



Motorola Inc.

annual report 1949

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 and Treasurer
CHARLES E. GREEN
Secretary

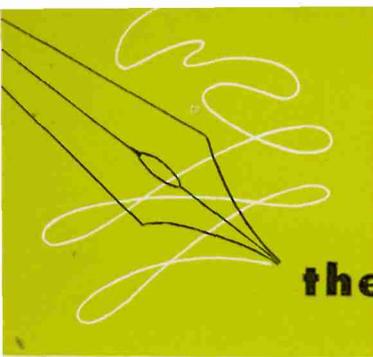
REGISTRARS

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

The annual meeting will be held on Monday, May 1, 1950. 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, 1950, at which time proxies will be solicited by the management.

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 president's report to the stockholders

The year 1949 was outstanding in every respect for your company. Motorola Inc. became firmly established as one of the four leading producers of Television Receivers and achieved an even more dominant position in the fields of Automobile Radio and Mobile Communications than ever before in its history.

consolidated sales and earnings

For the year ended December 31, 1949, consolidated net sales amounted to \$81,803,358. Net earnings for this period were \$5,280,196, equivalent to \$6.60 per share.

No comparisons with prior years are available for the reason that all financial information heretofore reported by your company has related exclusively to the transactions and accounts of the parent company—Motorola Inc. There are now three wholly-owned subsidiary corporations acting in the capacity of distributors of our products in the Chicago, Detroit and Philadelphia territories. The Detroit subsidiary was acquired January 1, 1949. Prior to December 31, 1948, the Chicago and Philadelphia corporations were on a different fiscal year basis and therefore it was impractical to consolidate financial data of these subsidiaries with those of the parent company. Heretofore the investment account of Motorola Inc. reflected the initial investment plus undistributed earnings of

the subsidiary corporations. Changes have been made in the fiscal year of each corporation so that now each is on a calendar year basis.

Consolidated financial data presenting Motorola Inc. and its wholly-owned subsidiaries as a single economic unit are included for the first time in this report. The investment in these companies and the operating profits obtained from them are growing in importance. A more comprehensive picture of the overall operations of Motorola Inc. will be shown by the inclusion of these data and in the future all financial reports will be made on a consolidated basis.

sales and earnings of parent company

Sales for the year 1949 amounted to \$79,056,115 as compared with sales of \$58,080,236 for the twelve months ended December 31, 1948, representing an increase of 36.1%. Net earnings for the year of \$4,882,059 compare with net income for the twelve-month period ended December 31, 1948 of \$3,332,740, an increase of 46.5%.

In order that comparison may be made between the financial data of this year and that of the twelve-month period ended December 31, 1948, there is presented, in this report, Statements of Financial Condition and Income and Expense for the parent company alone, as well as on a consolidated basis.

financial position

At December 31, 1949, working capital of Motorola Inc. and its subsidiaries stood at \$14,558,505. Accounts receivable, substantially higher than at the close of the previous year, amounting to \$9,748,520, reflect the high level of sales during December. Inventories of \$8,517,643 include \$1,673,036 of finished goods, the major portion of which was new models produced in December in preparation for the introduction of a new line of Television and Automobile Radios at the January convention of our distributors.

During the past year approximately \$900,000 was expended for plant and equipment to increase productive capacity. In anticipation of an even greater volume for 1950, it is expected that investment in plant and equipment will be further increased.

Net worth of \$17,165,391, of which \$14,558,505 is in working capital, should permit the company to meet increased financial requirements for 1950, without the necessity of outside financing.

dividends

The Directors, at a meeting held December 12, 1949, voted to increase the regular quarterly dividend from 25¢ to 37½¢ per share. An extra dividend of 37½¢ per share was also declared, bringing the year's total to \$1.50 per share. While an anticipated increase in sales volume during 1950 with a corresponding requirement of additional working capital necessitates a continuation of a conservative dividend policy, the change in the regular quarterly rate was made to bring it more

in line with current and future prospective earnings. Coincident with the change in the fiscal year ending from November 30 to December 31, made effective at the close of 1948, dividend payment dates were likewise changed to a month later than in prior years.

The stockholders at the close of the year numbered 2,774. Of the 800,000 shares of stock outstanding, a total of 272,284 shares was owned directly or beneficially by the Directors, Officers and their immediate families.

profit sharing

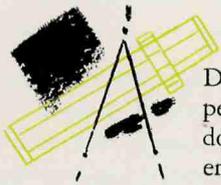
Membership in Motorola Inc. Employees' Saving and Profit Sharing Fund mounted to 3,128 in number at December 31, 1949, an increase of 271 members since December 31, 1948. Participants' contributions to the fund during the year totaled \$416,425, while the Company contributed \$1,654,120. Of the total company contribution for the year, \$1,647,764 was for the benefit of employees other than officers and directors. This fund, established in 1947, has for its principal purpose the providing of a solution to the problem of pensions for employees upon retirement. At December 31, 1949, the fund, administered by the trustee with four advisory members of the company and its employees, had a book value of \$3,984,506, and a market value of \$4,101,982.

The success of our enterprise is due in large measure to the intelligence, efficiency and loyalty of the more than 5,500 members of the Motorola family. On behalf of the Board of Directors, I take this opportunity to express our gratitude to them.



*President
For the Board of Directors*

Motorola engineering and research



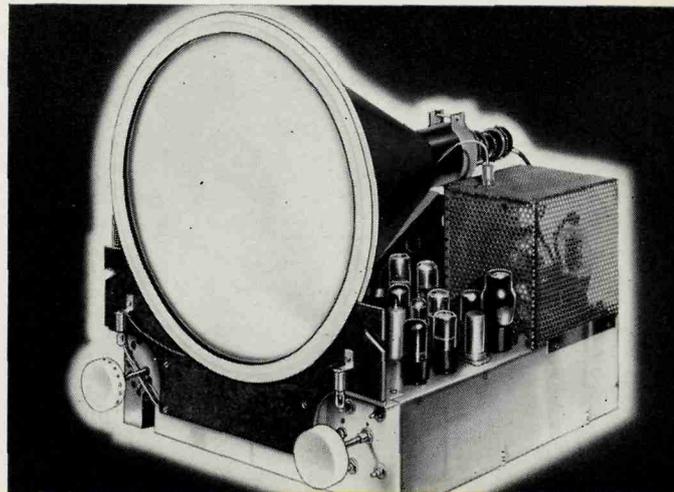
During the year there was expended in excess of two million dollars for research and development engineering on the company's products, exclusive of engineering costs on government projects. Emphasis placed upon engineering in the past has enabled our company to become a leader in bringing out new developments in radio, television and their associated field of electronics. This will continue to be our policy.

AMONG our more notable engineering achievements in the field of home entertainment were the stabilizing and simplifying of television circuits. In contrast with as many as eight controls formerly, only two simple controls are now required for operation by set owners. Improved picture and tone quality also were accomplished while costs were reduced through elimination of component parts of the television chassis previously thought necessary.

A COMPLETELY non-directional built-in loop aerial, a new service-free, three-speed record changer, and much of the original circuit design for use of the rectangular television picture tubes were also developed by our engineers. As a result of this engineering activity, savings in cost of product are effected, thereby enabling your company to produce a better value and at lower prices.

OF MAJOR importance in the field of communications, Motorola engineers, after several years of research, perfected and processed for production a Microwave relay system. This equipment is used primarily to convey messages over long distances formerly requiring the use of leased or privately-owned wire lines. Principal users of this equipment will be pipe line, railroad and utility companies. The advantages of transmitting information over a microwave relay include substantial savings in operating costs and, even more importantly, a much greater degree of reliability, since the relay is practically impervious to storms and other adverse elements of nature.

CULMINATING two years of research, in anticipation of greater utilization of the radio spectrum, our Communication & Electronics Division released to production a new line of two-way mobile radio equipment which affords use of adjacent channel operation. Whereas, previously it was necessary for the Federal Communication Commission to assign alternate channels, retaining a guard channel between to prevent interference, it is now possible to assign and use the adjacent channels for operation.

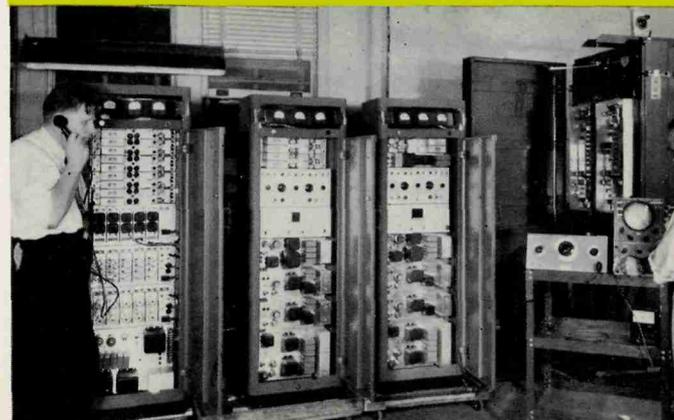


Motorola Masterpiece Model Television Chassis



Motorola Engineer Records Electrical Data

Motorola Microwave Repeater Communications Equipment Undergoing Test.



the new center of interest

the home theater



Model 19F1



Model 16F1



Model 16K2

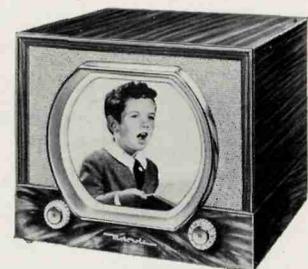
The family is re-united and the living room is brightened where a home has Television! Public demand for Television exceeded all expectations during 1949 reaching new heights in the fall. Improved programming, offering a variety of top flight entertainment, has created an ever-increasing interest in the possession of a Television set as a "home theater" for the entire family.

Motorola's bid for a leading position in this industry as a producer of Television receivers was made when its fall line was introduced during August, 1949 as the first complete line of models offered by any manufacturer, it provided a new note in styling. Prices ranged from \$119.95 to \$825.00 for screen sizes from 7-inch to 16-inch.

From the time of introduction and throughout the fall and winter months, these Television receivers were acclaimed by distributors, dealers and public alike for styling and finish of cabinets, simplicity of operation and particularly for the new low prices offered for the first time by any leading manufacturer of Television. We are certain that as a result of this line, Motorola became firmly recognized in the minds of the buying public as a leader in the production of furniture-styled, quality Television receivers.



Model 16T1



Model 12T1

the world's most famous

Auto radios

Twenty years of producing the finest in Auto Radio and making that fact known to car drivers in magazines, newspapers, and on the highways has made Motorola the most famous of the Auto Radios.

Motorola's expanding automobile radio activity includes the production of radios for car manufacturers for instal-

lation as initial equipment in Ford, Plymouth, Dodge and DeSoto automobiles. Sales of automobile radios for other makes of cars, as a post-purchase installation, were made through our national distributing organization. Prices on these sets list as low as \$39.95, for the first time since pre-war days.



Model 400



Model 800

new styling in home radios

Although it was thought that the great interest in Television would materially reduce our business in home radios, revival of public acceptance was evidenced clearly in the past fall-winter season. New styling in cabinet design brought a high demand for Motorola's table models and combination radio-phonograph consoles. The new "Multi-Play," service-free record changer, designed and produced by Motorola, was received with enthusiasm by retailers. In addition to playing all speeds— $33\frac{1}{3}$, 45, and 78 RPM—and all size records—

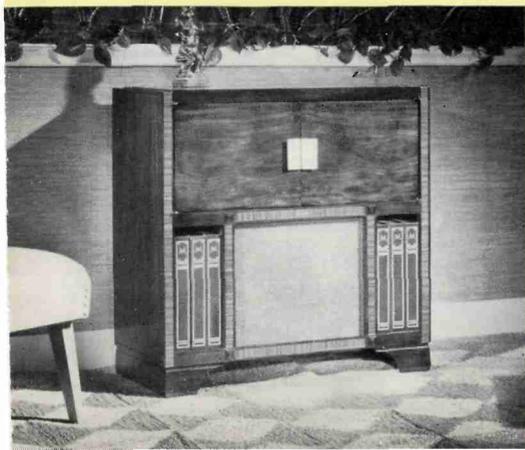
7", 10", and 12"—the simplicity of operation with one tone arm and needle made it outstanding competitively. Portable radios likewise were popular throughout the year and as a result Motorola sold a higher percentage of the industry's output of home radio than ever before in its history. Here again, factory production was insufficient to meet the demand.

Inventories of all Motorola products in the hands of distributors and dealers were practically exhausted at the end of 1949.

Model 99FM21

Model 6L1

Model 79FM21





communications and electronics



Recent Installation of Motorola Two-way FM Communication System for Both a Community Police and Fire Department

Motorola Two-way FM Mobile Communication Equipment at Work for the Construction Industry



The Communication and Electronics Division of our company made distinct forward strides in 1949, continuing to supply the greatest number of FM two-way radio communication systems to Police, Fire, Forestry Conservation, Electrical Power and Gas Utilities, Rural Electric Service, Highway Maintenance, Taxi-cabs, Bus, Truck, Railroad, Auto Clubs, Petroleum Producing and Pipe Line Companies, Lumbering Operations, Motion Picture Producers, Newspapers and Special Industrial users.

JULY 1, 1949 saw the future of the two-way radio communication field further broadened, through the adoption by the Federal Communications Commission of new rules and regulations covering radio communications with allocation of frequencies to many new types of potential users. This was made possible by the development of equipment which provides for adjacent channel operation, doubling the number of available channels. The Federal Communications Commission today is assigning adjacent channels to licensees. Our new "Research Line" of communication equipment immediately released following the announcement of the Federal Communications Commission rules has been well received and furnishes protection against obsolescence, affording perfect adjacent channel operation plus channel splitting in the future with but the minor exchange of a major development, the Permakay filter.

OUR LAST annual report referred to the development in our research laboratories of a new method of Supervisory Control and Telemetering. 1949 saw actual installations made for the first time. The results obtained by users of this equipment give great promise that this field will represent an even larger potential volume in the future than had ever been anticipated.

MICROWAVE RELAY equipment providing a method of direct communication between points, which might be compared to a light beam on which ten or more individual conversations or other intelligence can be transmitted simultaneously, was placed in production during the latter part of the past year. The potential for the use of microwave relay links is apparently limitless, as they can be utilized wherever dependable communication is required and the maintenance of wires is impracticable due to weather conditions or ruggedness of terrain.

merchandising and advertising

Motorola products

A hard hitting program of aggressive merchandising and carefully planned advertising and sales promotion was carried out by your company during 1949. This program was supported by the largest expenditure, for these purposes, in the history of Motorola Inc.

More frequent use of four-color advertisements was made in a greater number and variety of national magazines in addition to a much more extensive newspaper advertising program in all key markets. An increased variety of display material, sales aids, and promotion literature was provided for dealers.

Recognizing the importance of the retail salesmen's need of product information and sales methods, a comprehensive training program on product information and sales techniques was initiated for distributors' salesmen and retailers. Films and charts were used in conducting meetings with 8600 dealers and salesmen, approximately half of all dealers throughout the country, during the last half of the year. The background of Motorola and its growth was woven into a full color pictorial presentation of the products, features and retail demonstration selling methods.

These programs are being augmented for 1950 to bring greater enthusiasm and impetus into more aggressive field promotion of Motorola merchandise.

NATIONAL ADS



NEWSPAPER ADS



HIGHWAY SIGNS

DIRECT MAIL and LITERATURE



SALES TRAINING



DISPLAYS



QUINCY, ILLINOIS,
PLANT NO. 2



MAIN PLANT,
AUGUSTA BLVD., CHICAGO.



QUINCY, ILLINOIS,
PLANT NO. 1

plants and operations

Moderate expansion of plant and equipment, employment of greater mechanization and greater use of second and third shift operations enabled the company to increase materially its productive capacity during the year. Operations in the company's Quincy, Illinois plants were at capacity throughout most of the year. Higher production requirements for 1950 make it advisable to increase facilities in this location. Last December contracts were let for the construction of a small single-story building with approximately 15,000 square feet of floor area which is scheduled for completion about April 1, 1950. During February 1950, the Company also leased additional space totaling 70,000 square feet, bringing total area to be used during 1950 in Quincy to 115,000 square feet. Since May 1949, the Company has operated a laboratory in Phoenix, Arizona for the purpose of research and development engineering under government contracts. This activity has outgrown the facilities, and in December 1949 construction was started of a single-story building having a floor area of 40,000 square feet. The new building will serve in place of leased space and will be used for engineering and production of equipment for military use under government contract.



HALSTED STREET WAREHOUSE,
CHICAGO.



WASHINGTON BLVD. PLANT,
CHICAGO.



PHOENIX, ARIZONA,
LABORATORY

employee activities

The Motorola family continued its sound growth during 1949, and, at the end of the year, numbered in excess of 5,500. A Savings and Profit Sharing Fund, Credit Union, Free Life and Hospitalization Insurance with liberally increased benefits, were among the many advantages enjoyed by Motorola employees.

A Supervisory Training program to further stimulate cooperation and understanding among employees at all levels was instituted last year for factory supervisors and foremen. A new group known as the Recreation Committee was formed from representatives of all Motorola clubs and organizations to help acquaint every employee with the many activities, sports, clubs, and free educational opportunities available to them.

All these activities are self-supported by employees and supervised by management representatives.

The achievement of a better understanding and enjoyment of their jobs is reflected in the cooperative and friendly spirit of Motorola employees.



Safety Award Presentation at Washington Blvd. Plant

Motorola Annual Open House



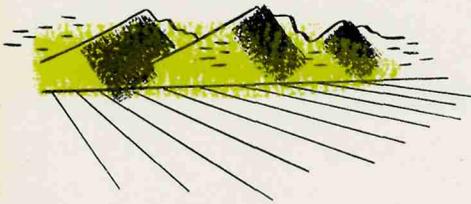
Team Picture of Company Baseball Squad

Girls of the Galvin Choraleers Singing Group



looking forward to

New Horizons



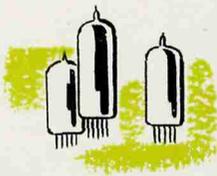
AFTER THE MOST prosperous year in Motorola history and with sales for this first quarter running more than double the amount obtained in the similar 1949 period it is not difficult for us to anticipate an even more successful 1950.

television



We know from experience that during the summer months demand for Television sets decreases. This for the simple reason that, during that period, out-of-door activities command the greater attention of people normally interested in Television programs. It is significant that last year 45% of our Television sales came in the final quarter. Therefore, it is difficult to forecast now, with any degree of accuracy, sales volume for the full year. It can be confidently stated, however, that there will be a greater number of Television sets sold in 1950 than in 1949. Your management feels certain that Motorola, as one of the four leaders, will not only maintain but increase its percentage of total industry sales.

Our 1950 line of Television sets and Automobile radios, introduced to distributors in January, again proved exceptional among lines shown by all manufacturers. An outstanding new model is the compact and attractive cabinet enclosing the new 16" rectangular tube, the FM/AM radio and "Multi-Play" record changer. Priced at \$399.95 it represents by far the best value in the industry. Dealer and public acceptance of our new models, ranging from 8½" to 19" tube sizes, has been such as to cause continued allocation of the factory's maximum output.



radio

Our Automobile Radio line has been completely redesigned and, according to present market indications, Motorola car radio sales in the "after market" should be approximately 50% greater than last year. Reports from the field indicate that a

much higher percentage of new cars is being delivered without radios, resulting in a greatly expanding "after market" demand. Motorola, occupying a unique position in this field, with a complete line of new car sets, is in position to take full advantage of this condition.

The revival of interest in home radio, quite pronounced during the fall and winter months of 1949, continues, and the prospects for this division in the coming year are far brighter than were evident at this time last year. Whereas, in the early months of 1949, liquidations within the industry of home radio stocks were not uncommon and deliveries of merchandise to dealers and consumers extremely slow, the field movement this year has been somewhat above normal.



communications

The completion of successful research studies and several installations of newly developed equipment last year encourage us to anticipate a substantial increase in the sales volume for the Communication and Electronics Division in 1950. The broad field of industrial communications is practically unlimited. Your company is now prepared to offer a complete package of point-to-point communication systems, microwave relay systems, and supervisory control equipment for use in many applications by railroads, pipe lines, and power companies. It is expected that mobile installations for two-way radio communication will also increase as the need for instant communication becomes more of a necessity in business, industry and safety services.

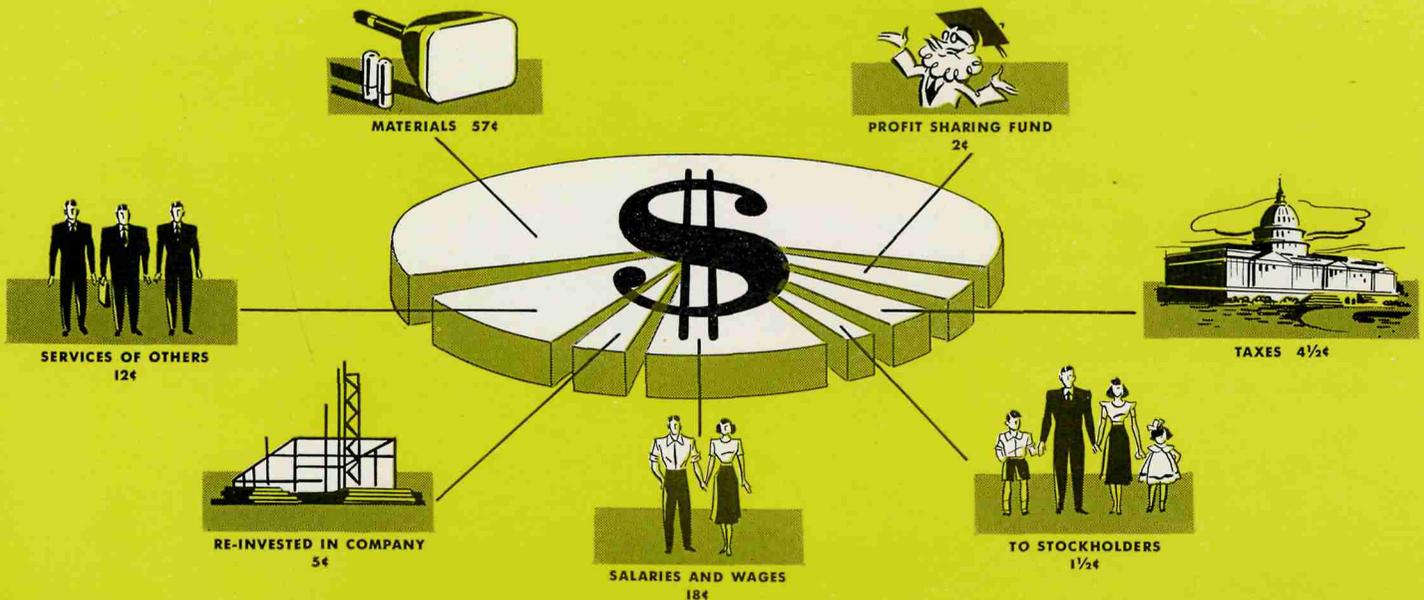
ON JANUARY 1, 1950 an Advisory Council consisting of fifteen of our leading junior executives was created. This group will meet regularly to discuss all company problems, and will make recommendations to the Board of Directors. In addition to being of valuable assistance in the management of Company affairs, it is expected that future senior executives will be chosen from this council as the need arises.

10

a ten year comparative statement

Year	Net Sales	Net Earnings	Net Earnings Per Share ¹	Working Capital	Investment in Plant and Equipment ²	Net Worth
1940 ³	\$ 9,936,558	\$ 471,476	\$.59	\$1,105,388	\$ 709,523	\$ 1,844,651
1941	17,631,499	906,824	1.13	1,822,044	856,402	2,829,151
1942	30,918,014	858,456	1.07	2,048,294	1,209,574	3,377,949
1943	78,454,461	1,259,302	1.57	2,854,250	1,345,746	4,405,889
1944	86,946,631	1,448,351	1.81	3,133,942	1,913,486	5,672,512
1945	67,896,597	851,882	1.06	4,671,851	1,273,523	6,311,719
1946	23,201,107	656,286	.82	5,862,933	2,464,598	8,733,345
1947	46,679,148	2,510,410	3.14	7,028,844	2,811,211	10,635,345
1948 ⁴	61,981,442	3,550,347	4.44	10,887,576	3,148,205	13,247,334
1949 ⁵	81,803,358	5,280,196	6.60	14,558,505	4,071,987	17,165,391

¹ Earnings per share of common stock based upon 800,000 shares outstanding at December 31, 1949. ² Net investment after deduction of depreciation reserves. ³ Eleven month period ended November 30, 1940. ⁴ Thirteen month period ended December 31, 1948. ⁵ Consolidated information including financial data of wholly-owned subsidiaries.



what happens to our sales dollar

We Received

From Sale of our Products.....	\$81,803,358
Miscellaneous Income	316,590
Total	<u>\$82,119,948</u>

100% ←

We Paid

For Materials	\$46,954,223
For Manufacturing, Selling and other expenses	9,618,247
For Taxes	3,709,845
For Salaries and Wages of Employees	14,903,317
To Profit Sharing Fund for future payment to Employees at time of retirement	<u>1,654,120</u>
These items total	<u>\$76,839,752</u>

93.6% ←

Leaving for Stockholders and reinvest-

ment in Company

\$ 5,280,196

6.4% ←

Distributed to Stockholders for use

of their money

\$ 1,200,000

1.4% ←

Reinvested in Company for future growth.....

4,080,196

5.0% ←



Current Assets:

Cash	\$ 7,252,068
Accounts receivable (less reserves for uncollectible accounts—\$185,000)	9,748,520
Other current receivables	233,672
Inventories	8,517,643
Prepaid expenses	105,013
Total Current Assets	<u>\$ 25,856,916</u>

Current Liabilities:

Accounts payable and sundry accruals	\$ 6,441,426
Provisions for taxes	3,738,868
Portion of long-term debt due within one year	133,000
Dividend payable	600,000
Reserves for product warranty	385,117
Total Current Liabilities	<u>\$ 11,298,411</u>

Working capital (excess of current assets over current liabilities)

Deferred items applicable to future periods	84,687
Other assets	9,428
Equipment leased to others—less depreciation	132,215
Plant and equipment—less depreciation	4,071,987
Patents and trademarks—less amortization	76,756

Total Working Capital and Other Assets

Long-term debt less current prepayment requirements	1,661,000
Excess of assets over liabilities	<u>\$ 17,272,578</u>
Deduct deferred television service and warranty income	107,187
Remainder — stockholders' equity	<u>\$ 17,165,391</u>

Represented by:

Capital stock	\$ 2,400,000
Surplus arising from sale of stock at more than par value	1,227,832
Earned surplus	13,537,559
Stockholders' Equity	<u>\$ 17,165,391</u>

	DECEMBER 31,	
	1949	1948
Current Assets:		
Cash	\$7,064,230	\$4,161,744
Accounts receivable (less reserve for uncollectible accounts — \$150,000)	8,892,821	6,905,362
Other current receivables	235,534	321,885
Inventories	8,234,464	6,385,113
Prepaid expenses	85,289	200,765
Total current assets	<u>\$24,512,338</u>	<u>\$17,974,869</u>
Current Liabilities:		
Accounts payable and sundry accruals	\$ 6,325,390	\$ 3,978,793
Provisions for taxes	3,520,733	2,540,797
Portion of long-term debt due within one year	133,000	133,000
Dividend payable	600,000	
Reserves for product warranty	385,117	233,937
Total Current Liabilities	<u>\$10,964,240</u>	<u>\$ 6,886,527</u>
Working capital (excess of current assets over current liabilities)	\$13,548,098	\$11,088,342
Deferred items applicable to future periods	79,141	117,213
Investments in wholly-owned subsidiaries	1,032,028	523,352
Other assets	81,740	11,332
Plant and equipment—less depreciation	3,948,628	3,148,206
Patents and trademarks—less amortization	76,756	63,751
Total Working Capital and Other Assets	<u>\$18,766,391</u>	<u>\$14,952,196</u>
Long-term debt less current prepayment requirements	1,601,000	1,867,000
Excess of assets over liabilities	<u>\$17,165,391</u>	<u>\$13,085,196</u>
Represented by:		
Par value of capital stock outstanding (800,000 shares)	\$ 2,400,000	\$ 2,400,000
Surplus arising from sale of stock at more than par value	1,227,832	1,227,832
Earned surplus	12,877,343	9,195,284
Undistributed earnings of subsidiaries	738,904	424,218
Less intercompany profit in inventories of subsidiaries	78,688*	162,138*
Total Stockholders' Equity	<u>\$17,165,391</u>	<u>\$13,085,196</u>

*Deduction

**consolidated statement of
income and expense and
earned surplus**

for the year ended December 31, 1949

Products sold	\$ 81,803,358
Other income	316,590
Total income	<u>\$ 82,119,948</u>
Deduct:	
Manufacturing and other costs of products sold.....	\$ 61,399,064
Selling, service and administrative expenses.....	10,277,634
Contribution to employees' profit-sharing fund.....	1,654,120
Provision for federal and state income taxes.....	3,305,500
Other expenses	203,434
Total deductions	<u>\$ 76,839,752</u>
Net income	\$ 5,280,196
Earned surplus, beginning of year.....	9,457,363
Total	<u>\$ 14,737,559</u>
Dividends paid or declared—\$1.50 per share	1,200,000
Earned surplus, end of year	<u><u>\$ 13,537,559</u></u>

Notes to **financial statements**

In accordance with the restrictive terms of the loan agreement for the 3½% promissory note, earned surplus of the parent in the amount of \$6,087,322 was available on December 31, 1949, for the payment of dividends or repurchase of the company's stock.

The company is defendant in a suit, brought by a former distributor, in which the plaintiff alleges damages of \$1,320,000, with a request for trebling; in the opinion of the company's counsel, there is only a remote, if any, possibility that the company will be held liable in any amount.

Inventories are valued at the lower of cost or market, on a first-in first-out basis. The inventories on December 31, 1949 are detailed as follows:

	COMPANY	CONSOLIDATED
Finished stock	\$1,389,857	\$1,673,036
Work in process	894,600	894,600
Raw materials and supplies.....	5,950,007.	5,950,007
TOTAL	<u>\$8,234,464</u>	<u>\$8,517,643</u>

The investment of the parent in wholly-owned subsidiaries is carried at underlying book values, adjusted to eliminate the intercompany profit in inventories of the subsidiaries at December 31, 1949 and 1948. The parent company's recorded equity in undistributed earnings of the wholly-owned subsidiaries increased \$398,136 during the year, after giving effect to the adjustments above referred to. No dividends were paid by the subsidiaries.



statement of income and expense and earned surplus

	YEAR ENDED DECEMBER 31,	
	1949	1948
Products sold	\$ 79,056,115	\$ 58,080,236
Other income	139,755	32,036
Total income	<u>\$ 79,195,870</u>	<u>\$ 58,112,272</u>
Deduct:		
Manufacturing and other costs of products sold	\$ 60,611,700	\$ 44,275,301
Selling, service and administrative expenses	8,830,192	7,166,756
Contributions to employes' profit-sharing fund	1,654,120	1,132,764
Provision for federal income tax	3,100,000	2,116,684
Other expenses	117,799	88,027
Total deductions	<u>\$ 74,313,811</u>	<u>\$ 54,779,532</u>
Net income	\$ 4,882,059	\$ 3,332,740
Earned surplus, beginning of year	9,195,284	7,007,627
Total	<u>\$ 14,077,343</u>	<u>\$ 10,340,367</u>
Deduct:		
Dividends paid or declared (1949—\$1.50 per share; 1948—\$1.25 per share)	\$ 1,200,000	\$ 1,000,000
Appropriation from earned surplus to provide addition to reserve for bad debts		100,000
Additional assessments of federal income and excess profits taxes — prior years		45,083
Total deductions	<u>\$ 1,200,000</u>	<u>\$ 1,145,083</u>
Earned surplus, end of year	<u>\$ 12,877,343</u>	<u>\$ 9,195,284</u>

Plant and equipment on December 31, 1949, at cost, are detailed as follows:

	COMPANY	CONSOLIDATED
Dies — less amortization	\$ 262,875	\$ 262,875
Land	124,551	137,132
Depreciable assets — less depreciation	3,561,201	3,671,979
TOTAL	<u>\$3,948,627</u>	<u>\$4,071,986</u>
Depreciation included in costs and expenses, for the year ended December 31, 1949, totaled	\$ 229,676	\$ 245,978
On December 31, 1949, long-term debt consisted of the following:		
3½% promissory note, due June 1, 1963 (less current prepayment require- ments of \$133,000 included in current liabilities)	\$1,601,000	\$1,601,000
Real estate mortgage payable, 4½%, due February 15, 1959		60,000
TOTAL	<u>\$1,601,000</u>	<u>\$1,661,000</u>

On December 31, 1949 the company was contingently liable with respect to notes receivable discounted in the amount of approximately \$95,000.

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

BAUMANN, FINNEY & CO.
Accountants and Auditors
208 SOUTH LASALLE STREET
CHICAGO 4, ILLINOIS

Board of Directors,
Motorola Inc.

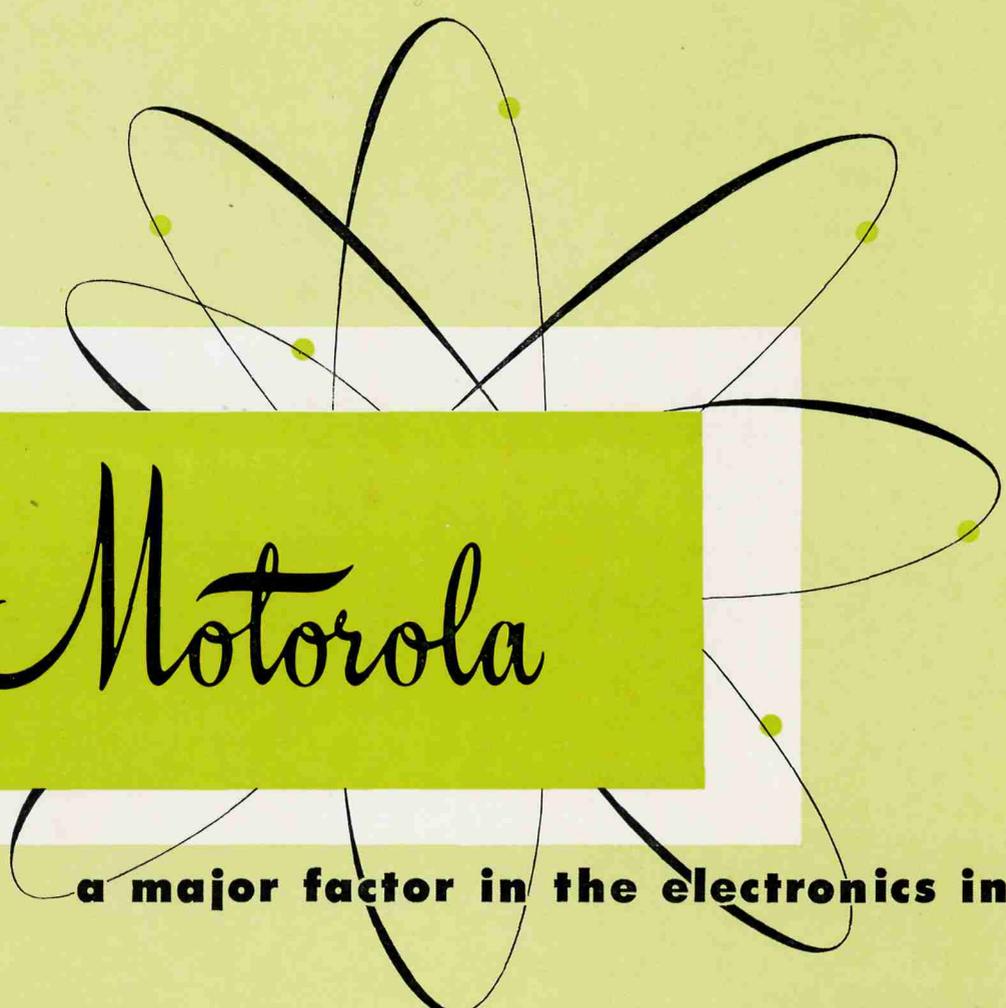
We have made examinations, for the year ended December 31, 1949, of the accounts of MOTOROLA INC. (an Illinois corporation) and its subsidiaries, all wholly owned.

Our examinations were directed primarily to the verification of the financial condition of the companies on December 31, 1949, and included a general review of the income and expense accounts, but without a detailed audit of the transactions for the year; they were 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 sheets and related statements of income and expense and surplus, as footnoted, present fairly the financial position of Motorola Inc. and of Motorola Inc. and its subsidiaries consolidated, on December 31, 1949, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BAUMANN, FINNEY & CO.

Chicago, Illinois,
February 22, 1950.

A stylized graphic of an atomic symbol, featuring a central white square with a green horizontal bar. Black elliptical orbits of varying thicknesses surround the square, with small green dots placed at various points along the orbits. The entire graphic is set against a light green background.

Motorola

a major factor in the electronics industry

