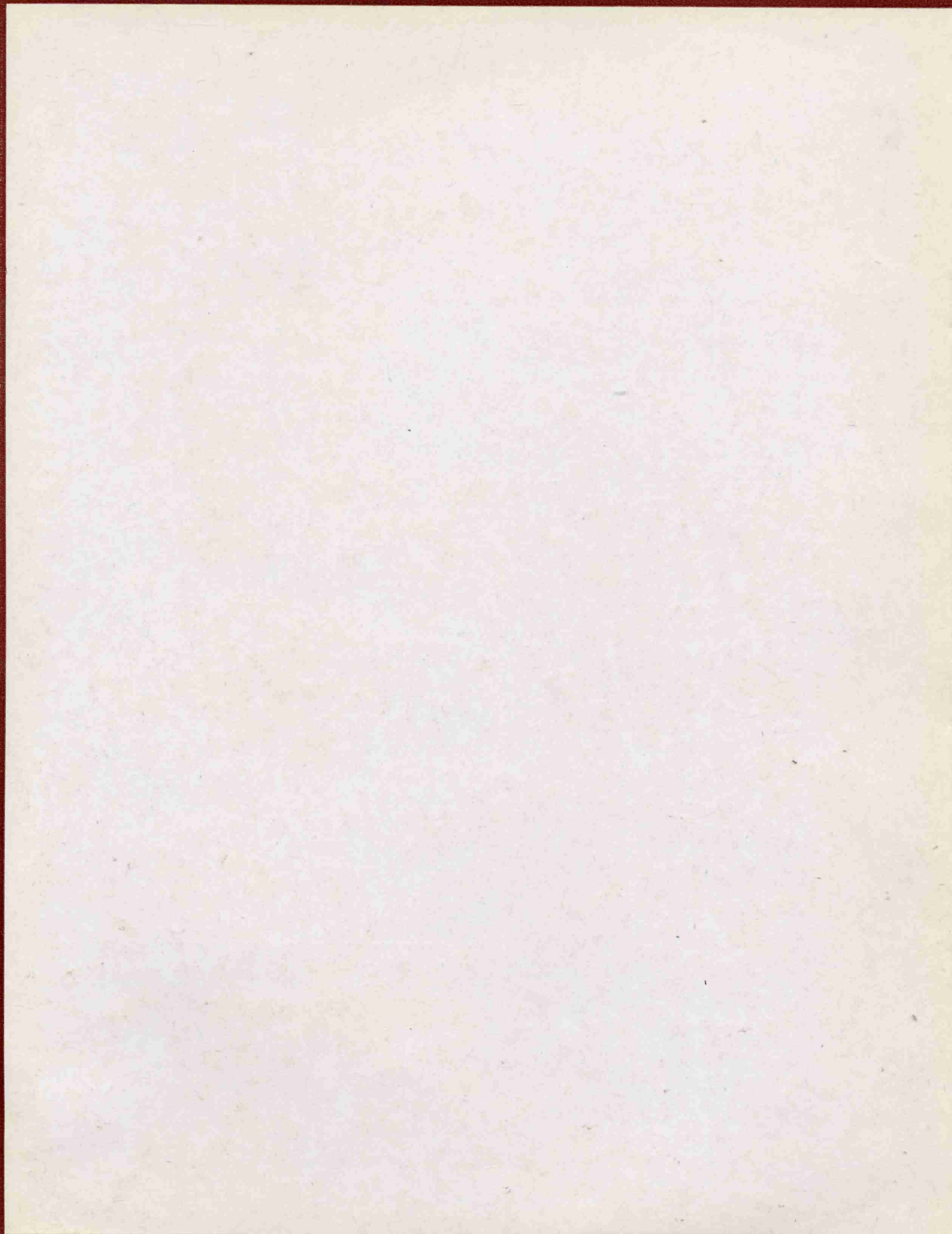
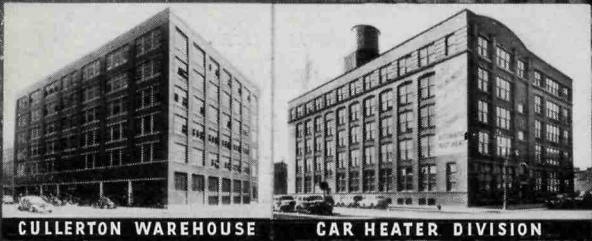


Motorola **INC.**

Annual Report

1947





CULLERTON WAREHOUSE

CAR HEATER DIVISION

The Home of Motorola Inc.

Board of Directors

PAUL V. GALVIN
ROBERT W. GALVIN
MATTHEW J. HICKEY, JR.
GEORGE R. MACDONALD
FRANK J. O'BRIEN
WALTER H. STELLNER
ELMER H. WAVERING

Officers

PAUL V. GALVIN.....*President*
ELMER H. WAVERING.....*Vice-Pres. in Charge of Automotive Division*
WALTER H. STELLNER.....*Vice-Pres. in Charge of Home Products Division*
FRANK J. O'BRIEN.....*Vice-Pres. in Charge of Purchasing*
DANIEL E. NOBLE.....*Vice-Pres. in Charge of Communications and Electronics Division*
GEORGE R. MACDONALD.....*Vice-Pres. in Charge of Finance*
CHARLES E. GREEN.....*Secretary*

Registrars

IRVING TRUST COMPANY
One Wall Street, New York 15, New York

CONTINENTAL ILLINOIS
NATIONAL BANK AND TRUST
COMPANY OF CHICAGO
231 South LaSalle St., Chicago 90, Illinois

Transfer Agents

CHEMICAL BANK AND TRUST CO.
165 Broadway, New York 15, New York

HARRIS TRUST AND SAVINGS
BANK
115 West Monroe Street, Chicago 90,
Illinois

The annual meeting will be held on Monday, May 3, 1948. A notice of the meeting, together with a form of proxy and a proxy statement will be mailed to stockholders on or about April 15, 1948, at which time proxies will be requested by the management.

The President's Report **to the Stockholders**

In a year made notable by the advent of Television and the production of television sets in fairly substantial quantities, your Company made significant progress in the field of television, further strengthening its financial condition and maintaining its position as a leader in the radio industry.

Sales and Earnings

For the year ended November 30, 1947, net sales were \$46,679,149, an increase of 101 per cent over the previous year. Net income after Federal Taxes for 1947 was \$2,510,411 compared with \$656,286 for the 1946 fiscal year.

Profit per common share equaled \$3.14 for this period, against 82 cents for the preceding year. Increased sales reflect primarily greater demand for our products.

Although labor and material costs advanced, selling prices were not raised. Savings made possible by changes in design and increased operating efficiencies were passed on to customers by the establishment of lower prices for the line of home radios introduced during June, 1947.

Financial Condition

Net working capital at November 30, 1947, amounted to \$7,028,845 compared to \$5,862,933 at November 30, 1946. Receivables of \$7,173,166 at year end were largely the result of sales of more than \$6,000,000 during the month of November. Inventories of \$6,149,973 showed an increase of \$676,353 compared with a year ago. This increase, made up mainly by additions to work in process and finished goods inventories, denotes a higher level of activity and the necessity for carrying larger stocks.

The Company now has two wholly-owned subsidiary corporations serving as distributors in the Chicago and Philadelphia areas. Operating income of these companies has not been included in the

accompanying Statement of Income and Expense. Net worth at the end of their respective fiscal years, as stated in the Balance Sheet, totaled \$453,766, of which \$429,856 represents net current assets.

During 1947 the Company's investment in plant facilities was increased by \$428,079. Of this amount more than \$225,000 was expended in constructing and equipping a factory for the assembly of television sets exclusively. Television production in large volume started October 1, 1947, and at this writing day and night shifts are in operation in this plant.

Dividends

Two dividend payments of 30 cents each and one of 40 cents per share were made in 1947. During the year the dividend policy was changed from a semi-annual to a quarterly review. A dividend of 25 cents per share for the first quarter of 1948 was voted recently by the Board of Directors. It will be payable March 19, 1948, to holders of record March 3, 1948.

Stockholders of the Company numbered 2,795 at November 30th. It is noteworthy that directors, officers and their immediate families own directly or beneficially 274,543 shares of the 800,000 outstanding.

Profit Sharing Fund Established

Since 1939 the Company has paid a bonus at the end of each year to all employees. With the exception of payments to officers and a certain few key employees, the amount of these bonuses has varied from 3 per cent to 10 per cent of employees' annual earnings. Five per cent was paid for 1947.

During the past year a profit sharing plan was inaugurated with the approval of the employees. All employees with one year or more of service are eligible for participation. In an election held November 18, 1947, 2,063 of the 2,067 qualified

employees voted to become members. The trust agreement signed by the Company, Paul V. Galvin as trustee, and the participants, was approved by the Commissioner of Internal Revenue January 26, 1948. It provides for contributions by the participants and the Company to be deposited in a trust fund known as "Motorola Inc. Employees' Savings and Profit Sharing Fund." The assets of the fund are to be held in the name of Paul V. Galvin, Trustee, who with four other members of an advisory board, two elected by the participants and two appointed by the board of directors, will determine the investments of the fund as provided by the trust agreement. Individual contributions shall be elective by the participants and may vary from 2 per cent to 5 per cent of earnings, but in no case may exceed \$200 per year. The Company's annual contribution shall be credited to each participant's account in the same proportion as each individual contribution bears to the sum total of participant's contributions.

Beginning with December 1, 1947, the Company's contribution shall be the lesser of 20 per cent of its net income before Federal Income Taxes but after first deducting therefrom an amount which after payment of Federal Income Taxes will be equal to 5 per cent of the Company's net worth at the end of the previous fiscal year, or 15 per cent of the participants' total compensation for the year. No part of the contributions to the fund shall ever revert to the Company. A contribution by the Company of \$430,000 was made to the fund for the year ended November 30, 1947. Of this amount \$427,184 was for the benefit of employees, exclusive of officers and directors.

With the inauguration of this plan, effective November 30, 1947, bonuses will be eliminated in the future.

Radio Division

As in the past, automobile and home radios were sold only through regular Motorola distributors. During 1947, unit as well as dollar sales greatly exceeded those of any other year. Demand for the Company's products continued to exceed supply and only lack of additional manufacturing facilities prevented greater sales.

Communications and Electronics Division

Two-way radio communication has been extended to new fields since the Federal Communications Commission allocated specific frequencies to various industries. Many companies have found that the use of such communication facilities produces substantial operating economies. Taxicab operators particularly are large users, having demonstrated that dispatching cabs by radio increases revenue and reduces costs sufficiently to pay for the equipment in a short time. Public utility and bus companies likewise find it possible to effect operating economies through use of mobile radio communication.

By maintaining a sizable staff of trained engineers, the Company has for many years led the industry in the design and development of mobile communication equipment. We are justifiably proud that the great majority of installations in use throughout the country carries the Motorola label.

Heater Division

Several problems now satisfactorily solved became apparent during the first year of production of gasoline automobile heaters. Field reports during the late fall revealed that a number of heaters were proving unstable in operation. Investigation disclosed that this condition was caused by failure of certain parts to meet specifications. The replacement program necessary to correct these defects did not get well under way until after the close of the fiscal year; therefore, a reserve of \$200,000 was created to provide for the estimated cost. This reserve is reflected in the Statement of Income and Expense as a charge against operations.

Television Division

The sudden increase in popularity of television during 1947 has been the most exciting event in the history of the radio industry. Television has moved rapidly in the past year and is now making great strides towards fulfilling its destiny as one of the most important factors in the entertainment, advertising and merchandising fields. Your Company introduced two models of television sets in the Chicago area during October, 1947. Since that

time it has shipped television sets into other metropolitan areas now being served by television stations. The Motorola table model is currently the lowest priced television set produced. Its unusual design, with certain cost reducing features, enables it to duplicate the performance of higher priced models at a much lower cost. This set, weighing only 25 pounds, also has the advantage of permitting the user to move it from room to room with little difficulty. The Company is now producing a combination radio and television console and during this year plans to introduce other new models from time to time.

Outlook for 1948

There are many reasons to expect generally favorable prospects for your Company this year. Events of the past year have materially strengthened our merchandising and financial positions and should react beneficially upon the future.

While there are some indications that adjustments to the economy of the country may occur before the close of this year, management policies have been formulated so that the company will be in a position at all times to meet any contingencies that may arise.

Sales and production thus far this year have been on schedule and point to a good first quarter. Production of the 1948 automobile radio line began in January. These new models, with their many outstanding features, were exhibited to the Company's distributor organization during the first week of February. The tangible reactions from the trade in the form of orders and commitments indicate the probability of a successful year in automobile radio sales.

Contrary to the experience of many other radio companies, home radio sales with Motorola have been more than satisfactory. There is clear evidence that unit sales of home radios throughout the industry will be reduced this year. The expectations of your Company, however, are for a large volume, based upon the fact that the Company was unable to satisfy its distributors' requirements during the 1947 fiscal year.

The outlook for the Communications and Electronics Division is indeed encouraging. Its sales base has been gradually broadened, extending into a greater number of industries and among a wider scope of consumers. While in the past two-way radio communication was regarded principally as a valuable adjunct to more efficient police and state operation, industries are now finding additional economical uses for this new service. In addition, design of several important models has been completed. These will enable the Company to offer industry further uses, and promise an excellent sales volume.

Prospects of Motorola for 1948 are unusually bright in the field of television. Your Company made its entry in 1947 with a new and different type of television receiver which met immediately with enthusiastic acceptance. Prestige has been established, and your Company is now endeavoring to fill a substantial backlog of orders. Plans and preparation for following up this auspicious beginning have been made, and the future for Motorola in television is undoubtedly optimistic.

There are favorable prospects too for the other divisions and, given reasonable opportunities, 1948 should prove surpassingly successful for the Company.

This report would not be complete if the management failed to express gratitude for the loyal support which the Company has always received from its employees and distributor organizations. Stockholders also are an important part of the Motorola family. We welcome communications from them regarding matters of interest to our enterprise.

For the Board of Directors


President



Assets

CURRENT ASSETS:

Cash		\$ 1,334,836.83
Trade receivables—less reserve.....		7,173,165.97
Other current receivables.....		256,569.41
Inventories:		
Finished stock	\$ 559,132.60	
Work in process.....	831,864.31	
Raw materials and supplies.....	4,758,975.85	6,149,972.76
Total current assets.....		<u>\$14,914,544.97</u>
Deferred charges		254,153.11
Investments in wholly-owned subsidiary—at cost plus undistributed earnings from dates of acquisition.....		453,765.72
Other assets		39,398.10
Tangible fixed assets:		
Dies	\$ 392,056.48	
Other plant property—less reserves for depreciation.....	2,419,154.57	2,811,211.05
Patents and trademarks—less amortization.....		47,973.34
		<u>\$18,521,046.29</u>



Balance Sheet
November 30, 1947

Liabilities and net worth

CURRENT LIABILITIES:

Notes payable—banks		\$ 1,100,000.00
Accounts payable—trade		2,253,800.55
Customers' credit balances.....		154,629.53
Reserves for taxes:		
Federal income tax.....	\$ 1,704,091.51	
Other	487,903.84	2,191,995.35
Accrued compensation		847,544.08
Dividend payable		320,000.00
Reserve for company contribution to Employees' Savings and Profit Sharing Plan.....		429,000.00
Reserve for product warranty.....		200,000.00
Other current liabilities.....		388,730.91
Total current liabilities.....		<u>\$ 7,885,700.42</u>

NET WORTH:

Capital stock—par value, \$3.00 per share; author- ized, 1,000,000 shares; issued, 800,000 shares.....	\$ 2,400,000.00	
Surplus:		
Paid in	\$1,227,832.40	
Earned	6,790,020.37	8,017,852.77
Total		<u>\$10,417,852.77</u>
Undistributed earnings of wholly-owned subsidiaries....	217,493.10	
Total net worth.....		<u>10,635,345.87</u>
		<u><u>\$18,521,046.29</u></u>

The company is defendant in a suit now pending in the Circuit Court of Cook County, Illinois, wherein the plaintiff (a former employe of the company) claims commissions due him with respect to a material portion of certain billings of the company, both before and after termination of his employment; plaintiff also seeks to recover damages for the alleged use of a certain antenna. In the opinion of counsel for the company, there is a very remote, if any, possibility of the company being held liable in this matter for any but a nominal amount.

The company's federal income and excess profits tax returns for fiscal years subsequent to November 30, 1944 are subject to review by the Treasury Department.

Statement of Income and Expense

FOR THE YEAR ENDED NOVEMBER 30, 1947

Net sales	\$46,679,148.97
Cost of sales.....	37,867,665.37
Gross profit on sales.....	<u>\$ 8,811,483.60</u>
Selling expenses	3,535,196.38
Net profit on sales.....	<u>\$ 5,276,287.22</u>
General expenses	1,273,542.45
Net profit from operations.....	<u>\$ 4,002,744.77</u>
Other income—less other expenses.....	376,365.95
Net income before provision of reserve for product warranty.....	<u>\$ 4,379,110.72</u>
Provision of reserve for product warranty.....	200,000.00
Net income before provision for federal income tax.....	<u>\$ 4,179,110.72</u>
Provision for federal income tax.....	1,668,700.00
Net income	<u><u>\$ 2,510,410.72</u></u>

Statement of Surplus

FOR THE YEAR ENDED NOVEMBER 30, 1947

	Paid In	Earned
Balances, November 30, 1946.....	\$1,227,832.40	\$5,086,545.13
Net income for the year.....		<u>2,510,410.72</u>
Total	<u>\$1,227,832.40</u>	<u>\$7,596,955.85</u>
Deduct:		
Dividends paid—\$1.00 per share.....		\$ 800,000.00
Adjustments of prior years' income (net).....		<u>6,935.48</u>
Total deductions	<u>\$ —</u>	<u>\$ 806,935.48</u>
Balances, November 30, 1947.....	<u><u>\$1,227,832.40</u></u>	<u><u>\$6,790,020.37</u></u>

BAUMANN, FINNEY & CO.

ACCOUNTANTS AND AUDITORS
208 SOUTH LA SALLE STREET
CHICAGO 4, ILLINOIS

H. P. BAUMANN
H. A. FINNEY
F. R. TREDWELL
L. WERNER

Auditors' Report

February 19, 1948.

MR. PAUL V. GALVIN, *President*,
MOTOROLA, INC.,
4545 Augusta Boulevard,
Chicago, Illinois.

DEAR SIR:

We have made an examination of the accounts of MOTOROLA, INC. (an Illinois corporation) for the year ended November 30, 1947. We submit herewith a condensed report on this examination; our complete report was submitted under date of February 17, 1948.

Our examination was directed primarily to the verification of the financial condition of the company on November 30, 1947, and included a general review of the income and expense accounts, but without a detailed audit of the transactions for the year; it was made in accordance with generally accepted auditing standards applicable in the circumstances, and comprised such tests of the accounting records and supporting evidence and such other auditing procedures as we considered necessary.

In our opinion the accompanying balance sheet and related statements of income and expense and surplus present fairly the financial condition of Motorola, Inc. on November 30, 1947, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yours truly,

BAUMANN, FINNEY & CO.

Motorola's Employee Relations

The Best Employee Organization **in the radio industry**



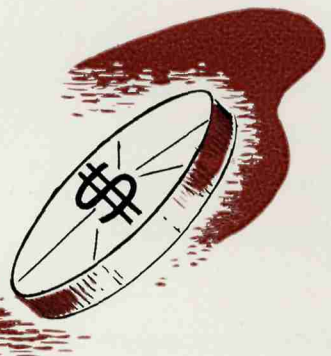
From its inception your Company has recognized the importance of the men and women who constitute the Motorola family. Only through the steadfast interest and loyal efforts of our employees may the Company continue to prosper, and thus we are striving constantly to strengthen the bond of understanding and cordial relations which now exists.

In May, 1947, wages of all factory and office employees were increased. At all times the Company has exercised care to see that wage and salary scales are equivalent to the highest in the radio industry. A group life insurance program, which also provides hospital and surgical benefits, is maintained at no cost to the employees.

With the encouragement of management, recreational activities are continually being developed and promoted by the interested groups, in keeping with the growth of the Motorola organization.

This year, in lieu of future cash bonuses, we submitted a plan to create an employee savings and profit sharing fund which was approved in a vote by 2,063 eligible employees. Further details of this plan were described earlier under the heading of "Profit Sharing Fund Established."

Profit sharing with employees has many advantages, among the foremost of which is that the employees have the opportunity to share in the profits which their efforts have helped to create. Through increased employee efficiencies, stockholders and consumers are likewise benefited by the resultant reduction in cost.



Motorola Advertising IN 1947

Although Motorola National Advertising was a position holding function in 1947, the regular monthly preferred position columns in Saturday Evening Post and Colliers were maintained throughout the year. In addition there were full page four color advertisements in the largest and best of the national weeklies and monthly publications such as This Week, The American Weekly, Saturday Evening Post, Better Homes and Gardens, True, Sport and others. More significant than that, however, was the continuation of the Motorola policy to keep Motorola products among the most completely advertised in the radio industry. Advertising does not begin and end with national magazines. That is only part of the picture. Here are the rest of the facts:

1. Motorola originated and has continuously maintained the largest outdoor road sign program in the radio industry. 35 million motorists on the highways of America know and remember the familiar Motorola yellow and black message.
2. Motorola talks regularly to dealers in full page color advertising in the trade magazines that reach *all* the most important prospects for Motorola products. Although there are literally hundreds of trade magazines in the radio and home appliance field, Motorola copy appears only in those which Motorola dealers themselves have selected as the most important to them.
3. Motorola store identification materials are designed and priced to meet the needs of every type of wholesale or retail operation. There are banners, metal signs and illuminated outdoor signs . . . all the dealer needs to identify him-

self with Motorola national consumer advertising.

4. Motorola merchandise displays, available in various sizes to accommodate individual operations, are functional and effective sales tools in the dealer's store.
5. Hundreds of thousands of line folders, catalogs, window displays, wall posters, broadsides, store interior banners, window decals and other items of promotional material all work together to support the contention that Motorola is one of America's most completely advertised radio lines.

The Advertising Formula for 1948

National advertising takes on a new complexion for 1948. The competitive position of leading manufacturers in the radio industry is quickly assuming more normal proportions. It is anticipated that Motorola products in all groupings will be in the field in sufficient quantities to support an intensive promotional program. Motorola advertising will serve as an active and powerful arm of the sales organizations working out of the factory, the distributing point and from behind the dealer's counter. The scope of Motorola advertising for 1948 has been broadened and extended to keep pace with the accelerated tempo of a highly competitive selling effort. Many additional millions of advertising impressions in leading national and trade magazines will not only increase Motorola's already coveted position in the radio industry, but will add materially to the profits and prestige of the entire Motorola family of employees and stockholders.



Motorola offers a diversified line for 1948



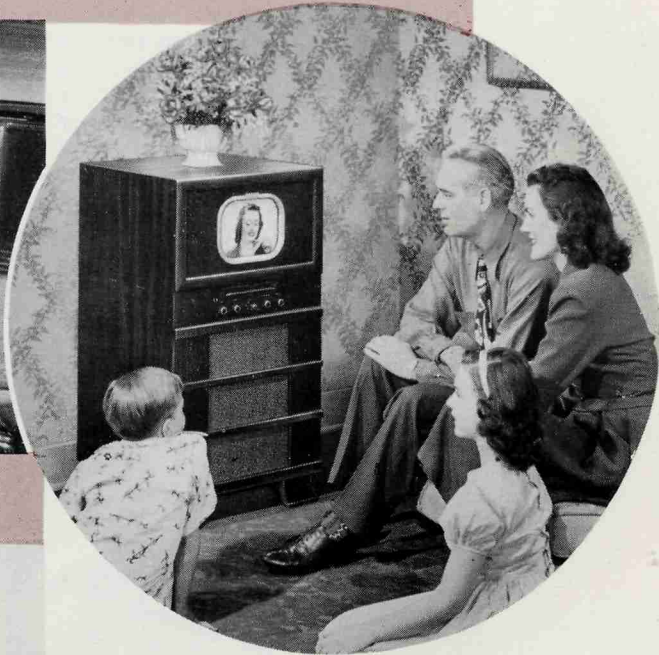
FM Two-Way Communication



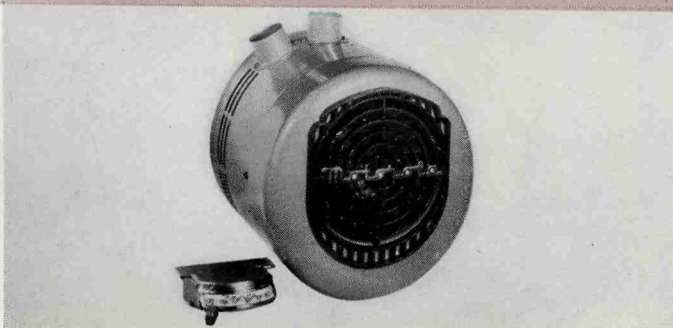
Golden Voice Radios



America's Finest Car Radios



Golden View Television



Automatic Gasoline Car Heaters

