.

Best regards.

Sincerely,

/s/ David J. Dunn	/s/ Jodie K. Glore
---------------------------------	--------------------------
David J. Dunn, Chairman	Jodie K. Glore - Accepted
Board of Directors	Date: October 21, 1998

EXHIBIT 10.22

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (Agreement), dated as of October 1, 1998, is by and between Iomega Corporation, a Delaware corporation (Company) and ____________ (Executive).

RECITALS

WHEREAS, Executive has served as a key member of the Company's management team and the Company wants to retain Executive's services in the best interests of the Company and its stockholders; and

WHEREAS, Executive is desirous of continuing in the management team pursuant to the terms of this Agreement;

NOW, THEREFORE, the Company and Executive, in consideration of the terms set forth herein and other valuable consideration, agree as follows.

EMPLOYMENT OF EXECUTIVE

1. EMPLOYMENT. Executive is employed by the Company on an at-will basis, which means that either Executive or the Company may terminate the employment relationship at any time for any reason, with or without cause.

2. SEVERANCE. If Executive's employment is terminated by the Company, other than for "Cause" as defined herein, before November 1, 1999, and Executive executes a General Release releasing all claims and causes of action Executive may have against the Company, its officers, directors and employees, excluding claims (i) under this Agreement, (ii) under any option agreement or performance unit agreement between Executive and the Company, or (iii) with respect to unreimbursed business expenses incurred by Executive in connection with Company business, the Company will pay Executive "Severance" as defined herein. Severance, for this purpose, shall be Executive's current annual compensation, base and estimated bonus, as of the date of termination, less any compensation Executive may receive for subsequent employment in the one-year period following termination. Severance payments shall be made on the Company's regular payroll schedule with the bonus component of Severance to be included in the final payment.

3. EMPLOYEE BENEFITS. Subject to the terms and conditions of the Company's employee benefit plans, following not-for-Cause termination the Company

will continue to provide employee benefits to Executive until: (a) Executive becomes eligible for similar benefits in subsequent employment without any exclusion for pre-existing conditions of Executive or his or her dependents; or (b) Executive discontinues participation in the employee benefit plan through failure to contribute, or otherwise; or (c) the expiration of one year after the date of termination; whichever date shall first occur.

4. CAUSE. "Cause" shall mean: (i) any act of personal dishonesty by the Executive in connection with his or her responsibilities as an employee, or (ii) conviction of the Executive of a felony, or (iii) a wanton or willful act by the Executive in violation of either the Company's own interest or of Executive's duties or of Executive's expected standard of conduct, or (iv) violations by the Executive of Executive's obligations as an employee of the Company which are demonstrably willful and deliberate on the Executive's part after written demand for performance from the Company which describes the basis for the Company's belief that the Executive has not substantially performed his or her duties.

NON-DISCLOSURE AND NON-DISPARAGEMENT

5. NON-DISCLOSURE. Executive acknowledges his or her obligations, both during and after the term of Executive's employment with the Company, under a non-disclosure agreement previously entered into between Executive and the Company. Any breach of Executive's non-disclosure obligations to the Company shall, in addition to all other remedies available to the Company, result in the immediate release of the Company from any obligations it would otherwise have to provide further payments or benefits under this Agreement.

6. RETURN OF DOCUMENTS. Upon termination, for any reason, of Executive's employment with the Company, all documents, records, and materials relating to the Company's business, whether stored electronically or in a written or printed form, or otherwise, including but not limited to notes, notebooks, rolodex files, telephone lists, computer or data processing disks and tapes, marketing plans, financial plans and studies, customer lists, names of business contacts, policies and procedures, and any materials prepared, compiled or acquired by Executive relating to any aspect of the Company or its business, products, plans or proposals, and all copies thereof, then in Executive's or a related party's possession, custody or control, whether prepared by Executive or others, shall be returned to the Company. Related parties shall include each person or entity associated with or related to Executive at the time of the termination of Executive's employment with the Company. Executive also agrees to participate in an exit interview upon the termination of Executive's employment with the Company.

7. EMPLOYMENT INVENTIONS. Executive acknowledges that certain innovations, products and processes invented or discovered by Executive during Executive's employment with the Company are the property of the Company and

have been assigned to the Company under an agreement previously entered into between Executive and the Company. Any breach of Executive's obligations to the Company with respect to the assignment of inventions shall, in addition to all other remedies available to the Company, result in the immediate release of the Company from any obligations it would otherwise have to provide further payments or benefits under this Agreement.

8. NON-DISPARAGEMENT. During and after the term of Executive's employment with the Company, Executive agrees not to disparage, orally or in writing, the Company, its officers, executives, management, operations, products, designs, or any other aspects of the Company's affairs to any third person or entity; and the Company agrees that none of its executive officers shall disparage, orally or in writing, Executive or the performance of Executive's duties at the Company to any third person or entity.

NON-SOLICITATION

9. NON-SOLICITATION OF EMPLOYEES. Executive agrees that during Executive's employment with the Company and for one year following Executive's voluntary or involuntary termination of employment with the Company, Executive shall not, directly or indirectly, in any capacity (including but not limited to, as an individual, a sole proprietor, a member of a partnership, a stockholder, investor, officer, or director of a corporation, an executive, agent, associate, or consultant of any person, firm or corporation or other entity) hire any person from, attempt to hire any person from, or solicit, induce, persuade, or otherwise cause any person to leave his or her employment with the Company. Any breach of Executive's obligations under this paragraph shall, in addition to all other remedies available to the Company, result in the immediate release of the Company from any obligations it would otherwise have to provide further payments or benefits under this Agreement.

10. NON-SOLICITATION OF CUSTOMERS. Executive agrees that during Executive's employment with the Company and for one year following Executive's voluntary or involuntary termination of employment with the Company, Executive shall not, directly or indirectly, in any capacity, solicit the business of any customer of the Company except on behalf of the Company, or attempt to induce any customer of the Company to cease or reduce its business with the Company; provided that following the termination of Executive's employment with Company he or she may solicit a customer of the Company to purchase goods or services that do not compete directly or indirectly with those then offered by the Company. Any breach of Executive's obligations under this paragraph shall, in addition to all other remedies available to the Company, result in the immediate release of the Company from any obligations it would otherwise have to provide further payments or benefits under this Agreement.

NON-COMPETITION

11. CONFIDENTIAL/PROPRIETARY INFORMATION. Executive acknowledges and agrees that in Executive's position at the Company, Executive will have access to, knowledge of and use of the Company's trade secrets, proprietary information, business operations, business know-how, employee information, and customer information. Executive acknowledges that such information is critical to the successful operation of Company's business, that it would be impossible for Executive to discard all knowledge of such information upon separation of employment with the Company, and that it would be unfair to the Company for such information to be used by an Executive in a business that competes or attempts to compete with the Company. Executive recognizes and agrees that the Company fills a narrow, specific niche in the computer storage device industry. A limited number of entities located throughout the world compete worldwide with the company in the data storage device industry. As a result of this worldwide market, Executive agrees that this covenant not to compete extends worldwide and cannot be written more narrowly.

12. NON-COMPETITION. Executive agrees that during Executive's employment with the Company, and for one year following the termination of Executive's employment with the Company for whatever reason, Executive will not directly or indirectly perform services for an entity, including Executive's self, which actually or potentially competes with the Company. For the purposes of this section only and not for purposes of any antitrust related market definition or analysis, an entity (which includes but is not limited to a person, partnership, joint venture, or corporation) will be considered to compete with the Company if such entity (or in the case of a multi-billion dollar, multi-division corporation, the division thereof for which services are proposed to be performed by Executive) or any of its affiliates engages directly or indirectly in the removable media storage device market segment as all or part of its business. Examples of such entities include: Syquest, Castlewood, Imation, Sony, HP Storage Division, Seagate Removable Storage Division, and their affiliates. These examples are provided for illustration purposes and are not intended to be an all-inclusive list or to limit the preceding terms in any way. For the purposes of this Non-Competition Section, performing services shall include but not be limited to positions as employee, consultant, officer, joint venturer, owner in full or in part (excluding ownership consisting solely of not more than 1% of the outstanding stock of a publicly held company), partner, and director. Any breach of Executive's obligations under this paragraph shall, in addition to all other remedies available to the Company, result in the immediate release of the Company from any obligations it would otherwise have to provide further payments or benefits under this Agreement.

ADDITIONAL PROVISIONS

13. SUCCESSOR IN INTEREST.

(a) COMPANY'S SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) or to all or substantially all of the Company's business and/or assets shall assume the obligations of the Company under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of the Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representative, executors, administrators, successors, heirs, distributees, devisees and legatees.

14. NEW EMPLOYMENT. Executive shall inform the Company immediately of any change in his or her employment status during the period that Executive is receiving Severance.

15. SEVERABILITY. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

16. EMPLOYMENT TAXES. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

17. REMEDIES: NO IMPLIED WAIVERS. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement by negotiation. If the dispute has not been resolved by negotiation within 30 days, the parties shall endeavor to resolve it by mediation. Unless the parties otherwise provide, the mediator shall be selected from the CPR Panels of Distinguished Neutrals. Any dispute which remains unresolved 30 days after appointment of a mediator shall be settled by arbitration by a sole arbitrator in accordance with the CPR Rules for Non-Administrated Arbitration, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The reference in this Agreement to particular breaches resulting in an immediate release of the Company from certain of its obligations shall not mean that other material breaches would not also create a right on the part of the Company to discontinue all payments and benefits under this Agreement or to be relieved of other obligations. No delay or omission by either party in

exercising any right under this Agreement will operate as a waiver of that or any other rights. A waiver or consent given by the Company on one occasion is effective only in that instance and will not be construed as a bar or waiver of any right on any other occasion.

18. SPECIFIC PERFORMANCE; INJUNCTIVE RELIEF. The parties recognize that irreparable injury to the Company will result from a material breach of the Assignment of Inventions, Non-Disclosure, , Non-Disparagement, Non-Solicitation, or Non-Compete provisions in pargraph 5-12 of this Agreement, and that monetary damages will be inadequate to rectify such injury. Accordingly, notwithstanding the dispute resolution provisions in the foregoing paragraph, the Company shall be entitled to one or more preliminary or permanent orders: (i) restraining or enjoining any act which would constitute a material breach of paragraph 5-12 of this Agreement, and (ii) compelling the performance of any obligation which, if not performed, would constitute a material breach of paragraph 5-12 of this Agreement.

19. ENTIRE AGREEMENT. Except with respect to the terms of any written employment agreement, if any, by and between the Company and Executive that is signed on behalf of the Company, no agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof.

20. GOVERNING LAW. This Agreement shall be interpreted, construed and governed in accordance with the laws of the State of Delaware, without giving effect to the choice of law rules thereof.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date hereinabove written.

IOMEGA CORPORATION

By:/s/ Laurie B. Keating

Name: Laurie B. Keating

Title: Senior Vice President
and General Counsel

[Executive]

<TABLE>
Iomega Corporation and Subsidiaries
Financial Highlights
<CAPTION>

(in thousands, except per share and employee data)	For years ended December 31, 1998	1997
Sales	$ 1,694,385	$ 1,739,972
Gross margin	422,934	547,662
Operating expenses	498,900	369,956
Net income (loss)	$ (54,222)	$ 115,352
Net income (loss) per common share		
Basic	$ (0.20)	$ 0.45
Diluted	$ (0.20)	$ 0.42
Share price (1)		
High	$ 13.25	$ 16.41
Low	$ 3.06	$ 7.06
Employees	4,865	4,816

</TABLE>

<TABLE>

Quarterly Financial Information
<CAPTION>

For year ended December 31, 1998

(in thousands, except per share data)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Year
Sales	$ 407,500	$ 393,831	$ 391,766	$ 501,288	$ 1,694,385
Gross margin	102,136	94,224	87,647	138,927	422,934
Net income (loss)	(18,576)	(39,910)	(14,777)	19,041	(54,222)
Net income (loss) per common share					
Basic	$ (0.07)	$ (0.15)	$ (0.06)	$ 0.07	$ (0.20)
Diluted	$ (0.07)	$ (0.15)	$ (0.06)	$ 0.07	$ (0.20)

For year ended December 31, 1997

(in thousands, except per share data)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Year
Sales	$ 361,344	$ 400,162	$ 431,700	$ 546,766	$ 1,739,972
Gross margin	107,279	117,459	140,327	182,597	547,662
Net income	23,014	26,209	30,008	36,121	115,352
Net income per common share(1)					
Basic	$ 0.09	$ 0.10	$ 0.12	$ 0.14	$ 0.45
Diluted	$ 0.08	$ 0.09	$ 0.11	$ 0.13	$ 0.42

(1) Share prices and net income per common share have been retroactively adjusted to reflect a stock split (see Note 2 to Consolidated Financial Statements).
</TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
<TABLE>

TRENDS IN OPERATIONS

The following table indicates the trends in certain components of the consolidated statements of operations for each of the last five years.
<CAPTION>

Years ended December 31,	1998	1997	1996	1995	1994
(in thousands, except per share and employee data)					
Sales	$ 1,694,385	$ 1,739,972	$ 1,212,769	$ 326,225	$ 141,380

Cost of sales	1,271,451	1,192,310	879,989	235,838	92,453
Gross margin	422,934	547,662	332,780	90,387	48,927
Operating expenses:					
Selling, general and administrative	386,304	291,930	190,719	57,189	36,862
Research and development	101,496	78,026	42,101	19,576	15,438
Restructuring reversal	-	-	-	-	(2,491)
Purchased in-process technology	11,100	-	-	-	-
Total operating expenses	498,900	369,956	232,820	76,765	49,809
Operating income (loss)	(75,966)	177,706	99,960	13,622	(882)
Interest and other income (expense)	(7,459)	(391)	(5,977)	(1,983)	908
Income (loss) before income taxes	(83,425)	177,315	93,983	11,639	26
Benefit (provision) for income taxes	29,203	(61,963)	(36,655)	(3,136)	(1,908)
Net income (loss)	$ (54,222)	$ 115,352	$ 57,328	$ 8,503	$ (1,882)
Net income (loss) per common share (1)					
Basic	$ (0.20)	$ 0.45	$ 0.23	$ 0.04	$ (0.01)
Diluted	$ (0.20)	$ 0.42	$ 0.21	$ 0.03	$ (0.01)
Total employees	4,865	4,816	2,926	1,667	886

</TABLE>

(1) Net income per common share has been retroactively adjusted to reflect all prior period stock splits.

BUSINESS SEGMENT INFORMATION

The Company is organized into four business segments based primarily on the nature of the Company's products and customers. The Company's Zip segment involves the development, manufacture, distribution and sales of personal storage products and applications, including Zip disk and drive systems to original equipment manufacturers ("OEMs"), retailers and distributors throughout the world. The Company's Jaz segment involves the development, manufacture, distribution and sales of professional storage products and applications, including Jaz disk and drive systems and the Buz multimedia producer to retailers, distributors and resellers throughout the world. The Company's Ditto segment involves the development, manufacture, distribution and sales of the Ditto family of tape backup drives and tape cartridges to retailers, distributors and resellers throughout the world. The Company's Clik! segment involves the development, manufacture, distribution and sales of Clik! mobile drives and 40 MB disks for use with portable digital products such as digital cameras, handheld personal computers and notebook computers to retailers, distributors, OEMs and resellers throughout the world. Clik! products began shipping late in the fourth quarter of 1998 in limited volumes. The following table indicates the trends in sales, units and product profit margin for significant business segments for each of the last three years.
<TABLE>

Sales, Units and Profit by Significant Business Segment
<CAPTION>

<S>	1998 <C>	1997 (In thousands) <C>	1996 <C>
Sales:			
Zip	$ 1,183,020	$ 1,159,076	$ 746,395
Jaz	416,888	459,721	304,605
Ditto	81,074	118,320	127,563
Clik!	2,125	-	-
Drive units:			
Zip	9,472	6,960	3,653

Jaz	713	818	575
Ditto	455	769	930
Disk units:			
Zip	59,054	42,575	23,244
Jaz	3,095	2,785	1,269
Ditto	1,392	1,767	495
Product profit margin (1):			
Zip	$ 150,702	$ 285,562	$ 164,744
Jaz	4,746	48,968	21,249
Ditto	(14,309)	1,852	17,148
Clik!	(37,052)	(5,981)	(909)

(1) Product profit margin is defined as sales and other income directly related to a segment's operations less both fixed and variable manufacturing, research and development and selling, general and administrative expenses directly related to a segment's operations. Product profit margin does not include general corporate expenses of $170 million, $147 million and $108 million in 1998, 1997 and 1996, respectively.

</TABLE>

STOCK SPLIT

All shares, per share amounts and stock options for 1997 and 1996 have been retroactively restated to reflect the stock split described in Note 2 to the Consolidated Financial Statements.

<TABLE>

RESULTS OF OPERATIONS

The following table sets forth certain financial data as a percentage of sales for the years ended December 31, 1998, 1997 and 1996:

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Sales	100.0%	100.0%	100.0%
Cost of sales	75.0	68.5	72.6
Gross margin	25.0	31.5	27.4
Operating expenses:			
Selling, general and administrative	22.8	16.8	15.7
Research and development	6.0	4.5	3.5
Purchased in-process technology	0.7	-	-
Total operating expenses	29.5	21.3	19.2
Operating income (loss)	(4.5)	10.2	8.2
Net interest and other expense	(0.4)	-	(0.5)
Income (loss) before income taxes	(4.9)	10.2	7.7
Benefit (provision) for income taxes	1.7	(3.6)	(3.0)
Net income (loss)	(3.2)%	6.6%	4.7%

</TABLE>

Seasonality

The Company's Zip products are targeted primarily to the personal computer OEM and retail consumer markets. The Company's Jaz and Ditto products are targeted primarily to the retail consumer market. The Company's Clik! products are targeted to the retail consumer market and to consumer electronics OEMs. Management believes the markets for the Company's products are generally seasonal, with a higher proportional share of total sales occurring in the fourth quarter and sales slowdowns commonly occurring during the first quarter and summer months. Accordingly, revenues and growth rates for any prior quarter are not necessarily indicative of the revenues or growth rates to be expected in any future quarter. Due to first quarter seasonality and component constraints associated with ramping new products, the Company expects first quarter 1999 results to be approximately breakeven with the possibility of a small profit or loss. However, there can be no assurance that the expected results will be realized.

1998 As Compared to 1997

Sales. Sales decreased by $45.6 million, or 2.6%, in 1998 as compared to 1997. This decrease was due primarily to price reductions on Zip and Jaz disk and drive products and a higher mix of lower priced OEM Zip drive shipments. These price reductions and mix changes were partially offset by an increase in volumes of Zip drives, Zip disks and Jaz disks. Total drive sales of $983.0 million represented a decrease of 13.7% as compared to 1997. However, total drive unit shipments increased by 24.5% as compared to 1997. Total disk sales of $699.5 million represented an increase of 10.3% as compared to 1997. Total disk unit shipments increased by 34.8% as compared to 1997.

Sales of Zip products in 1998 and 1997, respectively, totaled approximately $1.2 billion and accounted for 69.8% of total sales in 1998, as compared with 66.6% of total sales in 1997. Zip drive unit shipments increased by 36.1% from 1997, while Zip disk unit shipments increased by 38.7%. The increase in both disk and drive units shipped was primarily offset by price reductions during 1998 and an increase in sales of Zip OEM drives that have lower prices than drives sold to distributors and retailers. Sales of Zip OEM drives accounted for over 55% of total Zip drive shipments in 1998, compared to approximately 32% in 1997.

Jaz product sales in 1998 totaled $416.9 million, or 24.6% of total sales, representing a 9.3% decrease from 1997. Jaz drive unit shipments decreased by 12.8% from 1997, while Jaz disk unit shipments increased by 11.1%.

Ditto product sales in 1998 were $81.1 million, or 4.8% of total sales, representing a 31.5% decline from 1997. Ditto drive unit shipments decreased by 40.8% as compared to 1997, while Ditto disk unit shipments decreased by 21.2%.

Geographically, sales in the Americas were approximately $1.1 billion in 1998 and in 1997 and accounted for 67.1% of total sales in 1998, as compared to 61.0% of total sales in 1997. Sales in Europe were $427.7 million, or 25.2% of total sales, in 1998, as compared to $520.0 million, or 29.9% of total sales, in 1997. Sales in Asia were $130.3 million, or 7.7% of total sales, in 1998, as compared to $159.0 million, or 9.1% of total sales, in 1997.

Gross Margin. The Company's overall gross margin was 25.0% in 1998, as compared to 31.5% in 1997. The decrease in gross margin was due primarily to price reductions on Zip and Jaz drive and disk products. In addition, a higher percentage of Zip drives were shipped to the OEM channel in 1998, as compared to 1997. Prices and margins are lower for drives sold to the OEM channel than for drives sold to distribution and retail channels. The decrease in gross margin percentage in 1998 was partially offset by reductions in component material costs and per unit manufacturing overhead costs for the Zip and Jaz product lines. Future gross margin percentages will continue to be impacted by the percentage of OEM drive sales versus retail and distribution sales. Future gross margin percentages will also depend on sales volumes of Zip, Jaz and Clik! disks, which generate significantly higher gross margins than the corresponding drives, and on the mix between disks and drives, and the mix between Zip, Jaz and Clik! products. Additionally, management expects that sales of Clik! products during early 1999 will initially have a negative impact on gross margins due to start-up costs associated with early production volumes. The Company is targeting overall gross margin percentages to be in the mid to upper twenty percent range for fiscal 1999. However, there can be no assurance that such margin percentages will be realized.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $94.4 million in 1998, as compared to 1997, and increased as a percentage of sales to 22.8% in 1998 from 16.8% in 1997. Included in selling, general and administrative expenses in 1998 was a special pre-tax charge of $9.4 million representing expenses associated with cost reduction measures implemented by the Company to improve financial performance and included $6.0 million of employee severance and outplacement charges, $2.7 million of cash and non-cash write-offs for facility-related assets and $0.7 million of other miscellaneous charges. In the course of implementing the above measures during the third and fourth quarters of 1998, the Company determined that actual employee severance and outplacement charges were less than originally expected; however, this excess was more than offset by the higher than expected facility-related charges. At December 31, 1998, the reserves related to special charges totaled $5.2 million, of which $0.7 million related to the second quarter special pre-tax charge of $9.4 million and $4.5 million related to the additional facility charges in the third and fourth quarters of 1998. Excluding the $9.4 million special charge, selling, general and administrative expenses increased by $85.0 million and represented 22.2% of sales in 1998. The increased expenses in 1998 were primarily due to a combination of substantial marketing and advertising program expenditures, increased spending on other, non-advertising related sales and marketing activities primarily due to international expansion, increased spending on customer satisfaction programs and an increase in other general and administrative expenses, comprised mainly of information system expenditures and legal fees. Management is focused on maintaining selling, general and administrative expenses in a range of 15% to 20% of sales. However, the Company's success in achieving a reduction in the percentage of selling, general and administrative expenses depends in part on the levels of sales achieved during 1999 and there can be no assurance that the Company's cost reduction measures and other efforts to reduce the percentage of sales represented by selling, general and administrative expenses will be successful.

Research and Development Expenses. Research and development expenses increased by $23.5 million, or 30.1% in 1998, when compared to 1997, and increased as a percentage of sales to 6.0% in 1998, from 4.5% in 1997. This increase was primarily the result of increased spending for new product development, including Clik! development, during the period. The remainder of the increase was the result of expenditures related to the continued development and enhancement of Zip, Jaz and other products. Management is targeting the level of spending for research and development during 1999 to be in the range of 3% to 5% of sales to support planned new product development and existing product enhancements. However, the Company's success in achieving the reduction in the percentage of research and development expenses depends in part on the levels of sales achieved during 1999 and there can be no assurance that efforts to reduce the percentage of sales represented by research and development expenses will be successful.

Acquisition and Purchased In-Process Technology. During 1998, the Company acquired a majority interest in Nomai, S.A. ("Nomai"), a France-based manufacturer of removable storage systems, for approximately $45 million, of which approximately $36 million was classified as goodwill. The goodwill is being amortized on a straight-line basis over seven years. The Company's current plans for Nomai include: 1) enhancement and distribution of Nomai's existing CD-RW drive, 2) production of the Company's Clik! disks, 3) continued production of 1.44 MB floppy disks and 4) development and production of other potential products. However, there can be no assurance that the Company will be successful in implementing these plans or achieving profitability from Nomai operations. In the event that the Company is not successful, the goodwill may become impaired and therefore may require a writedown prior to the scheduled amortization.

Upon completion of the Nomai acquisition, the Company immediately expensed $11.1 million representing purchased in-process technology that has not yet reached technological feasibility and has no alternative future use. The value assigned to purchased in-process technology, based on the income method prepared by an independent third party, was determined by identifying research projects in areas for which technological feasibility had not been established. These projects included a 2 GB Design Drive and Cartridge, DVD and CD-RW interface technology and servo writer technology with estimated values of $9.3 million, $1.3 million and $0.5 million, respectively. The value was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a risk adjusted discount rate of 26% to take into account the uncertainty surrounding the successful development of the purchased in-process technology. The valuation included material cash inflows from in-process technology through 2003 with revenues commencing in 1999 and ramping significantly in 2000 before tapering off in 2001 and 2002. Research and development costs are quite significant in 1999 before tapering off. The 2 GB Design Drive utilizes validated inductive heads and media. This project was approximately 60% complete at the time of the valuation and the expected timeframe for achieving this product release was assumed to be in the second half of 1999. The DVD and CD-RW interface technology could allow easy connectivity and differentiation from other DVD and CD-RW drives. The DVD and CD-RW interface technology was assumed to be nearing the prototype stage in development at the time of the valuation. The remaining efforts for this project were assumed to be completed in 1999. The servo writer technology could greatly reduce the time to transfer track following servo signals to magnetic media. The project was approximately 20% complete at the time of the valuation. Significant remaining development efforts must be completed in the next 12 to 18 months in order for Nomai's process to become implemented in a commercially viable timeframe. If these projects are not successfully developed, the Company's future revenue and profitability may be adversely affected. Additionally, the value of other intangible assets acquired may become impaired.

Other Income and Expense. The Company recorded interest income of $4.2 million in 1998, as compared to $6.9 million in 1997, due to decreased available cash, cash equivalent and temporary investment balances in 1998. Interest expense was $10.2 million in 1998, as compared to $6.4 million in 1997. The increase in interest expense during 1998 was primarily due to increased average borrowings outstanding under the Company's Credit Facility during the period. The increase in interest expense was also due to the Company entering into a subordinated debt agreement with Idanta Partners, Ltd. and another entity affiliated with David J. Dunn, Chairman of the Company's Board of Directors, under which the Company borrowed $40 million pursuant to a series of three notes. These factors were partially offset by the retirement of a promissory note for the purchase of the Company's manufacturing facility in Malaysia and the repayment of other term notes during 1997.

Also included in other income and expense were bank charges, miscellaneous royalty income, gains and losses on disposal of assets and foreign currency gains and losses.

Income Taxes. For 1998, the Company recorded an income tax benefit of $29.2 million, representing an effective income tax rate of approximately 35%. The Company expects its effective tax rate to remain at approximately 35% for 1999. However, differences between the currently anticipated mix and the actual mix of foreign income versus domestic income, along with the ability of the Company to permanently invest foreign earnings outside of the U.S. and its ability to meet the requirements for favorable tax treatment in certain jurisdictions outside of the U.S. could impact the Company's effective tax rate.

1997 As Compared to 1996

Sales. Sales increased by $527.2 million, or 43%, in 1997 as compared to 1996. This increase was due primarily to higher sales of Zip and Jaz products and such increase reflected higher sales volumes of both drives and disks, which were partially offset by price reductions. Combined Zip and Jaz sales totaled $1.6 billion, or 93% of total sales, in 1997, as compared to $1.1 billion, or 87% of total sales, in 1996. Sales of Zip drives to OEM customers increased to approximately 32% of total Zip drive unit sales in 1997, as compared to approximately 5% in 1996. Ditto product sales decreased in 1997, as total Ditto sales were $118.3 million, or 7% of sales, in 1997, as compared to $127.6 million, or 10% of sales, in 1996. Other sales declined to $2.9 million in 1997, as compared to $34.2 million, or 3% of sales, in 1996.

International sales represented $679 million, or 39% of total sales, in 1997, as compared to $406 million, or 34% of total sales, in 1996. Sales in Europe were $520 million, or 30% of total sales, in 1997, as compared to $296 million, or 24% of total sales, in 1996. Sales in Asia were $159 million, or 9% of total sales, in 1997, as compared to $110 million, or 9% of total sales, in 1996.

Sales in the Americas increased in total from $807 million, or 66% of total sales, in 1996, to $1.1 billion, or 61% of total sales, in 1997.

Gross Margin. The Company's overall gross margin was 31.5% in 1997, as compared to 27.4% in 1996. The increase in gross margin was due primarily to reductions in component material costs and per unit manufacturing overhead costs for the Zip and Jaz product lines combined with an increase in 1997 in the ratio of disk sales to drive sales for the Jaz product line when compared to 1996. The ratio of disk sales to drive sales for the Zip product line was relatively flat for 1997 when compared to 1996, but in the fourth quarter of 1997, the ratio was significantly lower than in prior quarters. The improvements in Zip and Jaz product gross margins were partially offset by price reductions enacted during the year for both product lines and lower gross margins resulting from an increase in the proportion of Zip drives sold into the OEM channel. Gross margin for Jaz products was also adversely affected during 1997 by costs of approximately $3.1 million associated with a recall of approximately 75,000 Jaz disks. Gross margins on Ditto products were lower in 1997, as compared to 1996, as material and overhead cost reductions were more than offset by price reductions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $101.2 million in 1997, as compared to 1996, and increased as a percentage of sales from 15.7% in 1996 to 16.8% in 1997. Included in selling, general and administrative expenses in 1996 was a special charge of $9.1 million representing expenses associated with the transition of manufacturing capacity from Roy, Utah to Penang, Malaysia and the relocation of the Company's European headquarters to Geneva, Switzerland and its European logistics and distribution function to Utrecht, the Netherlands. Excluding this charge, selling, general and administrative expenses would have represented 15.0% of sales in 1996. The increased expenses in 1997 were primarily the result of increases in advertising expenses incurred to increase market awareness of Zip and Jaz products and a new "Zip Built-In" campaign developed to generate greater consumer demand for OEM Zip drives. In addition, the increase was affected by the growth in headcount throughout the world, predominantly in the sales and marketing functions; variable selling expenses; increased legal expenses; and increased fixed administrative expenses.

Research and Development Expenses. Research and development expenses increased by $35.9 million in 1997, as compared to 1996, and increased as a percentage of sales to 4.5% in 1997, from 3.5% in 1996. This increase was primarily the result of expenditures related to the development and enhancement of Zip, Jaz and Ditto product lines, as well as continued development expenses related to new products such as Clik! and Buz, among others.

Other Income and Expense. The Company recorded interest income of $6.9 million in 1997, as compared to $3.1 million in 1996, due to increased available cash, cash equivalent and temporary investment balances in 1997. Interest expense was $6.4 million in 1997, compared to $8.9 million in 1996. This decrease was due to decreased average borrowings outstanding during 1997, resulting in large part from the repayment of amounts borrowed under an European financing agreement, the retirement of a promissory note for the purchase of the Company's manufacturing facility in Malaysia and the repayment of other term notes during 1997. Also included in other income and expense were bank charges, royalty income, gains and losses on disposal of assets and foreign currency gains and losses.

Income Taxes. For 1997, the Company recorded an income tax provision of $62.0 million, representing an effective tax rate of 35%. The effective tax rate decreased from 39% in 1996 due to tax advantages associated with the relocation of manufacturing capacity to Malaysia and the relocation of the Company's European headquarters from Germany to Switzerland.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company had cash and cash equivalents of $90.3 million, working capital of $225.9 million and a ratio of current assets to current liabilities of 1.6 to 1. During 1998, the Company used a total of $69.6 million of cash and cash equivalents. The primary components were the purchase of property, plant and equipment and the reduction of accounts payable, accrued liabilities and income taxes payable, offset in part by decreases in accounts receivable and inventory. These items were partially funded by debt and the sale of temporary investments.

Accounts payable decreased by $108.3 million, due primarily to timing of inventory receipts and related payments to vendors. Income taxes payable decreased as a result of the payment of 1997 income taxes. Income taxes receivable increased due to the carryback of the Company's current year net operating loss against prior year tax payments which will result in a tax refund during 1999. These uses of cash were partially offset by a $54.2 million decrease in net accounts receivable and a decrease in inventory of $84.3 million. The decrease in accounts receivable was due primarily to the timing of sales and collections during the respective periods and a decrease in the days sales outstanding ("DSO") from 46 days in the fourth quarter in 1997 to 42 days in the fourth quarter of 1998. The decrease in inventory was due primarily to improved supply chain management and changes to the Company's procurement and manufacturing processes to a demand pull model during 1998.

The Company used $103.3 million of cash in investing activities during 1998, primarily in the purchase of property, plant and equipment and the Company's acquisition of Nomai during 1998, offset in part by the sale of temporary investments. Cash provided by financing activities totaled $37.0 million during 1998, and included $80.0 million of proceeds from borrowings on the Company's Credit Facility that were offset by $87.8 million in payments on the Company's Credit Facility and capitalized lease obligations. There were no borrowings outstanding on the Company's Credit Facility at December 31, 1998. During 1998, the Company borrowed $40.0 million from Idanta Partners Ltd. and another entity affiliated with David J. Dunn, Chairman of the Company's Board of Directors, to finance the acquisition of Nomai.

On March 11, 1997, the Company entered into a $200 million Senior Secured Credit Facility with Morgan Guaranty Trust Company of New York, Citibank, N.A. and a syndicate of other lenders. During 1998 and January 1999, the Company and the lenders agreed to several amendments to and waivers under the Credit Facility (as most recently amended, effective January 29, 1999, the "Credit Facility"). The Credit Facility is a $150 million secured revolving line of credit that expires on July 14, 2000, and is secured by accounts receivable, domestic inventory, domestic intellectual property, general intangibles, equipment, personal property, investment property and a pledge of 65% of the stock of certain of the Company's subsidiaries. Borrowing availability under the Credit Facility is based on an agreed upon advance rate on receivables and inventory not to exceed $150 million with a floor of $110 million through May 1999. Under the Credit Facility, the Company may borrow at a base rate, which is the higher of prime or the sum of 0.5% plus the Federal funds rate plus a margin of 0.88% to 1.63%, for the first year, and thereafter between 0.0% and 1.63% depending on the Company's earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") and utilization of the Credit Facility, or at LIBOR plus a margin of 2.0% to 2.75%, for the first year, and thereafter between 1.25% and 2.75% depending on the Company's EBITDA and utilization of the Credit Facility. Total availability under the Credit Facility at December 31, 1998 was $143.2 million, and there were no borrowings outstanding. In January 1999, the Company obtained waivers from landlords which allow Citicorp USA, Inc. (the Credit Facility Security Agent) access to additional security interests. The additional security interests resulted in an increase in the total availability under the Credit Facility to $150 million. Among other restrictions, the Credit Facility treats a change of control (as defined) as an event of default and requires the maintenance of minimum levels of consolidated tangible net worth, EBITDA and certain other covenants. On January 29, 1999, the Company obtained an amendment to the Credit Facility with respect to the minimum consolidated EBITDA financial covenant for the periods ending on March 28, 1999 and June 27, 1999. As of December 31, 1998, the Company was in compliance with all covenants under the Credit Facility. Depending on its financial performance in future quarters, the Company may be required to seek further covenant waivers and amendments under the Credit Facility. There can be no assurance that the Company will be able to obtain any such waivers or amendments on terms acceptable to the Company, if at all. Loss of the Credit Facility may require the Company to find an alternative source of funding which could have a material adverse effect on the Company's business and financial results.

The current and long-term portions of capitalized lease obligations at December 31, 1998 were $4.3 million and $4.1 million, respectively. The current and long-term portions of notes payable at December 31, 1998 were $0.1 million and $0.5 million, respectively. In July 1998, the Company borrowed a total of $40 million from Idanta Partners Ltd. and another entity affiliated with David J. Dunn, Chairman of the Company's Board of Directors, pursuant to a series of three senior subordinated notes. The principal and interest associated with these notes are payable on March 31, 1999. The initial interest rate is 8.7% per annum, increasing through January 1, 1999 to 12.7% per annum. The proceeds of these notes were used for the cash purchase of Nomai.

The Company had $45.7 million of convertible subordinated notes outstanding at December 31, 1998, which bear interest at 6.75% per year and mature on March 15, 2001. Additions to property, plant and equipment during 1998 totaled $97.5 million, partially offset by $2.7 million in proceeds from capital leases.

The Company expects to generate positive cash flow for 1999. The Company believes that its balance of cash and cash equivalents, together with current and future sources of available financing, will be sufficient to fund the Company's operations during the next twelve months. However, whether the Company will achieve a positive cash flow for 1999, and the precise amount and timing of the Company's future financing needs, including the funds necessary to repay the senior subordinated notes due March 31, 1999 related to the Nomai transaction, cannot be determined at this time and will depend on a number of factors, including the market demand for the Company's products, the availability of critical components, the progress of the Company's product development efforts and the success of the Company in managing its inventory, accounts receivable and accounts payable.

On January 13, 1999, the Company announced that it had entered into a definitive agreement to purchase certain assets of SyQuest Technology, Inc., ("SyQuest"), including all of its intellectual property and its inventory and fixed assets in the U.S., for $9.5 million in cash, subject to certain closing conditions and adjustments. Conditions to closing include the Company's acquisition of the inventory and equipment assets of SyQuest's subsidiary in Malaysia, for additional consideration. SyQuest Malaysia's assets are being offered for sale separately by a Receiver and Manager appointed in Malaysia. Provided all conditions are met, the Company anticipates a first quarter 1999 closing.

OTHER MATTERS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards for companies to report information about derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. This statement is effective for financial statements issued for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company has not determined if it will adopt SFAS 133 prior to its effective date. The Company does not expect this statement to have a material impact on the Company's results of operations, financial position or liquidity.

FACTORS AFFECTING FUTURE OPERATING RESULTS

This Annual Report contains a number of forward-looking statements, including, without limitation, statements referring to expected first quarter results; the sufficiency of cash, cash equivalent and temporary investment balances and available sources of financing; the Company having positive cash flows in 1999; projected effective tax rates; the impact on gross margins of the sales mix between disks and drives and the mix between OEM sales and sales through other channels; anticipated levels for selling, general and administrative and research and development expenses; the impact of Clik! drives and disks and other new products introduced during 1998 or 1999; anticipated availability of new products expected to be shipped in 1999, including, without limitation, a Clik! drive on a PCMCIA card for slimline notebook computers; the expectation that the first cameras with built-in Clik! drives will reach the market during 1999; the possible effects on future sales due to supplier quality issues and component shortages; efforts to be undertaken by the Company to improve its manufacturing supply chain management; the maintenance of stringent quality assurance standards; the impact of new accounting pronouncements on the Company's results of operations, financial position or liquidity; the success of the Company's Six Sigma quality initiatives in achieving substantial product and process quality improvements and in reducing costs; the possible effects of any adverse outcomes in legal proceedings; the current plans for Nomai; the Company's Year 2000 readiness; the impact of the Euro conversion on the Company's business or financial condition; the impact of organization changes on the Company's revenue, profitability and asset utilization; and the Company's efforts to protect its intellectual property rights. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "expects", "anticipates", "plans" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause actual events or the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth below. The factors discussed below do not reflect the potential impact of any mergers or acquisitions that have not closed as of the end of fiscal 1998. The Company does not assume any obligation to update any forward-looking statements made herein.

Because the Company is relying on its Zip, Jaz and Clik! products for the substantial majority of its sales in 1999, the Company's future operating results will depend in large part on the success of those products in the market. Although the Company believes there is a market demand for removable data storage solutions for personal computers and other devices, there can be no assurance that the Company will be successful in establishing Zip, Jaz and Clik! as the preferred solutions for those market needs. The extent to which Zip, Jaz and Clik! achieve and maintain a significant market presence will depend upon a number of factors, including: the price, performance, quality and other characteristics of the Company's products and of competing solutions (existing, announced or unannounced) introduced by other vendors, including, without limitation, the LS-120, or SuperDisk (product co-developed by the consortium of Compaq Computer, Imation, O.R. Technology and MKE), HiFD (product co-developed by Sony Corporation and Fuji Photo Film Co., Ltd.), the UHD144 (product in development by Caleb Technology Corporation), the Orb (product developed by Castlewood Systems, Inc.), the Pro-FD (product in development by Samsung Electro-Mechanics Co., Ltd.), Microdrive (product in development by IBM), Memorystick (product developed by Sony Corporation), various formats of flash memory, CD-R and CD-RW drives, announced developments of rewritable DVD drives and media, and announced products in development by Terastor Corporation; the success of any third party in creating and marketing media intended for use with the Company's drive products; the success of the Company in meeting targeted availability dates for enhanced products; the success of the Company in establishing and maintaining OEM arrangements and meeting OEM quality, supply and other requirements; the willingness of OEMs to promote computer and other products containing the Company's drives; the ability of the Company to create demand for Zip, Jaz and Clik!, including demand from leading personal computer and other manufacturers; the success of the Company in educating consumers about the existence and possible uses of Zip, Jaz and Clik! storage solutions; the success of the Company's efforts to make continued improvements to customer service and satisfaction; the public perception of the Company and its products, including statements made by industry analysts or consumers and adverse publicity resulting from such statements or from litigation filed against the Company; and the overall market demand for personal computers with which the Company's products can be used.

The Company's business strategy is substantially dependent on maximizing sales of its proprietary Zip, Jaz and Clik! disks, which generate significantly higher margins than the related drives. If this strategy is not successful, either because the Company does not establish a sufficiently large installed base of Zip, Jaz and Clik! drives, because the sales mix between disks and drives is below levels anticipated by the Company, because another party succeeds in producing or marketing disks that are compatible with any of the Company's drive products without infringing the Company's proprietary rights, or for any other reason, the Company's sales would be adversely affected, and its results of operations would be disproportionately adversely affected.

Sales of Zip products in 1998 accounted for a significant majority of the Company's revenues in 1998. However, these sales may not be indicative of the long-term demand for Zip products. Accordingly, the sales levels experienced by the Company in 1998 should not be assumed to be an indication of future sales levels. In the fourth quarter of 1998, the Company introduced the Zip 250 product. The market acceptance of the Zip 250 product and its impact on other Zip products has not yet been determined and, therefore, may have an adverse impact on future sales. In addition, the Company has experienced and may in the future experience significant fluctuations in its quarterly operating results. Moreover, because the Company's expense levels (including budgeted selling, general, and administrative and research and development expenses) are based in part on expectations of future sales levels, a shortfall in expected sales could result in a disproportionate adverse effect on the Company's net income and cash flow. For example, in 1998, the Company's operating expenses as a percentage of sales fell outside of management's operating model resulting in a net operating loss for the year. In addition, the Company's stock price, like other high-technology companies' stock prices, could be subject to fluctuations in response to actual or anticipated variations in operating results, as well as changes in analysts' earnings estimates, announcements of new products or developments by the Company or its competitors, market conditions in the information technology industry, as well as general economic conditions and other factors external to the Company.

Clik!, a miniaturized removable-media storage solution for use in a variety of handheld electronic devices, represents the Company's first product which is primarily targeted to digital camera and other consumer electronics manufacturers. The Company does not have prior experience in these channels. Accordingly, there are additional risks that the Clik! products will not achieve significant market presence or otherwise be successful.

Management of the Company's inventory levels has become increasingly complex. The Company's customers frequently adjust their ordering patterns in response to various factors including: the Company's perceived ability to meet demand, the Company's and competitors' inventory supply in the retail and distribution channel, timing of new product introductions, seasonal fluctuations, Company and customer promotions, the consolidation of customer distribution centers, pricing considerations and the attractiveness of the Company's products as compared with competing products. Customers may increase orders during times of shortages, cancel orders if the channel is filled with currently available products, or delay orders in anticipation of new products. Any excess supply could result in price reductions and inventory writedowns, which in turn could adversely affect the Company's results of operations.

The Company has evolved from an after market business to a business that includes a significant volume of OEM sales. In an OEM business, a high proportion of sales are concentrated among a small number of customers. Although the Company believes its relationships with OEM customers are generally good, as the concentration of sales to OEM customers continues to evolve, a relatively small number of major customers will represent a business risk that loss of one or more accounts could adversely affect the Company's financial condition or operating results. The Company's customers are generally not obligated to purchase any minimum volume and are generally able to terminate their relationship with the Company at will. If changes in purchase volume or customer relationships resulted in decreased demand for the Company's drives, whether by loss of or delays in orders, the Company's financial condition or operating results could be adversely affected.

The Company continues to refine the design of its Zip and Jaz products in an effort to improve product performance and reduce manufacturing costs. In addition, the Company depends on independent parties for the supply of critical components for its Zip, Jaz and Clik! products. Certain of these suppliers are or may become competitors of the Company. As a result of these and other factors, the Company may experience problems relating to the quality, reliability and/or availability of certain of its products. For example, the Company has recalled certain products and experienced manufacturing interruptions due to supplier quality problems. Any product availability, quality or reliability problems experienced by the Company, or claims filed against the Company as a result of these problems, could have an adverse effect on the Company's sales and net income, result in damage to the Company's reputation in the marketplace, and/or subject the Company to damage claims from its customers. In addition, component problems, shortages, quality issues or other factors affecting the supply of the Company's products could provide an opportunity for competing products to increase their market share.

All of the factors described above for Zip, Jaz and Clik! products are, or will be, relevant to any new products introduced by the Company in the future. In addition, the Company faces development, manufacturing, demand and market acceptance risks with regard to recently introduced and future products. The Company's future operating results will depend in part on its success in introducing enhanced and new products in a timely and competitively effective manner. For example, the Company's Jaz 2 GB product, originally scheduled for shipment in the fourth quarter of 1997, did not ship until February 1998 and thus had a material adverse effect on the results of operations for the fourth quarter of 1997 and the first quarter of 1998. Future operating results will also depend on the Company's ability to effectively manage obsolescence risks associated with products that are phased out and its success in ramping to volume production of new or enhanced products. Future operating results will also depend on intellectual property and antitrust matters including the possibility that infringement claims asserted from time to time against the Company could require the Company to pay royalties to a third party in order to continue to market and distribute one or more of the Company's current or future products, and the possibility that the Company would be required to devote unplanned resources to developing modifications to its products or marketing programs.

During the second quarter of 1998, the Company announced the implementation of a comprehensive series of cost reductions intended to improve financial performance. During the second half of 1998, the Company reduced operating expenses when compared to the second quarter of 1998 levels as a result of efforts to decrease advertising and other sales and marketing expenses, legal expenses, information system costs and other discretionary spending. Although the Company was successful in reducing operating expenses during the second half of 1998, there can be no assurance that the Company will be successful in maintaining these cost reduction measures or that the Company will be successful in other efforts to reduce operating expenses in future periods. The Company is also in the process of implementing Six Sigma quality initiatives intended to make substantial product and process quality improvements and reduce costs. However, there can be no assurance that the Company's quality initiatives will be successful in providing substantial product and process improvements or in reducing costs.

A significant portion of the Company's revenues are generated in Europe and

Asia. The Company's existing infrastructure outside of the United States is less mature and developed than in the United States. Consequently, future sales and operating income from these regions are less predictable than in the United States. In addition, operating expenses may increase as those operations mature and increase in size. The Company's international sales transactions are generally denominated in U.S. dollars. Fluctuation in the value of foreign currencies relative to the U.S. dollar that are not sufficiently hedged by foreign customers could result in lower sales and have an adverse effect on future operating results (see "Disclosures About Market Risk" below). For example, management believes that sales in Asia were adversely affected during the fourth quarter of 1997 and during 1998 and will continue to be adversely affected due to a regional economic downturn and the devaluation of certain Asian currencies vis-a-vis the U.S. dollar. The Company cannot predict with any certainty the impact that these or other such events could have on its foreign operations.

On January 1, 1999, eleven countries of the European Union established fixed conversion rates between their existing currencies, and adopted the Euro as their new common legal currency. As of that date, the Euro has traded on currency exchanges, with the legacy currencies remaining as legal tender in the participating countries for a transition period between January 1, 1999 and January 1, 2002. During the transition period, parties can elect to pay for goods and services and transact business using either the Euro or a legacy currency. Between January 1, 2002 and July 1, 2002, the participating countries will introduce Euro bills and coins and withdraw all legacy currencies so that they will no longer be available. The Euro conversion may affect cross-border competition by creating cross-border price transparency. The Company is assessing the competitiveness of its pricing/marketing strategy in a broader European market. The Company is also assessing whether certain existing contracts may require modification in addition to assessing its information technology systems to allow for transactions to take place in both the legacy currencies and the Euro and the eventual elimination of the legacy currencies. The Company's currency risk and risk management for operations in participating countries may be reduced as the legacy currencies are converted to the Euro. The Company will continue to evaluate issues involving introduction of the Euro. Based on the Company's assessment from current information, the Company does not expect the Euro conversion to have a material adverse effect on the Company's business or financial condition. There can be no assurance, however, that the Euro conversion will not have a material adverse effect on the Company's European sales or otherwise adversely affect the Company's business, results of operations or financial condition.

The Company's success will depend in large part upon the services of a number of key employees. The loss of the services of one or more of these key employees could have a material adverse effect on the Company. The Company's success will also depend in significant part upon its ability to continue to attract highly skilled personnel to fill a number of vacancies. Effective March 24, 1998, Kim B. Edwards resigned as President and Chief Executive Officer of the Company. Effective October 22, 1998, the Company announced the appointment of Jodie K. Glore as President and Chief Executive Officer of the Company. Mr. Glore was also elected to serve as a member of the Company's Board of Directors. During the interim period, the position was filled by James E. Sierk, a member of the Company's Board of Directors. Effective June 5, 1998, Leonard C. Purkis resigned as Senior Vice President, Finance and Chief Financial Officer. Dan E. Strong, Vice President and Corporate Controller, has assumed the role of interim Chief Financial Officer while the Company conducts a search for a new Senior Vice President, Finance and Chief Financial Officer. In January 1999, the Company announced organizational changes designed to focus the Company's 1999 corporate priorities of growing revenue and improving profitability and asset utilization. With this organizational realignment, the Company is now organized around business functions as opposed to its previous structure of decentralized product business units. As a result of this organizational change, two members of the Company's senior management team, Ted Briscoe, formerly President of the Company's personal storage division, and Fred Forsyth, formerly President of the Company's professional products division, have stated plans to leave the Company. There can be no assurance that the Company will be successful in attracting and/or retaining key employees, or that the transition to a functional organization will not result in short-term disruptions, or that the transition will eventually produce the desired results.

The Company recently transitioned to new computer hardware and software for its financial, accounting, inventory control, order processing, supply chain management and other management information systems. The successful operation of these new systems is crucial to the efficient operation of the Company's business. There can be no assurance that the new systems will be adequate to support the Company's operations or that they will operate without interruption or failure. Problems with initial operation of the new systems could cause substantial difficulties in operations, planning, financial reporting and management and thus could have a material adverse effect on the Company's business, financial condition and results of operations.

Factors other than those discussed above that could cause actual events or actual results to differ materially from those indicated by any forward-looking statements include the ability of management to manage increasing volumes of production and an increasingly complex business, transportation issues, product and component pricing, competition, technological changes and advances, adoption of technology or communications standards affecting the Company's products, intellectual property rights, litigation, general economic conditions, changes or slowdowns in overall market demand for personal computer products and any difficulties experienced by the Company as a result of the Year 2000 issue (see "Year 2000 Readiness" below).

DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various interest rate and foreign currency exchange rate risks that arise in the normal course of business. The Company uses borrowings comprised primarily of variable rate debt to finance its operations. The Company has international operations resulting in receipts and payments in currencies that differ from the functional currency of the Company. The Company's functional currency is the U.S. dollar.

The Company attempts to reduce foreign currency exchange rate risks by utilizing financial instruments, including derivative transactions pursuant to Company policies. The Company uses forward contracts to hedge those assets and liabilities that, when remeasured according to generally accepted accounting principles, impact the consolidated statement of operations. All forward contracts entered into by the Company are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation or trading purposes. The contracts are primarily in European currencies, the Singapore dollar and the Japanese yen. The contracts have maturities that do not exceed three months. The Company has a substantial presence in Malaysia. In September 1998, the ruling party in Malaysia fixed the Malaysian Ringgit to the U.S. dollar. The Company experienced a loss related to the fixing of the currency. The Company has recognized this loss in other expense for the year ended December 31, 1998. The Company has material amounts of accounts payable denominated in Ringgit. Currently, the foreign currency markets are closed to hedging alternatives in Ringgit. When the foreign currency markets re-open for the Ringgit, the Company plans to re-institute its hedging strategy for Ringgit exposure.

When hedging balance sheet exposure, realized gains and losses on forward contracts are recognized in other income and expense in the same period as the realized gains and losses on remeasurement of the foreign currency denominated assets and liabilities occur. All gains and losses related to foreign exchange contracts are included in cash flows from operating activities in the consolidated statement of cash flows.

The fair value of the Corporation's long-term debt and forward contracts are subject to change as a result of potential changes in market rates and prices. The Company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates and interest rates applied to the forward contracts and underlying exposures described above. As of December 31, 1998, the analysis indicated that such market movements would not have a material effect on the Company's consolidated financial position, results of operations or cash flows. Factors that could impact the effectiveness of the Company's hedging programs include volatility of the currency markets, availability of hedging instruments and the Company's ability to accurately project net asset or liability positions. Actual gains and losses in the future may differ materially from the Company's analysis depending on changes in the timing and amount of interest rate and foreign exchange rate movements and the Company's actual exposure and hedges.

YEAR 2000 READINESS

The information provided below constitutes a "Year 2000 Readiness Disclosure" under the Year 2000 Information and Readiness Disclosure Act of 1998.

Overview. In general, the Year 2000 issue relates to computers and other systems being unable to distinguish between the years 1900 and 2000 because they use two digits, rather than four, to define the applicable year. The Company is addressing the Year 2000 issue in the following areas: (i) hardware and software products sold by the Company; (ii) the Company's information technology ("IT") systems; (iii) the Company's non-IT systems (i.e., machinery, equipment and devices that utilize "built-in" technology such as embedded microcontrollers) and (iv) third-party suppliers and customers. The Company is undertaking its Year 2000 review in the following phases: Awareness (education and sensitivity to the Year 2000 issue), Inventory (identifying the equipment, processes or systems which are susceptible to the Year 2000 issue), Assessment (determining the potential impact of Year 2000 on the equipment, processes and systems identified during the Inventory phase and assessing the need for testing and remediation), Testing/Verification (testing to determine if an item is Year 2000 ready or the degree to which it is deficient) and Implementation (carrying out necessary remedial efforts to address Year 2000 readiness, including validation of upgrades, patches or other Year 2000 fixes). The Company has formed a Year 2000 Committee which meets regularly and has responsibility to oversee the implementation of Year 2000 initiatives. The Year 2000 Committee reports regularly to an executive management committee.

Products. Under the direction of the Year 2000 Committee, the Company is undertaking a systematic review and testing of its products, both hardware and software. Hardware testing is conducted by the National Software Testing Laboratories ("NSTL") according to NSTL developed standards or guidelines (NSTL YMark 2000, Version 97.08.15). NSTL has verified that the Zip, Jaz and Ditto hardware products tested to date are Year 2000 ready when used in an operating system and with other products which themselves are Year 2000 ready. The Company is testing its software utility tools and drivers internally. When used in an operating system and with other products which themselves are Year 2000 ready, the tested software utility tools and drivers have been found to be Year 2000 ready, except for Findit and CopyMachine software applications used with Zip and Jaz drives, and the Ditto 16-bit software applications intended for DOS and Windows 3.1 users. For Windows 95 and higher users, a 32-bit Year 2000 upgrade is available, on the Company's web site without charge, for Findit and CopyMachine. No solution is presently available for users of the 16-bit software versions of Findit, CopyMachine and the 16-bit Ditto software applications intended for DOS and Windows 3.1 users. The specific results of hardware and software testing are provided on the Company's Year 2000 web pages on its web site (www.iomega.com). The Company plans to use its web site to communicate Year 2000 product issues that may be identified as the Company continues its review. The Company anticipates completing the review and testing of all its current release products by the first quarter of 1999. The Company has started to inventory and assess the Year 2000 impact on its legacy products, some of which are scheduled for testing in the first quarter of 1999. Notwithstanding the results of the Company's testing and remediation efforts, actual backup, restore and rollover results in specific operating system environments may vary depending on a number of factors, including, without limitation, other hardware, the specific operating system utilized, other software applications utilized and the Year 2000 readiness of each.

Internal IT Systems. During 1998, the Company implemented new HP computer hardware and Oracle software for its financial, accounting, inventory control, order processing, supply chain management and other management information systems. According to the respective vendors, the hardware operating systems and software currently in use by the Company are in various stages of Year 2000 readiness. The respective vendors are providing Year 2000 software upgrades when Year 2000 deficiencies are identified. In January 1999, the Company began testing the hardware operating systems and software applications in use by the Company to confirm Year 2000 readiness. The Company has identified other hardware and applications software used in its IT systems and is in the process of obtaining Year 2000 compliance information from the providers of such hardware and applications software. The Company will assess and remedy, as deemed necessary, Year 2000 issues it identifies with respect to critical IT systems utilized by the Company.

Internal Non-IT Systems. The Company has substantially completed inventorying its non-IT systems. Once completed, the Company will assess the Year 2000 issues regarding its non-IT systems and determine appropriate testing and remediation. The Company anticipates completing the inventorying and assessment of its major non-IT systems and beginning any necessary testing and implementation efforts for business critical non-IT systems in the first quarter of 1999.

Material Third-Party Relationships. The Company has significant relationships with various third parties (many located outside of the U.S.) and the failure of any of these third parties to achieve Year 2000 compliance could have a material impact on the Company's business, operating results and financial condition. These third parties include energy and utility suppliers, financial institutions, material and product suppliers, transportation providers, communications vendors, including value added network vendors and the Company's significant customers. While the Company has received Year 2000 readiness statements from its major third-party suppliers which in general indicate Year 2000 readiness, the Company is in the process of conducting an audit/questionnaire with each major supplier and vendor to confirm their Year 2000 readiness. The audit/questionnaire process will continue into the second quarter of 1999.

General. During 1998, the Company incurred approximately $36 million in costs to improve the Company's IT systems and for Year 2000 readiness efforts. Of this amount, 98% represented the costs of transitioning to new computer hardware and software for its financial, accounting, inventory control, order processing, supply chain management and other management information systems, of which approximately one-half is being capitalized and one-half expensed. This system hardware and software was implemented to upgrade and improve the Company's IT systems and to facilitate Year 2000 readiness. The balance was expended for hardware and software testing, third-party consulting costs, third-party audits and reviews and internal employee allocated costs. The Company anticipates incurring an additional $6 million in 1999 in connection with Year 2000 readiness efforts, including additional system hardware and software, third-party consulting fees, third-party audits and reviews, product software and hardware testing costs and allocated employee costs. The Company has set a goal of having substantially all Year 2000 readiness efforts completed by the third quarter of 1999.

The Company is preparing contingency plans for critical areas to address Year

2000 failures if remedial efforts are not fully successful. The Company's contingency plans are expected to target the Company's most reasonably likely worst case scenarios and to include items such as maintaining an inventory buffer, providing for redundant IT systems and establishing alternative third-party logistics. The Company's contingency plans will be based in part on the results of third-party supplier audits, and thus are not fully developed at this time. Completion of initial contingency plans is targeted for the third quarter of 1999 (which plans will thereafter be revised from time to time as deemed appropriate).

To supplement the Company's efforts described above, the Company has engaged outside IT and legal advisors to conduct independent reviews of the Company's Year 2000 plans.

The Company recently acquired approximately 98% of Nomai and is presently in the process of raising the awareness of, as well as inventorying and assessing, the Year 2000 issues applicable to Nomai and its operations. The Company anticipates having substantially completed the inventory and assessment of Year 2000 issues for its subsidiary Nomai in the first quarter of 1999. Nomai branded hardware and software products are scheduled to be tested in the first quarter of 1999.

No assurance can be given that the Company will not be materially adversely affected by Year 2000 issues. Although the Company is not currently aware of any material operational issues with preparing its internal IT and non-IT systems for the Year 2000, the Company may experience material unanticipated problems and costs caused by undetected errors or defects in its internal IT and non-IT systems. In addition, the failure of third parties to timely address their Year 2000 issues could have a material adverse impact on the Company's business, operations and financial condition. If, for example, third party suppliers become unable to deliver necessary components, the Company would be unable to timely manufacture products and meet customer order requirements. Similarly, if international shipping and freight forwarders were unable to ship product, the Company would be unable to deliver product to sales channels.

Additionally, there can be no assurance that the Company will not be the subject of lawsuits regarding the failure of the Company's products (former or present) in the event they are not Year 2000 ready. Despite the testing and remediation efforts undertaken by the Company, the Company's products may contain errors or defects associated with the Year 2000. Known or unknown errors or defects in the Company's products could result in delay or loss of revenue, diversion of development resources, damage to the Company's reputation or increased service and warranty costs, any of which could materially adversely affect the Company's business, operating results and financial condition. In addition, because the computer systems in which the Company's products are used involve different hardware, software and firmware components from different manufacturers, it may be difficult to determine which component in a system caused a Year 2000 issue. As a result, the Company may be subjected to Year 2000 related lawsuits independent of whether its products are Year 2000 ready. Any Year 2000 related suits, if adversely determined, could have a material adverse affect on the Company's business, operating results and financial condition.

The foregoing discussion of the Company's Year 2000 readiness includes forward-looking statements, including estimates of the timeframes and costs for addressing the known Year 2000 issues confronting the Company and is based on management's current estimates, which were derived using numerous assumptions. There can be no assurance that these estimates will be achieved and actual events and results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability of personnel with required remediation skills, the ability of the Company to identify and correct all relevant computer code and the success of third parties with whom the Company does business in addressing their Year 2000 issues.

<TABLE>

Financial Conditions and Trends
<CAPTION>

December 31, (in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Cash, cash equivalents and temporary investments	$ 90,273	$ 196,241	$ 108,312	$ 1,023	$ 19,793
Trade receivables, net	233,662	280,182	210,733	105,955	18,892
Inventories	165,132	246,383	171,920	98,703	17,318
Total assets	830,159	961,639	687,192	266,227	75,833
Current portion of notes payable	101	-	33,770	47,640	-
Related party notes payable	40,000	-	-	-	-
Accounts payable and accrued liabilities	313,820	439,113	249,099	151,087	25,739
Current portion of capitalized lease obligations	4,307	5,505	4,114	782	-
Working capital	225,886	338,166	270,735	12,623	34,818
Long-term obligations	4,607	2,939	19,176	4,032	1,031

Convertible subordinated notes	45,655	45,683	45,733	-	-
Property, plant and equipment cash additions during year	94,775	85,871	73,457	45,232	7,083

</TABLE>

Securities

Iomega Common Stock is traded on the New York Stock Exchange under the symbol IOM. As of December 31, 1998, there were 7,651 holders of record of Common Stock. The Company has not paid cash dividends on its Common Stock in the past and has no present intention to do so in the future. The following table reflects the high and low sales prices for 1998 and 1997. The stock prices for the first three quarters of 1997 have been retroactively adjusted for a stock split (see Note 2 to the Company's Consolidated Financial Statements). The Company's Credit Facility limits the amount of cash dividends that can be paid.

<TABLE>

Price Range of Common Stock

<CAPTION>

	1998		1997	
	High	Low	High	Low
1st Quarter	$13.25	$6.88	$ 9.88	$ 7.06
2nd Quarter	8.81	5.50	11.81	7.63
3rd Quarter	6.06	3.56	14.56	9.56
4th Quarter	8.69	3.06	16.41	11.00

</TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
(In thousands)

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
Current assets:		
Cash and cash equivalents	$ 90,273	$ 159,922
Temporary investments	-	36,319
Trade receivables, less allowance for doubtful accounts of $10,062 and $11,266, respectively	233,662	280,182
Inventories	165,132	246,383
Income taxes receivable	24,974	-
Deferred income taxes	49,827	47,996
Other current assets	20,246	11,982
Total current assets	584,114	782,784
Property, plant and equipment, at cost:		
Machinery and equipment	267,289	196,671
Buildings	23,929	21,517
Leasehold improvements	39,587	26,473
Furniture and fixtures	22,974	15,014
Construction in process	19,448	12,544
	373,227	272,219
Less: Accumulated depreciation and amortization	(165,112)	(96,550)
	208,115	175,669
Intangibles, net	33,580	-
Other assets	4,350	3,186
	$ 830,159	$ 961,639

</TABLE>

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
LIABILITIES AND STOCKHOLDERS' EQUITY
(In thousands, except share data)

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
Current liabilities:		
Current portion of notes payable	$ 101	$ -
Related party notes payable	40,000	-
Accounts payable	160,977	257,281
Accrued payroll, vacation and bonus	21,048	31,728
Deferred revenue	33,114	42,423
Income taxes payable	-	22,440
Accrued advertising	30,226	32,628
Other accrued liabilities	68,455	52,613
Current portion of capitalized lease obligations	4,307	5,505
Total current liabilities	358,228	444,618
Capitalized lease obligations, net of current portion	4,119	2,939
Deferred income taxes	4,903	10,334
Notes payable, net of current portion	488	-
Convertible subordinated notes, 6.75%, due 2001	45,655	45,683
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred Stock, $0.01 par value; authorized 4,750,000 shares, none issued	-	-
Series C Junior Participating Preferred Stock; authorized 250,000 shares, none issued	-	-
Common Stock, $0.03 1/3 par value; authorized 400,000,000 shares; issued 268,186,096 and 262,264,830 shares, respectively	8,937	8,741
Additional paid-in capital	286,206	273,826
Less: 809,542 and 829,210 Common Stock treasury shares, respectively, at cost	(6,088)	(6,099)
Deferred compensation	-	(336)
Retained earnings	127,711	181,933
Total stockholders' equity	416,766	458,065
	$ 830,159	$ 961,639

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

</TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

<TABLE>
<CAPTION>

<S>	Years Ended December 31, 1998 <C>	1997 <C>	1996 <C>
Sales	$ 1,694,385	$ 1,739,972	$ 1,212,769
Cost of sales	1,271,451	1,192,310	879,989
Gross margin	422,934	547,662	332,780
Operating expenses:			
Selling, general and administrative	386,304	291,930	190,719
Research and development	101,496	78,026	42,101
Purchased in-process technology	11,100	-	-
Total operating expenses	498,900	369,956	232,820
Operating income (loss)	(75,966)	177,706	99,960
Interest income	4,239	6,931	3,080
Interest expense	(10,163)	(6,443)	(8,875)
Other expense	(1,535)	(879)	(182)
Income (loss) before income taxes	(83,425)	177,315	93,983
Benefit (provision) for income taxes	29,203	(61,963)	(36,655)
Net income (loss)	$ (54,222)	$ 115,352	$ 57,328
Net income (loss) per common share (Notes 1 and 2):			
Basic	$ (0.20)	$ 0.45	$ 0.23
Diluted	$ (0.20)	$ 0.42	$ 0.21
Weighted average common shares outstanding	265,286	259,182	246,725
(Note 2)			
Weighted average common shares outstanding - assuming dilution (Note 2)	265,286	282,401	275,194

The accompanying notes to consolidated financial statements are an integral part of these statements.

</TABLE>

<TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

<CAPTION>

<S>	Common Stock Shares <C>	Amount <C>	Additional Paid-In Capital <C>	Deferred Compensation <C>	Retained Earnings <C>	Treasury Stock <C>	Total <C>
Balances at December 31, 1995	235,277,340	$ 7,843	$ 45,590	$ -	$ 9,253	$ -	$ 62,686
Sale of shares pursuant to exercise of stock options at an average price of $0.25 cash per share	9,691,408	323	2,145	-	-	-	2,468
Tax benefit from dispositions of employee stock	-	-	24,335	-	-	-	24,335
Deferred compensation related to Executive Compensation Agreement	-	-	1,005	(1,005)	-	-	-
Amortization of deferred							

compensation	-	-	-	336	-	-	336
Purchase of 600,000 Common Shares at an average price of $7.27 cash per share	-	-	-	-	-	(4,363)	(4,363)
Net proceeds from public offering of Common Stock	11,500,000	383	190,767	-	-	-	191,150
Conversion of convertible subordinated notes to Common Shares	54,068	2	265		-	-	267
Recognition of compensation from Employee Stock Purchase Plan	-	-	43	-	-	-	43
Issuance of Common Shares under Employee Stock Purchase Plan	32,036	-	-	-	-	-	-
Net income	-	-	-	-	57,328	-	57,328
	-----------	-------	--------	------------	--------	--------	--------
Balances at December 31, 1996	256,554,852	8,551	264,150	(669)	66,581	(4,363)	334,250
Sale of shares pursuant to exercise of stock options at an average price of $0.70 cash per share	5,693,693	190	3,801	-	-	-	3,991
Tax benefit from dispositions of employee stock	-	-	5,767				5,767
Amortization of deferred compensation	-	-	-	333	-	-	333
Purchase of 229,210 Common Shares at an average price of $7.57 cash per share	-	-	-	-	-	(1,736)	(1,736)
Conversion of convertible subordinated notes to Common Shares	10,129	-	50	-	-	-	50
Issuance of Common Shares under Employee Stock Purchase Plan	6,156	-	58	-	-	-	58
Net income	-	-	-	-	115,352	-	115,352
	-----------	-------	--------	------------	--------	--------	--------

The accompanying notes to consolidated financial statements are an integral part of these statements.

</TABLE>

<TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(In thousands, except share data)

<CAPTION>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1997	262,264,830	$ 8,741	$273,826	$ (336)	$181,933	$ (6,099)	$458,065
Sale of shares pursuant to exercise of stock options at an average price of $0.68 cash per share	5,659,417	188	3,687	-	-	-	3,875
Tax benefit from dispositions of employee stock	-	-	7,435	-	-	-	7,435
Amortization of deferred compensation	-	-	-	168	-	-	168
Forfeiture of deferred compensation	-	-	(168)	168	-	-	-
Purchase of 43,467 Common Shares at an average price of $10.70 cash per share	-	-	-	-	-	(465)	(465)
Conversion of convertible subordinated notes to Common Shares	5,670	-	28	-	-	-	28
Issuance of Common Shares under Employee Stock Purchase Plan	222,532	7	1,322	-	-	-	1,329
Issuance of Restricted Common Shares to Directors in lieu of compensation	33,647	1	132	-	-	-	133
Issuance of 63,135 Treasury Shares at an average price of $6.65 to a Director in lieu of compensation	-	-	(56)	-	-	476	420

Net loss	-	-	-	-	(54,222)	-	(54,222)
Balances at December 31, 1998	268,186,096	$ 8,937	$286,206	$ -	$127,711	$ (6,088)	$416,766

The accompanying notes to consolidated financial statements are an integral part of these statements.

</TABLE>

<TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<CAPTION>

	Years Ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ (54,222)	$ 115,352	$ 57,328
Non-cash revenue and expense adjustments:			
Depreciation and amortization	68,280	39,272	24,650
Purchased in-process technology	11,100	-	-
Deferred income tax provision (benefit)	(7,262)	397	(34,761)
Tax benefit from dispositions of employee stock	7,435	5,767	24,335
Other	8,772	703	975
Changes in assets and liabilities:			
Trade receivables, net	54,229	(69,449)	(104,778)
Inventories	84,335	(74,463)	(73,217)
Other current assets	(6,594)	15,662	(23,971)
Accounts payable	(108,324)	111,437	51,062
Accrued liabilities	(13,723)	58,747	49,481
Income taxes	(47,414)	19,830	(2,531)
Net cash provided by (used in) operating activities	(3,388)	223,255	(31,427)
Cash flows from investing activities:			
Purchase of property, plant and equipment, net of lease proceeds	(94,775)	(85,871)	(73,457)
Proceeds from sale of assets	-	-	3,906
Purchase of Nomai S.A., net of cash acquired	(41,902)	-	-
Purchase of temporary investments	-	(59,918)	-
Sale of temporary investments	36,319	23,599	-
Net decrease (increase) in other assets	(2,943)	246	(358)
Net cash used in investing activities	(103,301)	(121,944)	(69,909)
Cash flows from financing activities:			
Proceeds from sales of Common Stock	5,283	3,991	2,468
Proceeds from issuance of related party notes payable	40,000	-	-
Proceeds from issuance of notes payable	80,000	87,295	834,473
Payments on notes payable and capitalized lease obligations	(87,778)	(139,251)	(858,234)
Proceeds from issuance of convertible subordinated notes, net of offering costs of $2,869	-	-	43,131
Proceeds from issuance of public offering of Common Stock, net of offering costs of $10,099	-	-	191,150
Purchase of Common Stock	(465)	(1,736)	(4,363)
Net cash provided by (used in) financing activities	37,040	(49,701)	208,625
Net change in cash and cash equivalents	(69,649)	51,610	107,289
Cash and cash equivalents at beginning of year	159,922	108,312	1,023
Cash and cash equivalents at end of year	$ 90,273	$ 159,922	$ 108,312

Supplemental schedule of non-cash investing and financing activities:			
Property, plant and equipment financed under note payable and capitalized lease obligations	$ 2,675	$ 3,342	$ 28,367

The accompanying notes to consolidated financial statements are an integral part of these statements.

</TABLE>

IOMEGA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

The Company designs, manufactures and markets innovative personal and professional storage solutions, based on removable-media technology, for users of personal computers and consumer electronics devices. The Company's primary data storage solutions include disk drives and disks marketed under the trademarks Zip, Jaz and Clik! and tape drives and tapes marketed under the trademark Ditto. Retail outlets for the Company's products include mail order catalogs, computer superstores, office supply superstores, specialty computer stores and other retail outlets. The Company sells its products to retail channels directly as well as indirectly through distributors. In addition to sales through these retail channels, the Company has marketing alliances with a variety of companies within the computer and consumer electronics industries. These alliances include original equipment manufacturers ("OEMs") and value added reseller arrangements that provide for certain of the Company's products to be incorporated in new computers and other systems at the time of purchase.

Sources of Supply

Certain components incorporated in, or used in the manufacture of, the Company's products are currently only available from sole source suppliers. The Company purchases a portion of its sole source and limited source components and equipment pursuant to purchase orders without guaranteed supply arrangements. Supply shortages resulting from a change in a supplier or resulting from unavailability from a particular supplier could cause a delay in manufacturing and a possible loss of sales, which would have a material adverse effect on operating results.

Manufacturing Relationships

The Company uses independent parties to manufacture for the Company, on a contract basis, a portion of the Company's products or components. Not all of the Company's manufacturing relationships are covered by binding contracts and, even certain of the relationships subject to binding contracts, are subject to unilateral termination by the Company's manufacturing partners. Shortages resulting from a change in a manufacturing arrangement could cause a delay in manufacturing and a possible loss of sales, which would have a material adverse effect on operating results.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Iomega Corporation and its majority-owned subsidiaries after elimination of all material intercompany accounts and transactions.

Revenue Recognition

The Company's customers include OEMs, end users, retailers and distributors. Revenue, less reserves for returns, is generally recognized upon shipment to the customer.

In addition to reserves for returns, the Company defers recognition of revenue on estimated excess inventory in the distribution and retail channels. For this purpose, excess inventory is the amount of inventory which exceeds the channels' 30-day requirements as estimated by management. The gross margin associated with deferral of revenue for returns and estimated excess channel inventory totaled $33.1 million, $42.4 million and $15.7 million at December 31, 1998, 1997 and 1996, respectively, and is included in deferred revenue in the accompanying consolidated balance sheets.

Price Protection and Volume Rebates

The Company has agreements with certain of its customers which, in the event of a price decrease, allow those customers (subject to certain limitations) credit equal to the difference between the price originally paid and the reduced price on units in the customers' inventories at the date of the price decrease. When a price decrease is anticipated, the Company establishes reserves against gross accounts receivable for amounts estimated to be reimbursed to the qualifying customers.

In addition, the Company records reserves at the time of shipment for estimated volume rebates. These reserves for volume rebates and price protection credits totaled $47.6 million, $28.5 million and $17.0 million at December 31, 1998, 1997 and 1996, respectively, and are netted against accounts receivable in the accompanying consolidated balance sheets.

Inventories

Inventories include direct materials, direct labor and manufacturing overhead costs and are recorded at the lower of cost (first-in, first-out) or market and consist of the following (in thousands):
<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Raw materials	$ 62,613	$ 130,049
Work-in-process	8,482	18,714
Finished goods	94,037	97,620
	$ 165,132	$ 246,383

</TABLE>

Property, Plant and Equipment

When property is retired or otherwise disposed of, the book value of the property is removed from the asset and related accumulated depreciation and amortization accounts, and the net resulting gain or loss is included in the determination of income. Depreciation is provided based on the straight-line method over the following estimated useful lives of the property:

Machinery and equipment	2 - 5 years
Leasehold improvements	5 years
Furniture and fixtures	10 years
Buildings	25 years

Advertising

The Company expenses the cost of advertising the first time the advertising takes place, except cooperative advertising with distributors and retailers, which is accrued at the time of sale. For the years ended December 31, 1998, 1997 and 1996, advertising expenses totaled approximately $123.3 million, $96.3 million and $70.0 million, respectively.

Intangibles

Goodwill and other intangible assets are amortized using the straight-line method over the estimated useful life of the asset, subject to periodic review for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The current estimated useful life for the Company's goodwill is seven years. Accumulated amortization of goodwill at December 31, 1998 was $2.5 million.

Warranty Costs

A one-year limited warranty is generally provided on the Company's Zip, Jaz and Clik! drives. Certain OEM customers have a three-year limited warranty on the Company's Zip drive. A two-year limited warranty is generally provided on Ditto drives and media. Prior to 1998, Zip and Jaz disks had a limited lifetime warranty. Beginning in 1998, Zip and Jaz disks carried a limited five-year warranty. Clik! disks have a limited five-year warranty. The Company accrues for warranty costs based on estimated warranty return rates and costs to repair. Actual warranty costs are charged against this accrual.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share ("Basic EPS") excludes dilution and is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. Diluted net income per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. Diluted EPS for 1997 and 1996 was determined under the assumption that the convertible subordinated notes were converted on January 1, 1997 and March 1, 1996, respectively. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on net income per common share. Net income per common share amounts and share data have been restated for all periods presented to reflect Basic and Diluted EPS and the stock split described in Note 2.

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for all periods presented (in thousands, except per share data):
<TABLE>
<CAPTION>

	Net Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
December 31, 1998			
Basic EPS	$ (54,222)	265,286	$ (0.20)
Effect of options	-	-	
Effect of convertible subordinated notes	-	-	
Diluted EPS	$ (54,222)	265,286	$ (0.20)
December 31, 1997			
Basic EPS	$ 115,352	259,182	$ 0.45
Effect of options	-	13,967	
Effect of convertible subordinated notes	2,004	9,252	
Diluted EPS	$ 117,356	282,401	$ 0.42
December 31, 1996			
Basic EPS	$ 57,328	246,725	$ 0.23
Effect of options	-	20,745	
Effect of convertible subordinated notes	1,578	7,724	
Diluted EPS	$ 58,906	275,194	$ 0.21

</TABLE>

For the year ended December 31, 1998, stock options and convertible subordinated notes are not included in the calculation of Diluted EPS as their inclusion would be antidilutive. For the year ended December 31, 1998, there were outstanding options to purchase 6,028,501 shares that had an exercise price greater than the average market price of the common shares for the four preceding quarters. At December 31, 1997 and 1996, there were outstanding options to purchase 973,475 and 344,750 shares of common stock, respectively, that were not included in the computation of Diluted EPS because the exercise prices were greater than the average market price of the common shares for the four preceding quarters.

Foreign Currency Translation

For purposes of consolidating non-U.S. operations, the Company has determined the functional currency for its non-U.S. operations to be the U.S. dollar. Therefore, translation gains and losses are included in the determination of net income.

Income Taxes

The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are reviewed periodically for recoverability and valuation allowances are provided, as necessary.

Cash Equivalents and Temporary Investments

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with maturities of three or fewer months to be cash equivalents. Cash equivalents primarily consist of investments in money market mutual funds, commercial paper, option rate preferred stock and taxable municipal bonds and notes and are recorded at cost, which approximates market.

Instruments with maturities in excess of three months are classified as temporary investments. The Company has classified its entire portfolio of temporary investments at December 31, 1997, as held-to-maturity. These temporary investments consisted primarily of commercial paper and municipal bonds. At December 31, 1997, all temporary investments had maturities of less than six months. There were no temporary investments at December 31, 1998.

Fair Value of Financial Instruments

The fair value of the convertible subordinated notes was approximately $68.9 million at December 31, 1998. The book value of all other financial instruments approximates fair value. The estimated fair values have been determined using appropriate market information and valuation methodologies.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes new accounting and reporting standards for companies to report information about derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. This statement is effective for financial statements issued for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company has not determined if it will adopt SFAS 133 prior to its effective date. The Company does not expect this statement to have a material impact on the Company's results of operations, financial position or liquidity.

Reclassifications

Certain reclassifications have been made in prior years' consolidated financial statements to conform to the current year's presentation.

(2) STOCK SPLIT

In November 1997, the Board of Directors declared a two-for-one common stock split which was effected in the form of a 100% Common Stock dividend paid on December 22, 1997 to stockholders of record at the close of business on December 1, 1997.

This stock dividend was accounted for as a stock split and has been retroactively reflected in the accompanying consolidated financial statements. In connection with the stock split, proportional adjustments were made to outstanding stock options and other outstanding obligations of the Company to issue shares of Common Stock.

(3) ACQUISITION

On July 1, 1998, the Company purchased a majority interest in Nomai, S.A. ("Nomai"), a France-based manufacturer of removable storage systems, from Nomai's principal and other major shareholders, for 188 French francs per share, or approximately $21 million. The interest in Nomai owned by the Company as of July 1, 1998 constituted approximately 54% of the total shares of Nomai outstanding on that date. As required by French law, the Company conducted a tender offer, offering all other shareholders of Nomai the opportunity to sell their shares to the Company for 188 French francs per share. The tender offer was completed in August 1998 and resulted in the Company owning approximately 98% of Nomai's outstanding shares. On July 1, 1998, the Company also acquired, for a purchase price of $3 million, certain non-infringing technology owned by Nomai and used in the manufacture of disk products Nomai claimed to be compatible with certain of the Company's Zip and Jaz drives. The total purchase price of the acquisition was approximately $45 million ($42 million, net of cash acquired).

The transaction was accounted for as a purchase; and, on this basis, the excess purchase price over the estimated fair value of net tangible assets has been allocated, based upon an independent third-party valuation, to purchased in-process technology and goodwill. Goodwill of approximately $36 million arising from the acquisition is being amortized on a straight-line basis over seven years. Goodwill was increased by $2.4 million in the fourth quarter of 1998 following the Company's receipt of additional information related to the original valuation of fixed assets, inventory and other miscellaneous assets and liabilities in the fourth quarter.

Upon completion of the Nomai acquisition, the Company immediately expensed $11.1 million representing purchased in-process technology that has not yet reached technological feasibility and has no alternative future use. The value assigned to purchased in-process technology, based on the income method prepared by an independent third party, was determined by identifying research projects in areas for which technological feasibility had not been established. These projects included a 2 GB Design Drive and Cartridge, DVD and CD-RW interface technology and servo writer technology with estimated values of $9.3 million, $1.3 million and $0.5 million, respectively. The value was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a risk adjusted discount rate of 26% to take into account the uncertainty surrounding the successful development of the purchased in-process technology. The valuation included material cash inflows from in-process technology through 2003 with revenues commencing in 1999 and ramping significantly in 2000 before tapering off in 2001 and 2002. Research and development costs are quite significant in 1999 before tapering off. The 2 GB Design Drive utilizes validated inductive heads and media. This project was approximately 60% complete at the time of the valuation and the expected timeframe for achieving this product release was assumed to be in the second half of 1999. The DVD and CD-RW interface technology could allow easy connectivity and differentiation from other DVD and CD-RW drives. The DVD and CD-RW interface technology was assumed to be nearing the prototype stage in development at the time of the valuation. The remaining efforts for this project were assumed to be completed in 1999. The servo writer technology could greatly reduce the time to transfer track following servo signals to magnetic media. The project was approximately 20% complete at the time of the valuation. Significant remaining development efforts must be completed in the next 12 to 18 months in order for Nomai's process to become implemented in a commercially viable timeframe. If these projects are not successfully developed, the Company's future revenue and profitability may be adversely affected. Additionally, the value of other intangible assets acquired may become impaired.

The following unaudited pro forma combined financial data presents the results of operations of the Company as if the acquisition had been effective at the beginning of the periods presented (in millions, expect per share data):
<TABLE>
<CAPTION>

(Unaudited)	Years ended December 31, 1998	1997
<S>	<C>	<C>
Revenue	$ 1,710	$ 1,764
Net income (loss)	(53)	105
Diluted EPS	$ (0.20)	$ 0.37

</TABLE>

The foregoing unaudited pro forma results of operations reflect the effect of certain pro forma adjustments including (1) the amortization of the goodwill resulting from the acquisition, (2) the recognition of increased interest expense resulting from debt incurred for the acquisition, (3) the adjustment for purchased in-process technology resulting from the acquisition and (4) the adjustment of income taxes to reflect a combined federal and state income tax rate.

(4) INCOME TAXES

Income (loss) before income taxes consisted of the following:
<TABLE>
<CAPTION>

	December 31, 1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
U.S.	$ (74,120)	$ 89,864	$ 88,095
Non-U.S.	(9,305)	87,451	5,888
	$ (83,425)	$ 177,315	$ 93,983

</TABLE>

<TABLE>

The income tax benefit (provision) consists of the following:

<CAPTION>

	December 31, 1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Current Income Taxes:			
U. S. Federal	$ 26,418	$ (48,303)	$ (36,341)
U. S. State	3,559	(6,141)	(4,153)
Non-U.S.	(497)	(2,183)	(1,278)
	29,480	(56,627)	(41,772)
Deferred Income Taxes:			
U. S. Federal	(247)	(4,790)	(201)
U. S. State	(30)	(546)	(23)
Non-U.S.	9,525	-	(6,000)
Change in valuation allowance	(9,525)	-	11,341
	(277)	(5,336)	5,117
Benefit (provision) for income taxes	$ 29,203	$ (61,963)	$ (36,655)

</TABLE>

The tax benefits associated with nonqualified stock options and disqualifying dispositions of incentive stock options increased the current tax receivable by $7.4 million in 1998, and reduced taxes currently payable by $5.8 million and $24.3 million in 1997 and 1996, respectively. Such benefits were recorded as an increase to additional paid-in capital.

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities. They are measured by applying the enacted tax rates and laws in effect for the years in which such differences are expected to reverse. The significant components of the Company's deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	December 31, 1998	1997
	(In thousands)	
<S>	<C>	<C>
Deferred tax assets:		
Accounts receivable reserves	$ 17,405	$ 10,461
Inventory reserves	4,752	3,743
Fixed asset reserves	2,412	1,297
Accrued expense reserves	28,112	29,505
Foreign tax credits	2,366	2,183
Accelerated depreciation	1,843	-
Foreign net operating loss carryovers	9,525	-
Other	531	807
Total deferred tax assets	66,946	47,996
Valuation allowance	(9,525)	-
Total net deferred tax assets	$ 57,421	$ 47,996
Deferred tax liabilities:		
Tax on unremitted foreign earnings	$ 12,497	$ 9,665
Accelerated depreciation	-	669
Total net deferred tax liabilities	12,497	10,334
Total net deferred tax assets	$ 44,924	$ 37,662

As reported on the balance sheet:		
Deferred tax assets	$ 49,827	$ 47,996
Deferred tax liabilities	4,903	10,334
	$ 44,924	$ 37,662

</TABLE>

The Company has established a valuation allowance for net operating loss carryovers related to certain foreign operations. Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of these foreign net operating loss carryovers. These carryovers are dependent upon future income related to these foreign operations.

Although realization of the net deferred tax assets is not assured, management believes that it is more likely than not that all of the net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable, however, could be reduced in the near term based on changing conditions.

The differences between the benefit (provision) for income taxes at the U.S. statutory rate and the Company's effective rate are summarized as follows:

<TABLE>
<CAPTION>

		December 31,	
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Benefit (provision) at U.S. statutory rate	$ 29,199	$ (62,061)	$ (32,894)
Non-deductible items	(5,424)	(792)	(1,566)
State income taxes, net of federal benefit	3,337	(7,093)	(4,923)
Decrease (increase) in deferred asset valuation allowance	(9,525)	-	11,341
Foreign income taxes	(497)	(2,183)	(7,610)
Foreign earnings taxed at less than U.S. rates	17,589	11,598	-
Other	(5,476)	(1,432)	(1,003)
Benefit (provision) for income taxes	$ 29,203	$ (61,963)	$ (36,655)

</TABLE>

Cash paid for income taxes was $28.5 million in 1998, $34.4 million in 1997 and $49.0 million in 1996. The Company also received tax refunds of approximately $29.9 million during 1998.

U.S. taxes have not been provided for unremitted foreign earnings of $74.8 million. These earnings are considered to be permanently invested in non-U.S. operations. The residual U.S. tax liability, if such amounts were remitted, would be approximately $29.2 million.

(5) COMMITMENTS AND CONTINGENCIES

Litigation

On September 10, 1998, a purported class action lawsuit, Rinaldi et al. v. Iomega Corporation, was filed against the Company in the Superior Court of Delaware, New Castle County. The suit alleges that a defect in the Company's Zip drives causes a clicking noise that may indicate damage to the Zip drive or disks. The Company intends to vigorously defend against such allegations.

On October 9, 1998, Hi-Val, Inc. filed a complaint against the Company and other parties, Hi-Val, Inc. v. Nomai, S.A., Nomus, Inc., Kevin Scheier and Iomega, in the Superior Court of California, County of Santa Clara. The complaint alleges tortious interference with contract, tortious interference with prospective economic advantage, unfair business practices, and conspiracy against Iomega, and other claims against the other parties. The claims are related to an alleged arrangement between Nomai, S.A. and Hi-Val for Hi-Val to distribute Nomai's XHD cartridges. Plaintiff seeks to recover $26 million in alleged, unspecified damages. The Company intends to vigorously defend against such allegations.

Beginning February 10, 1998, several purported class action complaints were filed in the United States District Courts for the District of Utah and the Southern District of New York, against the Company and certain of its former officers on behalf of certain persons who purchased the Company's common stock during the period from September 22, 1997 to January 22, 1998. These cases have now been consolidated in the District of Utah and a consolidated class action complaint, Karacand v. Kim B. Edwards, Leonard C. Purkis and Iomega Corporation, was filed on July 8, 1998. A separate individual suit, Ora v. Iomega Corporation, et al., was filed on May 27, 1998, in Superior Court of the State of California for the County of Los Angeles. The Karacand complaint alleges that the Company and certain of its former officers violated certain federal securities laws; the Ora complaint alleges that the Company and certain of its former officers violated certain federal and state securities laws and alleges that Mr. Edwards breached his duties as a director of the Company. Both complaints seek an unspecified amount of damages. Management believes that the named defendants have highly meritorious defenses to the allegations made in these lawsuits. The Company intends to vigorously defend against such allegations.

On February 25, 1998, the Company was served with a complaint in a purported class action filed in the Supreme Court of the State of New York, entitled Christian Champod v. Iomega Corporation. The named plaintiff claims to have commenced the action on behalf of a purported class consisting of certain persons who purchased Iomega Ditto tape drives since February 18, 1992, and a subclass consisting of such purchasers who called the Company's "800" or "888" telephone number for technical assistance and/or customer service and were charged a fee for the call. The complaint claims violations of certain provisions of the New York General Business Law and fraudulent inducement, based on, among other things, alleged advertising and product packaging representations regarding the Ditto products' ability to "read" certain non-Ditto cartridges. Additionally, the complaint alleges that Iomega's product packaging, indicating that a customer could call a toll free "800" or "888" telephone number for technical assistance, implicitly, but falsely, represented that the customer could receive free telephone technical support. The Company intends to vigorously defend against such allegations.

On July 23, 1997, the Company initiated litigation against SyQuest Technology, Inc. ("SyQuest") in the United States District Court in the District of Delaware for infringing the Company's U.S. Patent No. 5,644,444, U.S. Design Patent No. D378,518 and the Company's registered trademark "JET". The complaint sought monetary damages and injunctive relief enjoining SyQuest from further infringement. The matter was scheduled for trial in April 1999; however, the trial date has been delayed as a result of SyQuest's filing of a voluntary petition in the United States Bankruptcy Court under Chapter 11 of the U.S. Bankruptcy Code in November 1998. The Company also filed complaints on March 6, 1998 and April 29, 1998 in the Paris District Court alleging claims of copyright and patent infringement. On January 13, 1999, the Company announced that it had entered into a definitive agreement to purchase certain assets of SyQuest, including all of its intellectual property, and its inventory and fixed assets in the U.S., for $9.5 million in cash, subject to certain closing conditions and adjustments (see Note 16). As part of the agreement, the Company would release SyQuest and SyQuest would release the Company from all claims in connection with patent and trademark infringement litigation pending between the parties in Delaware and in Paris, France. SyQuest's bankruptcy filing could impact the Company's ability to recover any damages awarded to it against SyQuest.

The Company continues to be committed to vigorously protecting and enforcing its intellectual property rights and to attacking unfair competition, including through the proceedings referenced above.

The Company is involved in other lawsuits and claims generally incidental to its business.

It is the opinion of management, after discussions with legal counsel, that the ultimate dispositions of these lawsuits and claims will not have a material adverse effect on the Company's financial position or results of operations.

Lease Commitments

The Company conducts a substantial portion of its operations from leased facilities and leases certain equipment used in its operations. Aggregate lease commitments under noncancelable operating leases in effect at December 31, 1998 are as follows (in thousands):
<TABLE>
<CAPTION>

Years Ending December 31,	Lease Commitments
<S>	<C>
1999	$ 15,478
2000	10,500
2001	6,988
2002	6,131

2003	5,666
Thereafter	23,661
	$ 68,424

</TABLE>

Total rent expense for the years ended December 31, 1998, 1997, and 1996 was approximately $13.6 million, $7.4 million and $3.8 million, respectively.

The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments at December 31, 1998 (in thousands):

<TABLE>
<CAPTION>

Years Ending December 31,	Future Minimum Lease Payments
<S>	<C>
1999	$ 4,572
2000	2,093
2001	1,337
2002	191
2003	131
Thereafter	736
Total net minimum lease payments	9,060
Less amount representing interest	(634)
Present value of net minimum lease payments	8,426
Less current portion	(4,307)
	$ 4,119

</TABLE>

Cash Bonus Plan

The Company has a management incentive cash bonus plan that provides for payments to officers and key employees based on the Company's financial performance, certain operational excellence and other performance initiatives and an individual performance modifier. At December 31, 1998, the Company had accrued $3.5 million for management bonuses which will be paid in February 1999. At December 31, 1997, approximately $10.4 million was accrued for management bonuses which were paid in February 1998.

Executive Compensation Agreement

In 1995, the Company adopted a bonus plan for the Chief Executive Officer that provided for bonus payments of cash and up to 240,000 shares of common stock, subject to a three-year vesting schedule, contingent upon the achievement of certain objectives. The cash payment was fully accrued at December 31, 1995 and paid during 1996. In January 1996, the Compensation Committee approved the issuance of the full 240,000 shares of common stock at a cost equal to par value. Under this plan, 80,000 vested shares were issued in January 1997 and another 80,000 vested shares were issued in January 1998. An additional 40,000 shares were issued in April 1998 pursuant to a Severance Agreement and General Release entered into between the Company and its former Chief Executive Officer. The remaining 40,000 unissued shares were forfeited as part of the agreement. Compensation related to the shares which were not forfeited has been reflected in the accompanying consolidated financial statements.

Profit Sharing Plan

The Company has a profit sharing plan that provides for payments to all eligible employees of their share of a pool that is based on the Company's annual income before income taxes. Employees must complete one year of continuous employment to be eligible. Employees receive a share of the profit sharing pool based upon their annual salary as a ratio to total annual salaries of all eligible employees. A portion of the profit sharing pool is paid throughout the year on a quarterly basis. The Company did not accrue for any profit sharing for 1998. The Company paid approximately $1.9 million in profit sharing for 1997 in February 1998 and approximately $1.9 million in profit sharing for 1996 in February 1997.

Executive Employment Agreements

In 1998, the Company entered into employment agreements with certain executive officers of the Company that included specified severance benefits in the event that the executive's employment with the Company was involuntarily terminated prior to November 1, 1999 or within one year following the appointment of a new chief executive officer. The agreement provides severance equal to the executive's current annual compensation, base and estimated bonus, as of the date of termination, less any compensation the executive may receive for subsequent employment during the one-year period following termination. Severance payments shall be made on the Company's regular payroll schedule with the bonus component of the severance to be included in the final payment. The agreement also provides for benefits continuation until the executive becomes eligible for similar benefits in subsequent employment up to a maximum of one year from the executive's termination date.

Foreign Exchange Contracts

The Company has commitments to sell and purchase foreign currencies relating to forward exchange contracts in order to hedge against future currency fluctuations.

At December 31, 1998, outstanding forward exchange sales (purchase) contracts, which all mature in March 1999, were as follows:

<TABLE>
<CAPTION>

	Amount	Contracted Forward Rate
<S>	<C>	<C>
British Pound	(945,000)	0.60
Dutch Guilder	(2,360,000)	1.87
French Franc	72,620,000	5.57
German Mark	(6,800,000)	1.66
Irish Punt	(510,000)	0.67
Japanese Yen	965,000,000	114.06
Singapore Dollar	(5,250,000)	1.64
Swiss Franc	(2,930,000)	1.35

</TABLE>

The contracts are revalued at the month-end spot rate. Gains and losses on foreign currency contracts intended to be used to hedge operating requirements are reported currently in income. Gains and losses on foreign currency contracts intended to meet firm commitments are deferred and are recognized as part of the cost of the underlying transaction being hedged. At December 31, 1998, all of the Company's foreign currency contracts were being used to hedge operating requirements. The Company's theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the counterparty.

(6) NOTES PAYABLE

Line of Credit

On March 11, 1997, the Company entered into a $200 million Senior Secured Credit Facility with Morgan Guaranty Trust Company of New York, Citibank, N.A. and a syndicate of other lenders. During 1998 and January 1999, the Company and the lenders agreed to several amendments to and waivers under the Credit Facility (as most recently amended, effective January 29, 1999, the "Credit Facility"). The Credit Facility is a $150 million secured revolving line of credit that expires on July 14, 2000, and is secured by accounts receivable, domestic inventory, domestic intellectual property, general intangibles, equipment, personal property, investment property and a pledge of 65% of the stock of certain of the Company's subsidiaries. Borrowing availability under the Credit Facility is based on an agreed upon advance rate on receivables and inventory not to exceed $150 million with a floor of $110 million through May 1999. Under the Credit Facility, the Company may borrow at a base rate, which is the higher of prime or the sum of 0.5% plus the Federal funds rate plus a margin of 0.88% to 1.63%, for the first year, and thereafter between 0.0% and 1.63% depending on the Company's earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") and utilization of the Credit Facility, or at LIBOR plus a margin of 2.0% to 2.75%, for the first year, and thereafter between 1.25% and 2.75% depending on the Company's EBITDA and utilization of the Credit Facility. Total availability under the Credit Facility at December 31, 1998 was $143.2 million, and there were no borrowings outstanding. The weighted average outstanding balance was $49.0 million during the ten-month period the loan was outstanding in 1998. The weighted average interest rate was 7.2%. In January 1999, the Company obtained waivers from landlords which allow Citicorp USA, Inc. (the Credit Facility Security Agent) access to additional security interests. The additional security interests resulted in an increase in the total availability under the Credit Facility to $150 million. Among other restrictions, the Credit Facility treats a change of control (as defined) as an event of default and requires the maintenance of minimum levels of consolidated tangible net worth, EBITDA and certain other covenants. On January 29, 1999, the Company obtained an amendment to the Credit Facility with respect to the minimum consolidated EBITDA financial covenant for the periods ending on March 28, 1999 and June 27, 1999. As of December 31, 1998, the Company was in compliance with all covenants under the Credit Facility. Depending on its financial performance in future quarters, the Company may be required to seek further covenant waivers and amendments under the Credit Facility. There can be no assurance that the Company will be able to obtain any such waivers or amendments on terms acceptable to the Company, if at all. Loss of the Credit Facility may require the Company to find an alternative source of funding which could have a material adverse effect on the Company's business and financial results.

RELATED PARTY NOTES

In July 1998, the Company borrowed a total of $40 million from Idanta Partners Ltd. and another entity affiliated with David J. Dunn, Chairman of the Company's Board of Directors, pursuant to a series of three senior subordinated notes. The principal and interest associated with these notes are payable on March 31, 1999. The initial interest rate is 8.7% per annum, increasing through January 1, 1999 to 12.7% per annum. The proceeds of these notes were used for the cash purchase of Nomai. Accrued interest related to these notes at December 31, 1998 was $1.9 million.

Cash paid for interest was $8.1 million, $5.9 million and $8.9 million in 1998, 1997 and 1996, respectively, including interest on capital leases. Included in interest expense for 1998, 1997 and 1996, respectively, was $1.1 million, $1.0 million and $1.0 million of amortization of deferred charges associated with obtaining the debt and applicable amendments.

(7) CONVERTIBLE SUBORDINATED NOTES

In March 1996, the Company issued $46.0 million of convertible subordinated notes. The net proceeds from the issuance of the notes totaled $43.1 million and were used to pay down other debt and for operating requirements. The notes bear interest at 6.75% per year and interest is payable semi-annually. The notes mature on March 15, 2001. The notes are unsecured and subordinated to all existing and future senior indebtedness of the Company and are effectively subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries.

The notes are convertible into Common Stock of the Company at the option of the holder at or before maturity, unless previously redeemed or repurchased, at a conversion price of $4.938 per share (equivalent to a conversion rate of approximately 202.52 shares per $1,000 principal amount of notes), subject to adjustment in certain events. Through December 31, 1998, holders have converted a cumulative $345,000 of convertible subordinated notes into 69,867 shares of Common Stock.

The notes are redeemable at any time on or after March 15, 1999, in whole or in part, at the option of the Company, at declining redemption prices, 102.7% for 1999 and 101.35% for 2000, together with accrued interest, if any, to the redemption date.

If any repurchase event, as defined in the indenture agreement, occurs, each holder of notes may require the Company to repurchase all or any part of such holder's notes at 100% of the principal amount thereof plus accrued interest to the repurchase date.

(8) PREFERRED STOCK

The Company has authorized the issuance of up to 5,000,000 shares of Preferred Stock, $0.01 par value per share. The Company's Board of Directors has the authority, without further shareholder approval, to issue Preferred Stock in one or more series and to fix the rights and preferences thereof. At December 31, 1998, 250,000 shares were designated as Series C Junior Participating Preferred Stock and the remaining 4,750,000 shares were undesignated.

Series C Junior Participating Preferred Stock

In July 1989, the Company designated 250,000 shares of Preferred Stock as Series C Junior Participating Preferred Stock ("Series C Stock") in connection with its Shareholder Rights Plan (see Note 9). Each share of the Series C Stock will: (1) have a liquidation preference of $1,500 per share; (2) have rights to dividends, subject to the rights of any series of Preferred Stock ranking prior and superior to the Series C Stock, when and if declared by the Board of Directors; (3) not be redeemable; and (4) have voting rights which entitle the holder to 1,500 votes per share.

(9) PREFERRED STOCK PURCHASE RIGHTS

In July 1989, the Company adopted a Shareholder Rights Plan and declared a dividend of one-fifteenth of one preferred stock purchase right for each outstanding share of Common Stock. Under certain conditions, each right may be exercised to purchase one one-hundredth of a share of Series C Stock at an exercise price of $15. The rights will be exercisable only if a person or group has acquired beneficial ownership of 20% or more of the Common Stock or announced a tender or exchange offer that would result in such a person or group owning 30% or more of the Common Stock. The Company generally will be entitled to redeem the rights at $0.01 per right at any time until the tenth day following public announcement that a 20% stock position has been acquired and in certain other circumstances.

If any person or group becomes a beneficial owner of 25% or more of the Common Stock (except pursuant to a tender or exchange offer for all shares at a fair price as determined by the outside members of the Board of Directors) or if a 20% stockholder consolidates or merges into or engages in certain self-dealing transactions with the Company, each right not owned by a 20% stockholder will enable its holder to purchase such number of shares of Common Stock as is equal to the exercise price of the right divided by one-half of the current market price of the Common Stock on the date of the occurrence of the event. In addition, if the Company engages in a merger or other business combination with another person or group in which it is not the surviving corporation or in connection with which its Common Stock is changed or converted, or if the Company sells or transfers 50% or more of its assets or earning power to another person, each right that has not previously been exercised will entitle its holder to purchase such number of shares of Common Stock of such other person as is equal to the exercise price of the right divided by one-half of the current market price of such Common Stock on the date of the occurrence of the event. The Company intends to adopt a new Shareholder Rights Plan upon the expiration of the existing plan in 1999.

(10) STOCK COMPENSATION PLANS

At December 31, 1998, the Company had five stock-based compensation plans, which are described below. The Company accounts for these plans under Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for the Company's five stock-based compensation plans been determined based on the fair value of the option at the grant dates for awards under those plans consistent with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company's net income (loss) and earnings per share would have been adjusted to the pro forma amounts indicated below (all per share amounts have been restated to reflect changes made through the Company's adoption of Statement of Financial Accounting Standards No. 128, "Earnings per Share" and for the stock split described in Note 2):

<TABLE>
<CAPTION>

<S>		For years ended December 31, 1998 <C>	1997 (In thousands) <C>	1996 <C>
Net income (loss)	As reported	$ (54,222)	$ 115,352	$ 57,328
	Pro forma	$ (63,787)	$ 109,793	$ 54,351
Basic EPS	As reported	$ (0.20)	$ 0.45	$ 0.23
	Pro forma	$ (0.24)	$ 0.42	$ 0.22
Diluted EPS	As reported	$ (0.20)	$ 0.42	$ 0.21
	Pro forma	$ (0.24)	$ 0.39	$ 0.20

</TABLE>

Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, and due to the nature and timing of option grants, the resulting pro forma compensation costs may not be indicative of future compensation costs.

Stock Price Assumptions

The fair value of each option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 1998, 1997 and 1996, in calculating compensation cost: expected stock price volatility of 60%, 55% and 67%, respectively, a risk-free interest rate of 4.97% for 1998, 6.04% for 1997 and 5.65% for 1996, and an expected average life of 3.87 years for 1998, 3.5 years for 1997 and 3.75 years for 1996.

Stock Incentive Plans

The Company has three stock incentive plans: the 1981 Stock Option Plan (the "1981 Plan"), the 1987 Stock Option Plan (the "1987 Plan") and the 1997 Stock Incentive Plan (the "1997 Plan"). The 1981 and 1987 plans have expired and no further grants may be made under these plans; however, all remaining outstanding options previously granted under these plans remain in effect. The 1997 Plan provides for the grant of incentive stock options ("ISOs") intended to qualify under Section 422 of the Internal Revenue Code, nonstatutory stock options ("NSOs") and restricted stock awards. Under the 1997 Plan, the Company may grant options for up to 12,000,000 shares of Common Stock to the Company's officers, key employees, directors, consultants and advisors. The exercise price of ISOs granted under the 1997 Plan may not be less than 100%; NSOs may be granted with exercise prices below the fair market value of the Common Stock as of the date of grant, subject to certain limitations. The duration of options awarded under these plans may not exceed ten years from the date of grant, except for those options granted in non-U.S. jurisdictions, which can be granted for a term of up to 11 years. In February 1999, the Company's Board of Directors approved an increase in the number of shares of Common Stock available for issuance pursuant to awards granted under the 1997 Plan from 12,000,000 shares to 20,500,000 shares, subject to stockholder approval at the 1999 Annual Meeting of Stockholders. At December 31, 1998, the Company had reserved 20,165,305 shares of Common Stock pursuant to awards granted under the plan or to be granted under these plans.

The following table presents the aggregate options and restricted stock awards granted, exercised and forfeited under the 1981, 1987 and 1997 plans for the years ended December 31, 1998, 1997 and 1996 and at their respective weighted-average exercise prices. All options and option prices have been restated for the stock split described in Note 2.

<TABLE>
<CAPTION>

	1998		1997		1996	
	Shares (000's)	Weighted Avg. Exercise Price	Shares (000's)	Weighted Avg. Exercise Price	Shares (000's)	Weighted Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	17,469	$ 3.95	21,782	$ 2.32	23,328	$ 0.44
Granted	7,373	6.28	2,303	11.61	7,814	5.45
Exercised	(5,489)	0.64	(5,620)	0.72	(9,104)	0.26
Forfeited	(2,605)	5.87	(996)	3.80	(256)	2.53
Outstanding at end of year	16,748	5.76	17,469	3.95	21,782	2.32
Options exercisable at year-end	5,089	3.91	5,934	1.28	6,804	0.37
Weighted average fair value of options granted during the year		$ 3.11		$ 5.33		$ 2.95

The number of shares available for future grant under the 1997 Plan totaled 3,416,825 at December 31, 1998.

</TABLE>

Director Stock Option Plans

The Company has a 1987 Director Stock Option Plan (the "1987 Director Plan") and a 1995 Director Stock Option Plan (the "1995 Director Plan"), which was amended during 1997 and 1998. The 1987 Director Plan has expired and no further options may be granted under this plan; however, outstanding options previously granted under this plan remain in effect. Under the 1995 Director Plan, the Company may grant options for up to 2,400,000 shares of Common Stock. This Plan currently provides for the grant to each non-employee director of the Company, on his or her initial election as a director, of an option to purchase 50,000 shares of Common Stock. In addition to the initial option grant, each non-employee director is granted an option to purchase 10,000 shares of Common Stock on each anniversary of his or her initial election following the full vesting of the initial option grant. All options generally become exercisable in five equal annual installments, commencing approximately one year from the date of grant, provided the holder continues to serve as a director of the Company. Directors entitled to receive an initial or annual option can instead elect to receive a series of monthly options covering, in total, the same number of shares that the single option grant would have covered. Under both plans, the exercise price per share of the option is equal to the fair market value of the Company's Common Stock on the date of grant of the option. Any options granted under either plan must be exercised no later than ten years from the date of grant. All options granted under the plans are nonstatutory. At December 31, 1998, the Company had reserved 3,137,000 shares of Common Stock for issuance upon exercise of options granted or to be granted under these plans.

The following table presents the options granted, exercised and forfeited under the 1987 and 1995 Director Plans for the years ended December 31, 1998, 1997 and 1996 at their respective weighted-average exercise prices. All options and option prices have been restated for the stock split described in Note 2.

<TABLE>

	1998		1997		1996	
Stock Options	Shares (000's)	Weighted Avg. Exercise Price	Shares (000's)	Weighted Avg. Exercise Price	Shares (000's)	Weighted Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	932	$ 1.65	886	$ 0.20	1,500	$ 0.20
Granted	99	7.41	120	11.41	-	-
Exercised	(75)	0.13	(74)	0.13	(614)	0.19
Forfeited	(125)	5.06	-	-	-	-
Outstanding at end of year	831	1.96	932	1.65	886	0.20
Options exercisable at year-end	603	0.50	437	0.35	288	0.26
Weighted average fair value of options granted during the year		$ 3.11		$ 5.34		$ -

</TABLE>

The number of shares available for future grant under the 1995 Director Plan was 2,306,000 at December 31, 1998.

The following table summarizes information about awards outstanding under all plans at December 31, 1998. All relevant data has been restated for the stock split described in Note 2.

<TABLE>

	Outstanding			Exercisable	
Range of Exercise Prices	Number (000's) Outstanding at 12/31/98	Weighted-Avg. Remaining Contractual Life	Weighted-Avg. Exercise Price	Number (000's) Exercisable at 12/31/98	Weighted-Avg. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$0.13 to $4.13	6,201	6.3 years	$ 1.91	3,955	$ 1.43
$4.18 to $9.25	9,651	8.9 years	6.43	1,233	5.89
$9.63 to $14.42	1,067	8.4 years	12.07	295	12.01
$14.47 to $21.66	560	8.6 years	16.02	159	16.13
$20.07 to $23.07	100	7.4 years	22.97	50	22.97
	17,579	8.0 years	5.58	5,692	3.55

</TABLE>

(11) EMPLOYEE STOCK PURCHASE PLANS

The Company adopted two Employee Stock Purchase Plans (one primarily for U.S. employees and the other for certain international employees) that took effect on January 1, 1998. Under these plans, participants are able to purchase shares of the Company's Common Stock through specified payroll deductions (or by other means for international employees). Offerings to purchase shares of the Company's stock begin each January 1 and July 1. Each offering commencement date begins a six-month period during which payroll deductions will be made and held for the purchase of stock at the end of each six-month period at a price equal to 85% of the Common Stock's closing price at the end of the six-month period.

An aggregate of 3,000,000 shares of Common Stock was reserved for issuance under these plans. At December 31, 1998, a total of 222,532 shares have been purchased pursuant to these plans.

(12) RETIREMENT PLAN

The Iomega Retirement and Investment Savings Plan (the "IRIS Plan") permits eligible employees to make tax deferred investments through payroll deductions. Each year the Company may contribute to the IRIS Plan at the discretion of the Board of Directors, based on the prior year's earnings of the Company. The IRIS Plan is subject to compliance with Section 401(k) of the Internal Revenue Code and the Employee Retirement Income Securities Act of 1974 ("ERISA"). Under the terms of the IRIS Plan, all employee contributions are immediately vested in full. Employer matching contributions are based on a four-year vesting schedule. After four years of service, employees become immediately vested in all matching contributions. The Company contributed approximately $1,347,000 and $900,000 to the IRIS Plan for the years ended December 31, 1997 and 1996, respectively. The Company has accrued $1.5 million for contributions to the IRIS Plan for the year ended December 31, 1998.

(13) NONQUALIFIED DEFERRED COMPENSATION PLAN

In 1998, the Company offered a nonqualified deferred compensation plan to a select group of management and highly compensated employees that provides the opportunity to defer a specified percentage of their cash compensation. Participants may elect to defer up to 50% of annual base salary and up to 100% of bonus. The Company's obligations under this plan are unfunded, for tax purposes and for purposes of Title I of ERISA and unsecured general obligations of the Company to pay in the future the value of the deferred compensation adjusted to reflect the performance, whether positive or negative, of selected investment measurement options, chosen by each participant, during the deferral period.

(14) BUSINESS SEGMENT INFORMATION

The Company has four reportable segments based primarily on the nature of the Company's customers and products: Zip, Jaz, Ditto and Clik!. The Zip segment involves the development, manufacture, distribution and sales of personal storage products and applications, including Zip disk and drive systems to OEMs, retailers and distributors throughout the world. The Jaz segment involves the development, manufacture, distribution and sales of professional storage products and applications, including Jaz disk and drive systems and the Buz multimedia producer to retailers, distributors and resellers throughout the world. The Ditto segment involves the development, manufacture, distribution and sales of the Ditto family of tape backup drives and tape cartridges to retailers, distributors and resellers throughout the world. The Clik! segment involves the development, manufacture, distribution and sales of Clik! mobile drives and 40 MB disks for use with portable digital products such as digital cameras, handheld personal computers and notebook computers to retailers, distributors, OEMs and resellers throughout the world. Clik! products began shipping in limited quantities during the fourth quarter of 1998. The "Other" category includes products such as Bernoulli, floppy disks, CD-RW drives and other miscellaneous items.

The Company evaluates performance based on product profit margin for each segment. Product profit margin is defined as sales and other income directly related to a segment's operations, less both fixed and variable manufacturing, research and development and selling, general and administrative expenses directly related to a segment's operations. The accounting policies of the segments are the same as those described in Note 1 "Operations and Significant Accounting Policies". Intersegment sales, eliminated in consolidation, are not material. Segment assets consist of inventory and fixed assets. The Company allocates corporate fixed assets to the operating segments based on capital expenditure and cost of sales ratios for the applicable operating segments.

The information in the following tables is derived directly from the segments' internal financial reporting information used for corporate management purposes. The expenses, assets and liabilities attributable to corporate activity are not allocated to the operating segments.

<TABLE>

Reportable Operating Segment Information
<CAPTION>

	1998	1997	1996
		(In millions)	

<S> <C> <C> <C>

Sales:			
Zip	$ 1,183	$ 1,159	$ 746
Jaz	417	460	305
Ditto	81	118	128
Clik!	2	-	-
Other	11	3	34
Total sales	$ 1,694	$ 1,740	$ 1,213
Product profit margin:			
Zip	$ 151	$ 286	$ 165
Jaz	5	49	21
Ditto	(14)	2	17
Clik!	(37)	(6)	(1)
Other	(10)	(7)	6
Total product profit margin	95	324	208
General corporate expenses	(170)	(147)	(108)
Interest income	4	7	3
Interest expense	(10)	(6)	(9)
Other expense	(2)	(1)	-
Income (loss) before income taxes	$ (83)	$ 177	$ 94
Depreciation and amortization:			
Zip	$ 36	$ 19	$ 8
Jaz	15	9	5
Ditto	11	7	5
Clik!	1	-	-
Other	5	4	7
Total depreciation and amortization	$ 68	$ 39	$ 25
Capital expenditures:			
Zip	$ 57	$ 54	$ 59
Jaz	21	26	35
Ditto	4	8	8
Clik!	15	1	-
Other	-	-	-
Total capital expenditures	$ 97	$ 89	$ 102
Assets (1):			
Zip	$ 233	$ 243	$ 171
Jaz	96	137	86
Ditto	13	32	28
Clik!	18	1	-
Other	13	9	13
Total assets	$ 373	$ 422	$ 298

</TABLE>

(1) Assets consist of inventory and net fixed assets as these are the only assets allocated to the applicable segments.

A significant amount of the Company's revenues are generated outside of the United States. The Company has its European headquarters in Geneva, Switzerland and has its European distribution center in the Netherlands. The European headquarters and distribution center were moved from Germany in the first quarter of 1997. The Company has a sales office and distribution center in Singapore to support the existing customer base in Asia and further develop the sales region. The Singapore sales office and distribution center were opened during the first half of 1996. In late 1996, the Company purchased a manufacturing facility in Malaysia. All sales from Malaysia are to affiliated companies. Inventory is transferred from the United States and Malaysian operations to affiliates at an arms-length price as determined by an independent economic study. Research and development costs are allocated from the United States operations to the Switzerland subsidiary based on a cost sharing agreement as determined by an independent economic study. Also, the Switzerland subsidiary pays the United States operations a royalty, determined by an independent economic study, for the rights to existing technologies. Following is a summary of the Company's United States and significant non-U.S. country revenues and the United States and significant non-U.S. country long-lived asset locations. Revenues are attributed to individual countries based on the location of sales to unaffiliated customers.

Geographic Information
<TABLE>
<CAPTION>

	1998	1997	1996
		(In millions)	
Revenue:			
United States	$ 1,112	$ 1,039	$ 793
Germany	95	136	103
Other countries	487	565	317
Total	$ 1,694	$ 1,740	$ 1,213
Long-lived assets (1):			
United States	$ 150	$ 120	$ 91
Malaysia	47	49	35
France	39	-	-
Other countries	10	10	3
Total	$ 246	$ 179	$ 129

</TABLE>

(1) Long-lived assets consist of all long-term assets other than deferred tax assets.

(15) OTHER MATTERS

Significant Customers

During 1998, 1997 and 1996, sales to Ingram Micro, Inc. accounted for 16%, 14% and 15%, respectively, of the Company's consolidated sales. Sales to Ingram Micro, Inc. consisted of product sales from all of the Company's operating segments. No other customer accounted for 10% or more of consolidated sales.

Concentration of Credit Risk

The Company markets its products primarily through computer product distributors, retailers and OEMs. Accordingly, as the Company grants credit to its customers, a substantial portion of outstanding accounts receivable are due from computer product distributors, certain large retailers and OEMs. At December 31, 1998, the customers with the ten highest outstanding accounts receivable balances totaled $124.0 million or 42% of the gross accounts receivable, compared to $140.9 million, or 44% of gross accounts receivable, at December 31, 1997. At December 31, 1998, the outstanding accounts receivable balance from one customer was $29.3 million or 10% of gross accounts receivable, compared to the accounts receivable balance from one customer of $31.6 million, or 10% of gross accounts receivable, at December 31, 1997. If any one or a group of these customers' receivable balances should be deemed uncollectable, it would have a material adverse effect on the Company's results of operations and financial condition.

Related Party Transactions

During 1996, the Company purchased inventory items totaling $841,000 from a vendor having a common director with the Company.

In March 1998, the Company loaned Kim B. Edwards, former President and Chief Executive Officer of the Company $5,000,000 in the form of a full-recourse Secured Promissory Note (the "Note") pursuant to a Severance Agreement and General Release. The Note bears interest at the rate of 5.7% and is payable in five annual payments together with any accrued interest beginning in April 1999. The Note is secured by a first priority security interest in 2,561,000 shares of the Company's Common Stock owned by Edwards, the certificate for which has been delivered to the Company as collateral. The Severance Agreement and General Release between Edwards and the Company included a non-competition and non-recruitment provision for consideration equal to the accrued interest on the Note.

In July 1998, the Company borrowed a total of $40 million from Idanta Partners Ltd. and another entity affiliated with David J. Dunn, Chairman of the Board, Iomega Corporation, pursuant to a series of three senior subordinated notes. The principal and interest associated with these notes are payable on

March 31, 1999 (see Note 6).

(16) SUBSEQUENT EVENT

On January 13, 1999, the Company announced that it had entered into a definitive agreement to purchase certain assets of SyQuest Technology, Inc., ("SyQuest"), including all of its intellectual property and its inventory and fixed assets in the U.S., for $9.5 million in cash, subject to certain closing conditions and adjustments. Conditions to closing include the Company's acquisition of the inventory and equipment assets of SyQuest's subsidiary in Malaysia, for additional consideration. SyQuest Malaysia's assets are being offered for sale separately by a Receiver and Manager appointed in Malaysia. Provided all conditions are met, the Company anticipates a first quarter 1999 closing. The Company will not assume any material obligations or liabilities of SyQuest or assume SyQuest's accounts receivable or claims against third parties. Warranty service and customer support obligations for products sold by SyQuest will remain the responsibility of SyQuest. SyQuest has filed a motion in the United States Bankruptcy Court seeking the necessary approval of the asset sale in order for the proposed transaction to close. As part of the agreement, the Company would release SyQuest and SyQuest would release the Company from all claims in connection with patent and trademark infringement litigation pending between the parties in Delaware and in Paris, France.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Iomega Corporation:

We have audited the accompanying consolidated balance sheets of Iomega Corporation (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iomega Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Salt Lake City, Utah
January 19, 1999
(except with respect to the matter
discussed in Note 6, as to which the
date is January 29, 1999)

<TABLE>

BOARD OF DIRECTORS	CORPORATE OFFICERS
<S>	<C>
David J. Dunn 3,5. Chairman of the Board of Directors, Iomega Corporation Managing Partner of Idanta Partners	Jodie K. Glore Chief Executive Officer and President L. Scott Flaig Executive Vice President and Chief

Jodie K. Glore 3
Chief Executive Officer and President,
Iomega Corporation
Director, BF Goodrich

John W. Barter 1,3
Director, BMC Software Inc., and
Louisiana-Pacific Corporation

Robert P. Berkowitz 1
Private Consultant

John R. Myers 4,6
Private Consultant
Director, Curtiss-Wright Corporation

John E. Nolan 1,2,5
Partner, Steptoe & Johnson, LLP

M. Bernard Puckett 4
Director, R.R. Donnelley & Sons Company;
IMS Health; P-Com, Inc.;
Neilson Media Research; and Software.com

John M. Seidl 4
Chairman, President and CEO
CellNet Data Systems, Inc.
Director, St. Mary's Land and Exploration Company

The Honorable John E. Sheehan 1,2
Chairman of the Board and Founder,
Rhome Management Company

James E. Sierk 3,6
Director, Ames Rubber Corporation

Committees
1 Audit Committee
2 Ethics and Compliance Committee
3 Executive Committee
4 management Development and Compensation Committee
5 Nominating and Governance Committee
6 Operations and Technology Committee

Operating Officer

James A. Taylor
Executive Vice President and
Chief Marketing Officer

Dan E. Strong
Vice President, Corporate Controller and
Interim Chief Financial Officer

Laurie Bartlett Keating
Senior Vice President, General
Counsel and Secretary

James C. Kelly
Senior Vice President,
Product Development and Chief
Technology Officer

Anton J. Radman, Jr.
Senior Vice President,
Strategic Business Development

Roxie Craycraft
Acting Vice President, Customer
Service and Applications

Kevin O'Connor
Vice President, Human Resources

Robert J. Simmons
Vice President and Treasurer

</TABLE>

<TABLE>

CORPORATE INFORMATION
<S> <C>

CORPORATE HEADQUARTERS
Iomega Corporation
1821 West Iomega Way
Roy, Utah 84067
(801) 332-1000

STOCK EXCHANGE LISTING
New York Stock Exchange
Ticker Symbol: IOM

ANNUAL STOCKHOLDERS' MEETING
Iomega's Annual Meeting of Stockholders will convene at 11:00 a.m., local time, on April 20, 1999:
Salt Lake City Marriott
75 South West Temple
Salt Lake City, UT 84101

INVESTOR INQUIRIES
Communications regarding investor records, including duplicate mailings, changes of address or ownership, transfer of shares and list certificates, should be directed to the Company's stock transfer agent. All other inquiries should be directed to Iomega's Investor Relations department.

FOR 10-K AND STOCK HELD IN STREET NAME
A copy of Iomega's 1998 Form 10-K as filed with the Securities and Exchange

STOCK TRANSFER AGENT AND REGISTRAR
American Stock Transfer and Trust Company
40 Wall Street, 46th Floor
New York, New York 10005
(718) 921-8260

INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen LLP
15 West South Temple, Suite 700
Salt Lake City, Utah 84101

ATTORNEYS
Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109

Commission may be obtained by contacting Iomega's Investor Relations department in writing or by calling the Iomega Investor Information Line or by accessing Iomega's Web site at www.iomega.com. If your stock is held in "street name" and you would like to receive information directly from the Company, please send your request to the Iomega Investor Relations department.

IOMEGA INVESTOR RELATIONS
Tyler Thatcher
Director, Investor Relations
Corporate Headquarters
Iomega's Investor
Information Line: (801) 332-3585
Toll Free Fax-Back
Line: (888) 88-IOMEGA
</TABLE>

PRODUCT INFORMATION
Inquiries regarding the Company's products should be addressed to Corporate Communications at Corporate headquarters. OEM product descriptions and OEM listings do not include all OEM products or all OEMs. product descriptions are accurate as of February 1999 and are subject to change.

EXHIBIT 21.1

SUBSIDIARIES OF IOMEGA CORPORATION

Subsidiary Name	Jurisdiction or Incorporation
Iomega Europe GmbH (in disolution)	Germany
Iomega GmbH	Germany
Iomega Canada Inc.	Delaware
Iomega Pacific PTE Ltd	Singapore
Iomega Singapore Ltd	Delaware
Iomega (Bermuda) Ltd.	Bermunda
Iomega Australia PTY Ltd.	Australia
Iomega Overseas B.V.	The Netherlands
Iomega International SA	Switzerland
Iomega (Malaysia) SDN BHD	Malaysia
Iomega Japan Corporation KK	Japan
Iomega SARL	Switzerland
Iomega Korea	Korea
Iomega Hong Kong Ltd.	Hong Kong
Iomega Nomai SA	France
Iomega Nomus, Inc.	Delaware
Iomega Albi Media Manufacturing SARL	France
Iomega Myrica Ltd.	France

<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. THE COMPANY HAS RESTATED EARNINGS PER SHARE FOR FISCAL YEARS ENDING DECEMBER 31, 1996 TO BASIC AND DILUTED EARNINGS PER SHARE TO BE IN ACCORDANCE WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) SFAS NO. 128: EARNINGS PER SHARE. CERTAIN RECLASSIFICATION HAVE BEEN MADE TO PRIOR YEARS' AMOUNTS TO CONFORM TO THE CURRENT YEAR'S PRESENTATION.

</LEGEND>
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<CIK> 0000352789
<NAME> Iomega Corporation

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<CGS>	1,271,451	1,192,310	879,989
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<INTEREST-EXPENSE>	10,163	6,443	8,875
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