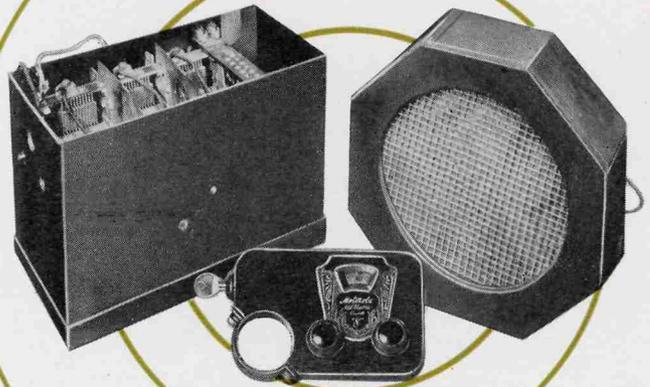
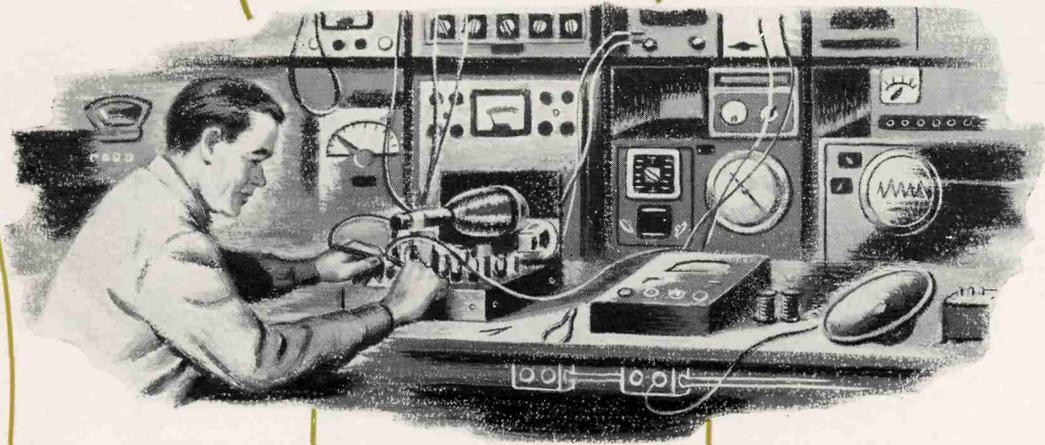


Motorola
ANNUAL REPORT

1928
1948





This report is more than a statement of dollars and cents. It is a story of Motorola products, Motorola employees, and Motorola methods.

To judge its history and appraise its prospects, one must look beyond the figures. The policy followed by Motorola is founded upon three business precepts, namely:

Diversification of Products
Welfare of Personnel
Sound Merchandising Methods

Diversification of Products • Motorola's unique diversification of products is its main source of strength. While television commands the larger volume of production, it is augmented with a complete series of high quality home radios, automobile radios, and communication and electronic products.

Welfare of Personnel • Motorola places emphasis upon consideration of its employees. As a result, a large and talented group of workers has been developed consisting of engineers and scientists, loyal and efficient production personnel, and aggressive management, all from within the company.

Sound Merchandising Methods • Motorola customers are ideally served by a strong sales force of factory representatives working with a closely knit experienced national distributor organization backed up by quality merchandise and aggressive advertising.

These precepts have developed our strength and because of them Motorola looks forward to a continuation of its position of prominence in the radio and television industry.



YEARS IN REVIEW

	1948	1947	1938	1937
Sales	\$58,080,236.62	\$46,679,148.97	\$4,680,668.31	\$7,225,091.40
Net Earnings after Taxes	3,332,739.92	2,510,410.72	301,702.80	222,498.66
Net Worth	13,247,334.40	10,635,345.87	959,402.51	653,097.55
Working Capital	10,887,576.51	7,028,844.55	409,364.27	134,790.33
Investment in Plant and Fixed Assets	3,148,205.68	2,811,211.05	577,900.08	605,551.39
Number of Employees	4,185	4,646	476	638
Dividends Paid	1,000,000.00	800,000.00	28,800.00	96,000.00



THE PRESIDENT'S REPORT

To the Shareholders

THE YEAR 1948 marked the 20th anniversary of your Company's entry into the radio industry and the attainment of its highest peace-time sales volume and net earnings.

During the past year the directors voted to change the fiscal year closing from November 30th to December 31st. This report, therefore, covers the 13 month period from December 1, 1947 to December 31, 1948.

SALES AND EARNINGS

Net sales for 13 months ended December 31, 1948 amounted to \$61,981,442. Net earnings for the same period totalled \$3,550,347, equivalent to \$4.44 per share on the outstanding stock of the Company. Net sales for the year ended November 30, 1948 were \$57,370,725, as compared with net sales of \$58,080,236, for the twelve months ended December 31, 1948. Net earnings after Federal taxes for the year ended November 30, 1948 equalled \$3,312,851, as compared with \$3,332,740 for the twelve months ended December 31, 1948. Comparisons with the year ended November 30, 1947 follow:

	TWELVE MONTHS ENDED		
	December 31, 1948	November 30, 1948	November 30, 1947
Net Sales	\$58,080,236.62	\$57,370,725.39	\$46,679,148.97
Net Profit	3,332,739.92	3,312,851.36	2,510,410.72
Profit per share	4.17	4.14	3.14
(800,000 shares outstanding)			

FINANCIAL CONDITION

The Company's Balance Sheet at December 31, 1948 reflects a decided improvement in working capital position over the preceding year. Current assets at December 31, 1948 exceeded current liabilities by \$10,887,577, an increase of \$3,858,732 over November 30, 1947.

On July 1, 1948, the Company obtained a loan, in the form of a promissory note, from The Prudential Insurance Company of America in the amount of \$2,000,000. This borrowing at an interest rate of 3½% is to be repaid in equal annual instalments over 15 years from June 1, 1948.

Operating income of the two wholly owned subsidiary corporations has not been included in the accompanying statement of income and expense. Net worth at December 31, 1948, of these two companies, which serve as distributors in the Chicago and Philadelphia areas, totalling \$660,490.73 is included in the Balance Sheet under Investments in Wholly Owned Subsidiaries.

Since our last report, the Company for the first time in its history contracted to produce car radios for automobile manufacturers. In order to maintain close communication, necessary in this relationship, we established an office in Detroit. On January 1, 1949, therefore, your Corporation agreed to purchase the company operating as its Detroit distributor. The purchase price, estimated at \$150,000, will be determined by an audit of the distributing company, which at this time has not been completed. The new subsidiary corporation will serve a dual purpose in distributing the company's products in the Detroit area, and acting as a liaison between the company and its automobile manufacturer customers.

Net worth in excess of \$13,000,000 of which approximately \$10,900,000 is represented in working capital should enable the Company to finance increased sales volume expected during 1949 without the necessity of additional outside financing.

DIVIDENDS

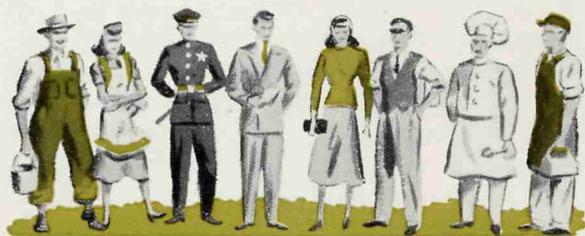
Total dividends of \$1.25 per share consisting of four payments of 25c each and one special dividend of 25c per share were paid in 1948. The history of Motorola throughout the years has been

one of continuous growth with a corresponding almost constant requirement for additional capital. From a sales volume of \$4,680,668 and a net worth of \$959,403 in 1938, the Company has in ten years expanded its operations to a sales volume of \$58,080,236, and a net worth of \$13,247,334. The primary source of these funds has been through the retention of a substantial portion of Company earnings. Because of a conservative dividend policy, the Company has always been able to satisfy needs as they arose.

With the new fiscal year starting January 1, the first Directors Dividend Meeting of the year will be held in March, a month later than has heretofore been the custom. It is noteworthy that the directors, officers, and their immediate families own directly or beneficially 272,656 shares of the 800,000 shares outstanding.

PROFIT SHARING

Members of Motorola Inc. Employees' Saving and Profit Sharing Fund, established in 1947, numbered 2,857 at December 31, 1948. Participants contributions to the fund during the 13 months ended December 31, 1948, totaled \$357,718.40. The Company contribution for this same period, computed in accordance with the formula established in the agreement, was \$1,202,647.72. Of the total Company contribution for the 13 months \$1,196,838.12 was for the benefit of employees other than officers.



ENGINEERING

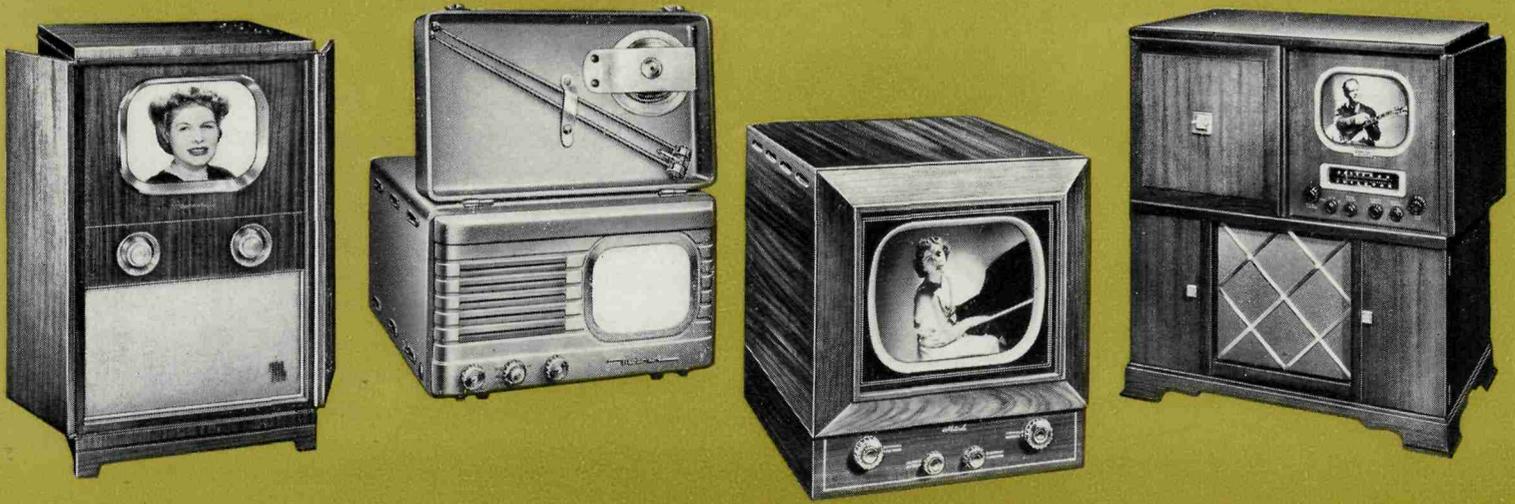
The continued success of an enterprise engaged in the radio and television industry and its associated field of electronics depends largely upon the size and ability of its engineering department. Your Company has long recognized this and has constantly maintained a large staff of scientists and trained engineers engaged in design and development of its products. The importance of this phase of our business is indicated by the amounts expended which in 1946 and 1947 ex-

ceeded \$1,000,000 each year, and in the twelve months ended November 30, 1948 was more than \$1,300,000. These sums do not include engineering and development projects for the government on which the company is also actively engaged at present. A separate laboratory in Phoenix, Arizona is being equipped to carry on additional development contracts for the government.



PRODUCTS

The importance and size of the television industry at the year end far surpassed expectations of a year ago. Sixteen stations located in eleven cities were in operation at the end of 1948. On January 1 of this year, there were fifty-one stations in twenty-nine cities on the air, with networks in the East and Mid-West. New advertisers quick to recognize the advantages of this new merchandising medium rapidly improved the quality of programs as larger viewing audiences were assured. Industry production of television sets approximated 900,000 during 1948, with production rate at the end of the year reaching well above that level. Hindering production throughout the year, the shortage of cathode ray picture tubes became more acute as manufacturing levels increased in the latter part of the year. The Company's 1948 production exceeded 100,000 units with a dollar value of approximately \$15,000,000. Models produced included the seven inch, ten inch, and twelve inch tubes in table models, consoles, and radio-phonograph combinations. The latest model introduced in January 1949, a seven inch portable set complete with its



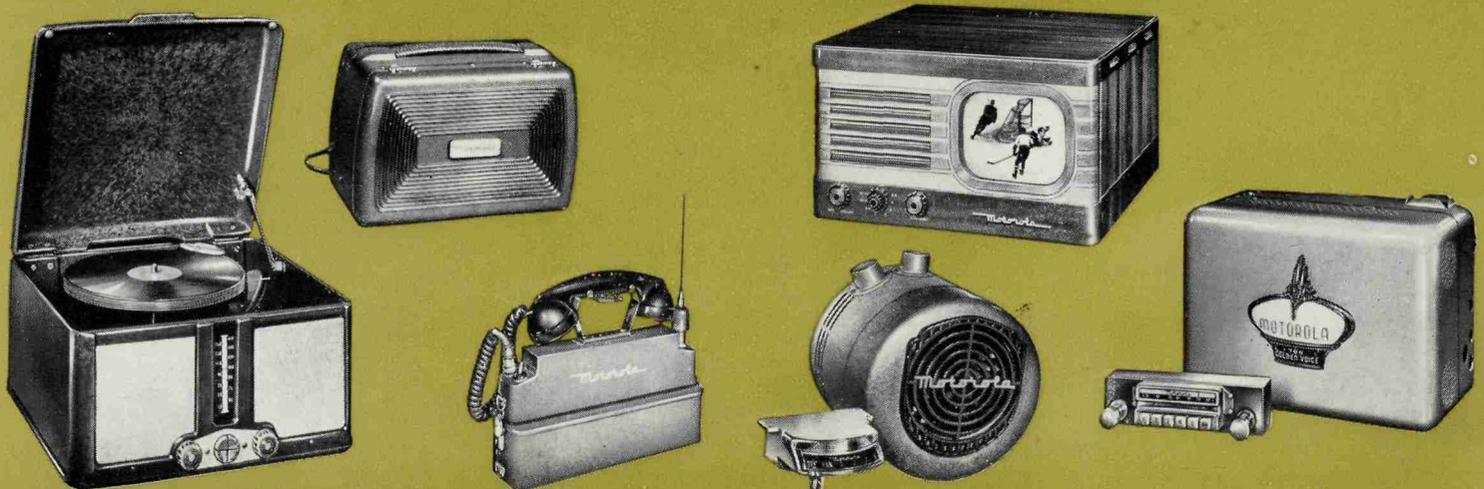
own antenna, at a list price of \$199.95, was received with great enthusiasm by retail outlets. Many new models with tube sizes ranging from seven inches to sixteen inches are now planned for introduction in late spring. Public acceptance of the company's television sets and its engineering contributions to the industry during this past year have led to its recognition at this time as one of the leaders in the industry.

Car radio sales during the past year dropped below the peak volume obtained during 1947. The merchandising trend in car radio has been toward a higher percentage of installations as original equipment at the factory. Consequently, a concerted effort was made to break into this field. Approximately one-third of the Ford business was obtained through the acquisition last summer of International Detrola Corporation's Car Radio Division. Radios are also now being produced for two other car manufacturers, and in addition contracts were signed last fall whereby we will supply about 40% of all radios for Chrysler Corporation's new cars.

Our unit sales of home radios increased substantially over the previous year, although dollar sales decreased approximately 3%. This is the result of a sizable increase in sales of lower priced radios and compares with a decrease of about 30% in sales of home sets experienced by the radio industry.

Although State and Municipal governments are still the largest purchasers of two-way communication equipment, the major portion of equipment sold is now going to various types of industry and business. A continuation of the policy to improve the design and quality of its products has enabled the Company to again lead the industry in this field of mobile communication equipment. As in the past, the great majority of installations made nationally during 1948 carried the Motorola label.

Of future importance to the Company is the fact that this division reaches beyond two-way communication into the field of electronics and its application in industry. Its capable staff of engineers is constantly engaged in development

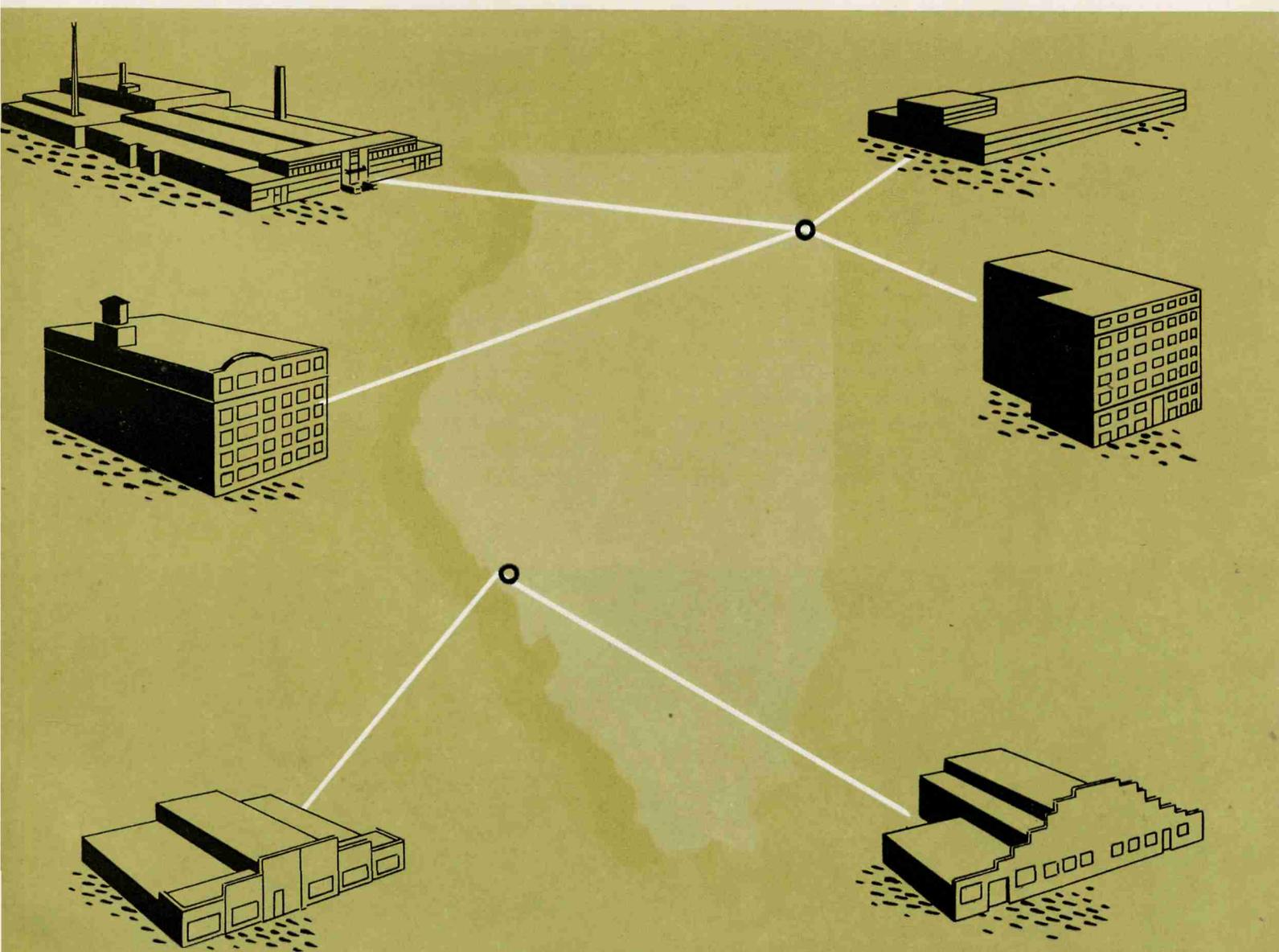


of new industrial applications in this field. Items recently released for sale are electronic devices for teleswitching and telemetering. Teleswitching, of particular importance to power and gas utilities, transportation and communication industries, is able to remotely control circuit breakers, switches, valves, and lights. In telemetering applications, remote readings may be taken of voltage, current, pressure, power, and any other quantities desired. Vital economies and increased efficiency in many operations may be effected with the use of this equipment.

PLANTS AND OPERATIONS

Investment in plant facilities was increased during the past year by \$525,124. This expenditure was made mainly to increase the area of the

Engineering Building and to expand television production facilities. In addition the Company leased and equipped a plant with 14,000 sq. ft. of floor space in Quincy, Illinois for production of radios. Operations began in May and since that time certain of the smaller home sets have been assembled in that plant. The Quincy facilities were expanded later in the year by the acquisition of a small factory building with 15,000 square feet of floor area. The new plant has been equipped and is now in operation. At present the Company is using in excess of 500,000 square feet total of floor area in its entire operation. Anticipating a greatly increased demand for television sets during 1949, the company is planning to again augment its production facilities during this year at an estimated cost of \$500,000.



OUTLOOK FOR 1949

Events of the past year have proved that our estimate for 1948 was stated conservatively. At present an even more optimistic view for 1949 seems justified.

While there are surface indications that adjustments to the general economy may occur this year, a bright future for television appears assured. This should not be greatly affected by minor changes in business. We estimate that at least one-half of your Company's volume during 1949 will be realized through the sale of television receivers. This estimate of volume of television receivers for 1949 must be qualified in part, due to the shortage of picture tubes. The shortage already limiting production of television receivers to a level far below demand, is expected to be overcome by early summer.

The outlook for television at this time is much clearer than it was one year ago. Within a 40 mile radius of stations presently operating, is a potential viewing audience of more than seventeen and a half million families. This will be increased as new stations are opened. Programs should continue to improve rapidly as competition among stations develops. Television as a means of home entertainment is already comparatively inexpensive. It is estimated that at the end of the past year approximately only one million television receivers were in use. In addition to its value as home entertainment, television promises to become increasingly important as an advertising medium.

Your Company's new line of television receivers in preparation for introduction this year contains many new models with larger sized picture tubes and important features recently developed by Motorola's Research Division.

Outstanding among these is the recently announced "Anastigmatic Yoke" developed entirely within the Motorola engineering organization. This feature provides clear, undistorted reception on large size television screens by maintaining positive focus to the far corners of the picture. The complete new line of Motorola television receivers, from portables to large console combinations, incorporates handsome furniture styling with expert cabinetry. All these factors will con-

tribute to wide public acceptance of Motorola television products in 1949.

Production of radios for automobile manufacturers will materially increase sales revenue from that division over last year. Our new line of automobile radios, introduced in January, included a model at a list price under forty dollars for the first time since 1941. Model 309, with a self contained speaker and control head, is unique in that it may be mounted in any make or model car of any year.

Industry sales of home radios will probably be reduced again this year. While the primary effect of this decline will be felt among lesser known makes of radios, sales volume of this division may be affected to some degree.

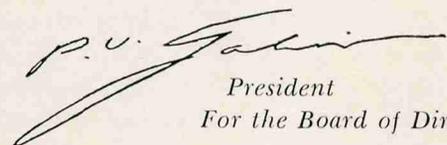
Heater production, on a greatly reduced scale this past year, resulted in an operating loss for this division. With the urgent need for additional facilities to produce television receivers, it has been decided to suspend heater operations indefinitely.

Prospects for the Communications and Electronics Division are favorable indeed. Broadening our activities in this field has been accomplished through the introduction of several new products. With inherent cost saving qualities in commercial and industrial applications, sales volume of this division is less sensitive to changing economic conditions.

In short, the many favorable aspects of our business now apparent should result in a prosperous 1949 for Motorola Inc.

At this time we are pleased to announce the election on November 1, 1948 of Robert W. Galvin as Executive Vice President of the Company. He has served in many capacities during the past seven years, becoming familiar with all phases of Company operations.

The Management also welcomes this opportunity to express gratitude to employees, shareholders, and customers, all of whom contributed to the prosperity of the Company.


President
For the Board of Directors

MOTOROLA EMPLOYEES

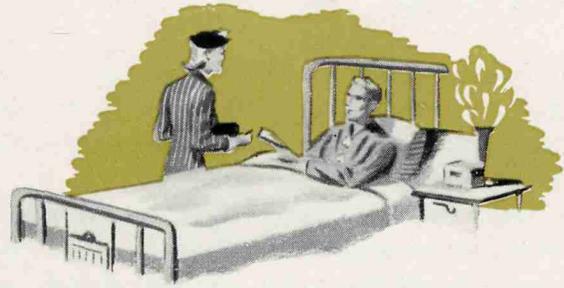
The Motorola management is cognizant of the important role played by our employees. Without the combined effort and loyalty of our more than four-thousand workers the results accomplished during the past year would not have been possible, nor would our confidence in the future be as strong.



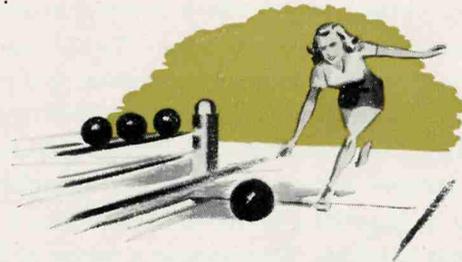
Evidence of this interest in our people is found in Company policies. Selection of personnel is accomplished after thorough screening, personal interviews and aptitude tests. After a complete indoctrination program, the new employee is introduced to his department head by a sponsor. The sponsor who knows the Company well, acts as host to the new employee at rest periods, and makes certain that he becomes acquainted. Employees lacking previous experience are given thorough on-the-job training.



Motorola wages have always compared more than favorably with other companies providing similar work and each employee after one year of service becomes eligible for membership in the Motorola Inc. Employees Saving and Profit Sharing Fund. Stability of employment, due to diversification of products, paid holidays and vacations, free life and hospitalization insurance, and a Credit Union for emergency loans are some of the benefits provided.



Personal recognition and satisfaction are important ingredients in the work of each person. Pay increases based on seniority as well as promotions, the result of merit and length of service, add individual incentive. It is interesting to note that because of these policies, most of Motorola management—supervisors, foremen, department heads, and executives—have been developed from within the Company. They are included among the large number of employees and their families owning a substantial stock interest in the Company.



Every employee is encouraged to join his fellow workers in a number of Company-sponsored activities. The Motorola Glee Club and The Galvin Choraleers, bowling, softball teams, golf tournaments and various clubs comprise certain of the activities. The Service Club annually honors those who have been with Motorola ten years or more.



Employees' families are encouraged to take an active interest in the Company. To this end, Open House is held each year for one week during the month of December. Last year more than ten-thousand people were in attendance. Each month, "The Voice of Motorola," an employee magazine, as well as a personal letter from the President of the Company, are mailed directly to the homes.

BALANCE SHEET

December 31, 1948

ASSETS

Current assets:

Cash			\$ 4,161,744.48
Trade receivables	\$ 7,055,362.04		
Less reserve for bad debts	<u>150,000.00</u>		6,905,362.04
Other current receivables			321,884.61
Inventories—at the lower of cost or market:			
Finished stock	\$ 894,643.46		
Work in process	872,899.04		
Raw materials and supplies	<u>4,617,570.65</u>		6,385,113.15
TOTAL CURRENT ASSETS			<u>\$17,774,104.28</u>
Deferred charges			317,978.19
Investments in wholly-owned subsidiaries—at cost plus undistributed earnings from dates of acquisition			685,490.73
Other assets			11,331.83
Tangible fixed assets—at cost:			
Dies—less amortization	\$ 265,927.70		
Land	106,395.67		
Depreciable assets	\$3,497,996.54		
Less reserves for depreciation	<u>722,114.23</u>	<u>2,775,882.31</u>	3,148,205.68
Patents and trademarks—less amortization			63,751.46
			<u>\$22,000,862.17</u>

ASSETS

FOOTNOTES TO FINANCIAL STATEMENT:

The company is defendant in a suit now pending in the Circuit Court of Cook County, Illinois, wherein the plaintiff (a former employee 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's being held liable in this

AUDITORS REPORT

Board of Directors,
Motorola Inc.

We have made an examination of the accounts of MOTOROLA INC. (an Illinois corporation), for the thirteen months ended December 31, 1948.

Our examination was directed primarily to the verification of the financial condition of the company on December 31, 1948, and included a general review of the income and expense accounts, but without a detailed audit of the transactions for the period; 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

Motorola Inc.

LIABILITIES AND NET WORTH

Current liabilities:		
Accounts payable—trade		\$ 2,297,677.90
Customers' credit balances		112,125.60
3½% promissory note—current prepayment requirements		133,000.00
Reserves for taxes:		
Federal income tax	\$ 2,204,446.13	
Other	336,350.93	2,540,797.06
Accrued compensation		317,875.21
Payable to Employees' Savings and Profit Sharing Fund		236,382.14
Reserve for cooperative advertising		609,915.79
Reserve for product warranty		233,937.30
Other current liabilities		404,816.77
TOTAL CURRENT LIABILITIES		<u>\$ 6,886,527.77</u>
3½% promissory note, due June 1, 1963— less current prepayment requirements, above		1,867,000.00
Net worth:		
Capital stock—par value, \$3.00 per share; authorized, 1,000,000 shares; issued, 800,000 shares	\$ 2,400,000.00	
Surplus:		
Paid in	\$1,227,832.40	
Earned	9,195,283.89	10,423,116.29
TOTAL		\$12,823,116.29
Undistributed earnings of wholly-owned subsidiaries	424,218.11	
TOTAL NET WORTH		<u>13,247,334.40</u> <u>\$22,000,862.17</u>

matter for any but a nominal amount.

The company's federal income tax returns for fiscal years subsequent to November 30, 1946 are subject to review by the Treasury Department.

The parent company's recorded equity in the undistributed earnings of wholly-owned subsidiaries increased \$206,725.01 since November 30, 1947. No dividends were received.

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 December 31, 1948, and the results of its operations for the thirteen months 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.

Chicago, Illinois, February 16, 1949.



INCOME and EXPENSE

FOR THE THIRTEEN MONTHS ENDED
DECEMBER 31, 1948

	YEAR ENDED NOVEMBER 30	PERIOD DEC. 1—DEC. 31	13 MONTHS ENDED DEC. 31
Net sales	\$57,370,725.39	\$4,610,717.05	\$61,981,442.44
Cost of sales	44,101,905.31	3,657,869.81	47,759,775.12
Gross profit on sales	\$13,268,820.08	\$ 952,847.24	\$14,221,667.32
Other income	454,833.79	40,930.92	495,764.71
TOTAL	<u>\$13,723,653.87</u>	<u>\$ 993,778.16</u>	<u>\$14,717,432.03</u>
Deduct:			
Selling and general expenses	\$ 7,141,650.28	\$ 528,354.96	\$ 7,670,005.24
Contribution to Employees' Savings and Profit Sharing Fund	1,128,290.55	74,357.17	1,202,647.72
Other expenses	82,861.68	6,570.30	89,431.98
TOTAL DEDUCTIONS	<u>\$ 8,352,802.51</u>	<u>\$ 609,282.43</u>	<u>\$ 8,962,084.94</u>
Net income before provision for federal income tax ...	\$ 5,370,851.36	\$ 384,495.73	\$ 5,755,347.09
Provision for federal income tax	2,058,000.00	147,000.00	2,205,000.00
NET INCOME	<u>\$ 3,312,851.36</u>	<u>\$ 237,495.73</u>	<u>\$ 3,550,347.09</u>

NOTE: Depreciation included in cost of sales and selling and general expenses totaled \$172,075.86 for the year ended November 30, 1948, and \$16,053.51 for December, 1948.

STATEMENT OF SURPLUS

FOR THE THIRTEEN MONTHS
ENDED DECEMBER 31, 1948

	YEAR ENDED NOVEMBER 30, 1948		MONTH OF DECEMBER, 1948	
	Paid in	Earned	Paid in	Earned
Balances, beginning of period	\$1,227,832.40	\$ 6,790,020.37	\$1,227,832.40	\$8,957,788.16
Net income for the period		3,312,851.36		237,495.73
TOTAL	<u>\$1,227,832.40</u>	<u>\$10,102,871.73</u>	<u>\$1,227,832.40</u>	<u>\$9,195,283.89</u>
Deduct:				
Dividends paid—\$1.25 per share		\$ 1,000,000.00		
Appropriation from earned surplus to provide addition to reserve for bad debts		100,000.00		
Additional assessments of federal income and excess profits taxes— prior years		45,083.57		
TOTAL DEDUCTIONS		<u>\$ 1,145,083.57</u>		
Balances, end of period	<u>\$1,227,832.40</u>	<u>\$ 8,957,788.16</u>	<u>\$1,227,832.40</u>	<u>\$9,195,283.89</u>

In accordance with the terms of the loan agreement for the 3½% promissory note, as of December 31, 1948, earned surplus in the amount of \$7,855,124.49 was not available for dividends (other than stock dividends) or repurchase of the company's capital stock.

DIRECTORS and OFFICERS

BOARD OF DIRECTORS

PAUL V. GALVIN
ROBERT W. GALVIN
MATTHEW J. HICKEY, JR.
GEORGE R. MACDONALD

DANIEL E. NOBLE
FRANK J. O'BRIEN
WALTER H. STELLNER
ELMER H. WAVERING

OFFICERS

PAUL V. GALVIN
President

ROBERT W. GALVIN
Executive Vice-President

ELMER H. WAVERING
Vice-Pres. in Charge of Products Division

WALTER H. STELLNER
Vice-Pres. in Charge of Merchandising

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 2, 1949. 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, 1949, at which time proxies will be solicited by the management.

Motorola
INC.

