

MOTOROLA



ANNUAL REPORT 1967

*The role of business is to honorably
serve the needs of society at a profit.
The serving of these needs, and do-
ing so honorably—both of which are
required in our free enterprise sys-
tem—directly relate to the human-
istic goals of our society.*

Robert S. Galvin

The illustrations on the following pages
relate just a few of Motorola's diverse
products to some of their applications
in humanistic situations.

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INSIDE
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COVER



TO OUR SHAREHOLDERS AND FRIENDS

For the first time in six years we must report a temporary setback in sales and earnings. Total sales were \$629,975,344, off the record pace of 1966 by 8%. Earnings of \$18,816,147 or \$3.08 per share were down 43% from the record \$5.40 in 1966. However, during these six years sales and earnings have nonetheless about doubled.

The fourth quarter represented the year's most favorable comparison of equivalent quarters. The gap in sales was narrowed to within 3% of the record fourth quarter last year. Earnings were down by 14%.

Over-all the advantage of broad product diversification was manifested. The gains in 1967 sales in four of the six operating divisions offset much of the decline in the largest division, consumer products. One division reported sales volume virtually the same as 1966.

The communications and semiconductor products divisions scored advances in earnings as well as in sales. Automotive products and gov-

ernment electronics divisions' earnings were down somewhat, the latter a result of losses in one broad category of products produced for use in Viet Nam by the Chicago Center of our government electronics division. The smaller control systems division increased its sales and improved its anticipated loss position. Each division's progress is discussed in detail on the succeeding pages of this report.

The major adversities experienced were in the consumer products division. Color television sales fell short of industry forecasts with the consequent runoff of excess inventory at marked down prices. Adding to this problem, the mix of color and monochrome receivers bought by consumers proved contrary to forecasts.

The lowered color television production rate reflected adversely on our picture tube plant operation in that it could not readjust quickly to produce profitably at the level of requirements in the finished goods

facilities. Another aspect of the picture tube situation bearing on the differential in earnings was the reduction of some 65 cents per share attributable to payments from and to National Video Corporation under the agreement with that company.

We have come firmly to grips with the problems in the consumer products division. A reorganization was effected during the year with changes in the operations and marketing segments. A new marketing concept was introduced during the fourth quarter in several test markets featuring the company's solid state color television line which is setting new standards of reliability for the industry. The results have been most promising.

The domestic and foreign plant expansion program activated in 1966 has been almost completed. On a comparative cost basis, capital expenditures were \$57 million in 1966 and \$28 million in 1967. Substantial new facilities and ventures have come on stream or approach readi-

ness in Schaumburg and Pontiac, Illinois; Mesa, Arizona; Toronto, Canada; Yokohama, Japan; Seoul, Korea and Toulouse, France.

A phase of the restructuring the past year, and continuing in 1968, involved a broadening of management talent throughout the corporation to cope with changing technologies, increasing product diversification, and widening international scope.

An Executive Institute aimed at generalizing the capabilities of specialists was started in Vail, Arizona, and has graduated its fourth class of 14 men. Ten corporate officers were elected to positions of major responsibility during the year. Eight were promoted from within the company and two were drawn from outside. Greater emphasis in recruitment and evaluation procedures has been given to the early recognition and rapid advancement of deserving young talent.

In 1968, assuming a favorable general economy, sales are expected to be up significantly and earnings should

increase in even greater proportion, becoming evident in the second, third and fourth quarters.

Electronics is an industry of momentum and change. There are bound to be periods of adversity interrupting a company's growth pattern. These periods test the mettle. We want to commend our associates for the manner in which they have redoubled their efforts the past year-and-a-half, and to express appreciation for the confidence of our shareholders.

For the Board of Directors,



CHAIRMAN OF THE BOARD



PRESIDENT

March 21, 1968

CONSOLIDATED BALANCE SHEET

as of December 31 Motorola, Inc. and Subsidiaries

ASSETS	1967	1966
CURRENT ASSETS		
Cash	\$ 22,132,822	\$ 21,993,844
Short-term investments, at cost.....	596,230	5,763,058
Accounts receivable		
United States government.....	17,955,600	12,537,878
Other	110,155,708	98,954,974
Allowance for doubtful accounts.....	(2,801,000)	(3,013,801)
Costs recoverable under United States government contracts, less progress billings.....	13,625,424	14,204,119
Inventories, at the lower of cost (first-in, first-out) or market.....	103,434,437	106,106,282
Other current assets.....	5,525,907	5,183,301
TOTAL CURRENT ASSETS.....	<u>270,625,128</u>	<u>261,729,655</u>
PLANT AND EQUIPMENT, at Cost		
Land	8,299,360	7,276,817
Buildings	103,341,055	91,596,202
Machinery and equipment	92,291,504	82,341,169
Accumulated depreciation	(66,969,132)	(53,994,969)
NET PLANT AND EQUIPMENT.....	<u>136,962,787</u>	<u>127,219,219</u>
Sundry assets, net	3,194,847	3,964,084
	<u>\$410,782,762</u>	<u>\$392,912,958</u>

NOTES TO FINANCIAL STATEMENTS

1 Long-term debt at December 31 consisted of the following:

	1967	1966
4¾% debentures due April 1, 1986 (less \$500,000 debentures held in treasury for sinking fund payment).....	\$29,000,000	\$29,500,000
Revolving credit notes.....	30,000,000	30,000,000
Notes payable		
3¾%, due \$500,000 annually to 1972.....	2,500,000	3,000,000
4¾%, due \$500,000 annually to 1976.....	4,500,000	5,000,000
Real estate mortgages.....	243,584	314,452
	<u>66,243,584</u>	<u>67,814,452</u>
Less current maturities, included in current liabilities.....	1,164,104	1,070,880
Noncurrent portion of long-term debt.....	<u>\$65,079,480</u>	<u>\$66,743,572</u>

Under the terms of the revolving credit, the company has the option of converting the notes to a five year term loan on or prior to February 1, 1969; no reduction is contemplated during 1968. The agreement contains provisions restricting, among other things, the payment of cash dividends which are not to exceed \$10,000,000 plus earnings (as defined) after December 31, 1965. It also requires the company to maintain consolidated working capital of not less than \$75,000,000. At December 31, 1967, \$53,000,000 of retained earnings was available for dividend payments.

2 Under the Employee Share Option Plan, adopted in 1960, options were granted (through 1965) to key employees to purchase Motorola, Inc. shares. During 1967, options on 18,220 shares were exercised; the excess (\$931,438) of the option price over the par value of shares issued was credited to additional paid-in capital. At year end, 75,685 shares were under option, all being currently exercisable, at an aggregate option price of \$4,577,529; if not exercised, these options expire at various dates through 1973.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
CURRENT LIABILITIES		
Notes payable	\$ 52,000,000	\$ 38,500,000
Current maturities of long-term debt	1,164,104	1,070,880
Accounts payable	38,788,540	40,689,380
Accrued compensation	8,748,066	8,044,225
Federal income taxes	6,305,641	8,349,597
Other (including withheld) taxes	5,586,580	5,672,009
Contribution to employees' profit sharing fund	4,956,347	11,528,890
Product and service warranties	5,121,682	4,057,609
Other	16,745,941	15,658,523
TOTAL CURRENT LIABILITIES	<u>139,416,901</u>	<u>133,571,113</u>
LONG-TERM DEBT (note 1)	<u>65,079,480</u>	<u>66,743,572</u>
SHAREHOLDERS' EQUITY		
Capital stock, \$3.00 par value (note 2)		
Authorized: 10,000,000 shares		
Outstanding: 1967, 6,122,483 shares; 1966, 6,104,263 shares	18,367,449	18,312,789
Additional paid-in capital (note 2)	17,712,959	16,781,521
Retained earnings (note 1)	170,205,973	157,503,963
TOTAL SHAREHOLDERS' EQUITY	<u>206,286,381</u>	<u>192,598,273</u>
	<u>\$410,782,762</u>	<u>\$392,912,958</u>

The Board of Directors, subject to the approval of the shareholders, authorized the granting of options to key employees to purchase 300,000 Motorola, Inc. shares at not less than market value on date of grant. Options may be granted during the period February 1, 1968 to May, 1973. Options granted in any year shall not exceed 100,000 shares which become exercisable one year from date of grant and expire at the end of five years.

3 An Executive Incentive Plan, effective in 1968 (subject to shareholders' approval), provides that certain of the companies may reserve up to 4% of their annual consolidated net earnings (as defined) for the payment of cash incentive awards. Such awards are payable generally in equal annual installments over a period of five years and are generally subject to the recipients' continued employment. If the plan had been in effect in 1967 and the maximum reserve provided, net earnings would have been reduced \$412,000 (7¢ per share).

4 The company has a right to share in National Video Corporation's profit from the sale of color television tubes for a three year period ending in November, 1968, but has no obligation to make further repayments. Earnings per share for 1967 include a negative adjustment (repayment) of 16¢ of such profit from the cooperative color tube development program compared to 49¢ earned in 1966.

5 Depreciation of plant and equipment is provided on the basis of the estimated useful lives generally by the declining-balance method for items acquired subsequent to December 31, 1953 and by the straight-line method for items acquired prior to that date.

6 The companies are obligated under repurchase and other agreements, principally in connection with the financing of sales of products to consumers, and are defendants in suits and claims, which it is believed will have no material effect on the business of the companies.

**STATEMENT OF CONSOLIDATED
EARNINGS AND RETAINED
EARNINGS** *Motorola, Inc. and Subsidiaries*

YEARS ENDED DECEMBER 31	1967	1966
SALES AND OTHER REVENUES	\$629,975,344	\$682,374,719
Manufacturing and other costs of sales	460,922,148	491,417,637
Selling, service, and administrative expenses	105,132,184	100,452,633
Depreciation of plant and equipment (note 5)	17,771,882	13,859,021
Contribution to employees' profit sharing fund	4,956,347	11,528,890
Interest and amortization of debenture expense	6,621,636	5,103,695
TOTAL COSTS AND OTHER EXPENSES	<u>595,404,197</u>	<u>622,361,876</u>
Income before federal income taxes	34,571,147	60,012,843
Federal income taxes, net of investment credit of \$1,230,000 in 1967; \$1,793,000 in 1966	<u>15,755,000</u>	<u>27,060,000</u>
EARNINGS		
(per share outstanding during the year: 1967, \$3.08; 1966, \$5.40) (notes 3 and 4)	18,816,147	32,952,843
Retained earnings at beginning of year	<u>157,503,963</u>	<u>130,652,207</u>
	176,320,110	163,605,050
Less cash dividends declared—\$1.00 per share	<u>6,114,137</u>	<u>6,101,087</u>
Retained earnings at end of year (note 1)	<u>\$170,205,973</u>	<u>\$157,503,963</u>

See accompanying notes to financial statements.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS,
CHICAGO, ILLINOIS

The Board of Directors and Shareholders of Motorola, Inc.:

We have examined the consolidated balance sheet of Motorola, Inc. and subsidiaries as of December 31, 1967 and the related statement of earnings and retained earnings and the statement of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm accounts receivable from United States government departments

or agencies by communication with them but we satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Motorola, Inc. and subsidiaries at December 31, 1967 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. Also, in our opinion, the accompanying statement of consolidated source and use of funds for the year ended December 31, 1967 presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.
February 27, 1968

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS *Motorola, Inc. and Subsidiaries*

YEARS ENDED DECEMBER 31	1967	1966
SOURCE OF FUNDS		
Earnings	\$18,816,147	\$32,952,843
Depreciation	17,771,882	13,859,021
Increase (decrease) in long-term debt.....	(1,664,092)	28,429,120
Proceeds from exercise of share options.....	986,098	744,235
Decrease in sundry assets.....	769,237	255,382
Total	<u>36,679,272</u>	<u>76,240,601</u>
USE OF FUNDS		
Additions to plant and equipment, net.....	27,515,450	59,995,652
Cash dividends	6,114,137	6,101,087
Increase in working capital.....	3,049,685	10,143,862
Total	<u>\$36,679,272</u>	<u>\$76,240,601</u>

TEN YEAR FINANCIAL SUMMARY

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
SALES AND OTHER REVENUES	\$218,909,968	293,081,127	301,049,185	298,219,845	346,881,779	377,852,809	419,066,694	516,973,065	682,374,719	629,975,344
INCOME BEFORE INCOME TAXES	\$ 15,171,013	27,756,237	26,548,813	19,900,308	26,514,514	27,126,526	38,926,724	57,838,678	60,012,843	34,571,147
EARNINGS	\$ 7,356,213	14,171,237	12,633,813	9,517,308	13,206,514	12,926,526	20,666,724	31,838,678	32,952,843	18,816,147
EARNINGS PER SHARE *	\$ 1.27	2.39	2.09	1.57	2.02	2.14	3.41	5.23	5.40	3.08
WORKING CAPITAL	\$ 59,585,830	63,336,998	73,790,019	95,078,616	96,804,189	92,358,852	107,625,939	118,014,680	128,158,542	131,208,227
NET INVESTMENT IN PLANT AND EQUIPMENT	\$ 27,615,287	33,436,676	44,594,599	48,427,446	54,783,818	67,283,543	67,836,835	81,082,588	127,219,219	136,962,787
SHAREHOLDERS' EQUITY	\$ 71,533,020	83,338,386	97,166,850	102,655,506	111,835,713	120,735,367	137,533,422	165,002,282	192,598,273	206,286,381

* Earnings per share are based on shares outstanding during the respective years, adjusted for share distributions. Earnings per share shown above for 1962 do not include 17¢ of nonrecurring capital gain from sale of finance subsidiary.





Instant communication aids the war on crime . . . portable two-way radio



Immediate request for emergency aid . . . mobile two-way radio



Precious minutes and lives saved . . . hospital communications

Sales continued their steady progress and were again higher than the previous year. Profits were also up, though they were affected by crippling snow storms in January and a major trucking strike in April. Standard products and services had a good year, and significant new business was realized in certain new products and markets.

As the nation's leading two-way communications manufacturer, the division was called upon in a great number of crises to make rush shipments of radio equipment to coordinate and control public service efforts, such as floods, forest fires, civil disorders and the Vietnam war. In a number of cases, Motorola received commendations for responding on extremely short notice with equipment that performed reliably under the most adverse conditions.

New products introduced during the year include a new line of economy, compact mobile radios for industry; a new truck-mount radio in the medium price range; new lines of solid state base stations and control equipment; a new solid-state Alert Monitor for various public safety uses, particularly volunteer fire protection; a line of radio pagers to operate in the 450 mhz. band; a new closed circuit TV camera sealed against dust, fumes and moisture, for use in hazardous or exposed areas; a Medi-Scan bed-status system for high-census hospitals; and a doctor's register which visually displays which doctors are present in a hospital.

Major contract awards during the past year include new centralized dispatching centers for the New York City police department and the New York City Transit Dept.; special

four-frequency radios, which use frequency scramblers to prevent unauthorized reception, for the Los Angeles Police Dept.; a hospital communications system for St. Luke's Texas Children's Hospital; and selective load control equipment for Detroit Edison Co.

In the first quarter of the year, operations commenced at the division's new Schaumburg, Illinois plant. Various operations from around the Chicago area will be consolidated into this facility which will also meet expansion requirements. The division will continue to fully utilize the Augusta Blvd. plant.

A 107,000 sq. ft. facility was completed in a suburb of Toronto, Canada and Canadian Motorola Electronics Co. occupies this building.

COMMUNICATIONS DIVISION

Community Radio Watch, a public service program, has made significant contributions to public safety by encouraging local law enforcement authorities to enlist the aid of all two-way radio users as a supplementary alerting network for police and fire departments. Over 440 cities in 48 states have adopted the program in its first year of operation. Ten Distinguished Service Awards have been presented to individuals whose use of mobile radio has served to save lives or prevent destruction of property. It is hoped that, by the end of 1968, every American city with over 100,000 population will have adopted this important public service program.

The division expects continued growth in sales and profits for 1968.





Patient with heart-triggering device gains normal, active life... semiconductors

Educational progress with computer-assisted instruction... integrated circuits



The semiconductor products division achieved its ninth consecutive year of record sales and earnings. In contrast, the industry in 1967 was experiencing a decline in sales. The division now has the broadest line of semiconductor devices in the industry.

Wide-spread acceptance of Motorola semiconductors, customer-oriented marketing activities, and emphasis on highly advanced manufacturing techniques enabled the division to narrow the gap as the No. 1 challenger in the industry.

New facilities were started, completed or activated in such diverse areas of the world as Seoul, Korea; Toulouse, France; Nogales, Mexico; Hong Kong; and Geneva, Switzerland. These new facilities, plus the Integrated Circuit Center in Mesa, Arizona, enable the division to supply its customers via an international network of subsidiaries, sales offices, technical assistance centers, and distributors on three continents. Indeed the division is now equipped to provide two-day delivery of any Motorola semiconductor device anywhere in the free world.

The division was the recipient of the President's "E" Award in recognition of achievement in export.

In 1967, more than 60 new digital integrated circuits were introduced and Motorola is now the only manufacturer of all major integrated circuit logic families. Similar advances were made with linear integrated circuits. Introduction of the indus-

try's first dual stereo pre-amplifier and the selection of advanced-performance MECL II integrated circuit series by an increasing number of major equipment manufacturers gave considerable impetus to integrated circuit sales which increased more than 40% over the previous year.

Other product lines showed equally significant progress.

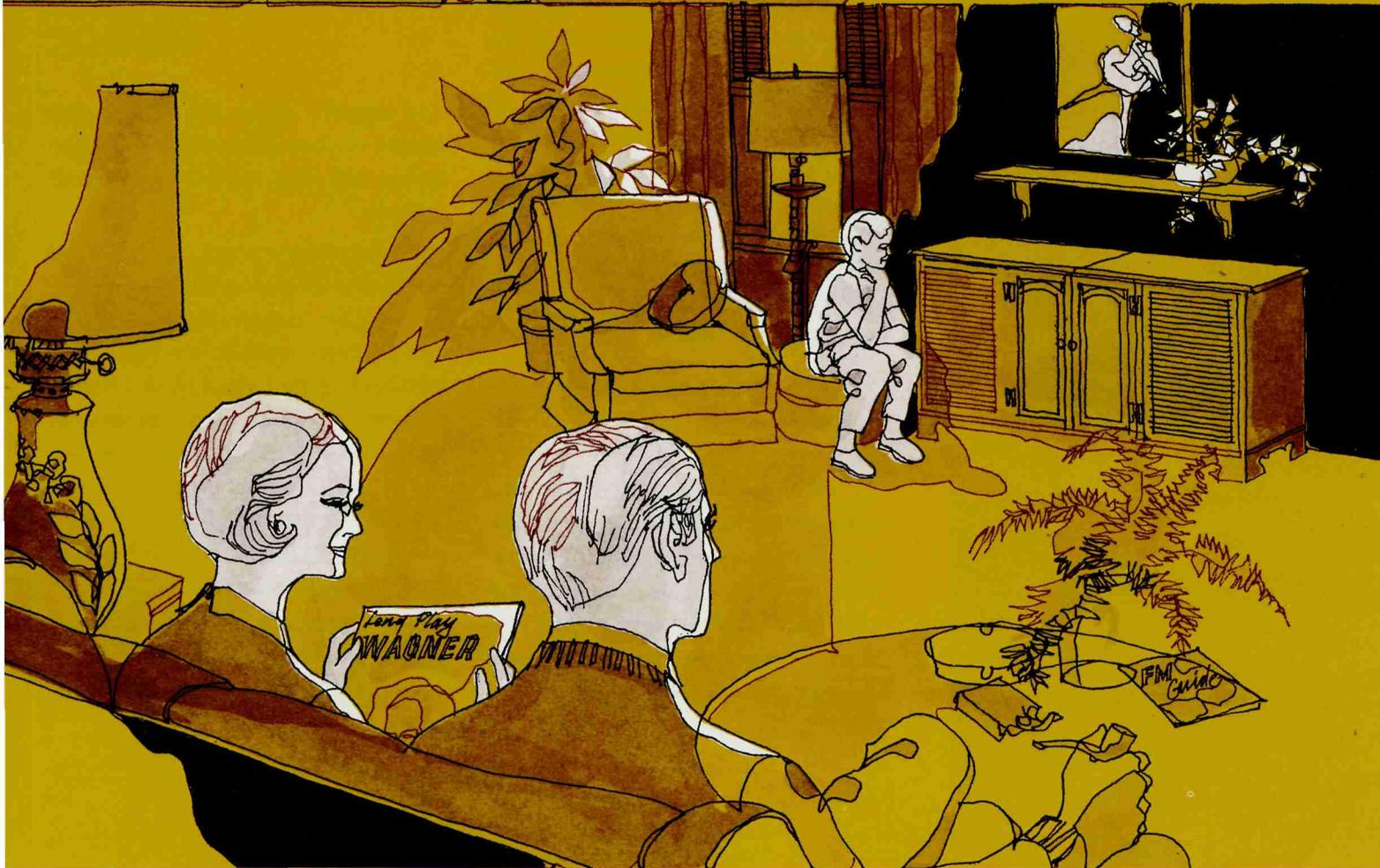
Introduction of the industry's first plastic silicon power transistors with integral heat sink, 8-amp plastic encapsulated controlled rectifiers, 8-amp silicon bi-directional triodes, and low-cost bi-lateral semiconduc-

SEMICONDUCTOR PRODUCTS DIVISION

tor triggers, all in the power and motor control field, produced large gains for the thyristor product groups.

Developments such as the first successful all-aluminum package for germanium power transistors, the fast recovery rectifier line expanding to become the largest in this highly competitive field, and an increase of more than 100% in what was already the industry's broadest line of silicon transistors qualified to military specifications made 1967 a banner year in these areas.

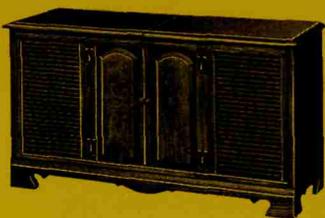
The division anticipates further significant growth in both sales and earnings in 1968.





Education, news and entertainment in the home . . . television

Living presence of the world's finest music . . . stereo phonograph



The home entertainment products market failed to reach industry expectations in 1967. Color television sales were considerably below forecasts. Inventories became excessive at all levels—factory, wholesaler and retailer. The cost of balancing inventories had a marked impact on sales and profits, both of which were off-target and substantially below 1966 levels.

Product mix also contributed to the 1967 problems. Typical of this was the unexpectedly high rate of consumer demand for black and white television in the Fall, a condition which found manufacturers unable to meet the requirements of this market.

A significant achievement during 1967 was the introduction of America's first all-transistorized color television receiver, except for the rectifier and picture tube, with modular chassis circuitry. "The works in the drawer" concept represents a major move forward in providing consumers with products which are more reliable and easier to service. These receivers are now being marketed nationally under the promotional name "Quasar."

Console stereo phonograph sales were below expectations, partly restricted by the dollars moving into color television and by lack of sales attention at points along the distribution channel. Radio sales continued at a substantial rate with further growth of FM receivers.

Auto sound products continue to offer attractive possibilities, with the eight-track stereo tape cartridge player moving ahead in sales. This suggests important gains in the immediate and long-term future.

CONSUMER PRODUCTS DIVISION

The division continued its reorganization during 1967. Factory operations have been restructured and significant improvements are resulting. A new marketing concept has introduced some exciting and promising programs which are producing effective results and will be broadened throughout 1968.

The division expects to register 1968 sales increases in all major product categories, with a decided improvement in profit contribution.





Reliable communications at critical times . . . microwave systems

Increased safety and effectiveness of manned space flights . . . satellite communications system



Record sales were achieved in 1967 as the division continued to support the nation's accelerating defense needs and space exploration programs. A planned mix of product improvement programs and the application of advanced technology to new equipment were significant factors in reaching this sales peak. Despite substantial losses on certain mechanical fuze programs, an overall profit position was maintained.

A new, advanced concept for the use of synchronous satellites to relay communications, telemetry, tracking and ranging data from an Earth-orbiting manned spacecraft to ground stations was successfully demonstrated in our Scottsdale laboratories. This concept provides significant cost reductions over present methods, marked improvements in quality and quantity of data handled, and full-time communications during Earth-orbit.

Deliveries of varied equipment for the Apollo manned lunar program continued. Motorola equipment performed perfectly on the three successful Lunar Orbiter missions and the Mariner 5 Venus probe.

The division's growth prospects were not affected by decreased funding for NASA's missions. Additional support was rendered to accelerated Air Force space programs which require the same advanced technologies. For example, Motorola is providing equipment for the Air Force Space/Ground/Link/System (SGLS), a worldwide space communications network.

In support of our troops in Vietnam, the division's side-looking surveil-

lance radar and ground-air-ground communications systems continue to perform effectively. Additional diversified projects involve electronic countermeasures, integrated circuit fuzes, troposcatter microwave equipment, and line-of-sight communications systems, among others.

The microwave products line continued to expand, with ready markets for new solid state transmitter/receivers and multiplex equipment.

Sales for the instrumentation products line more than doubled the previous year's record volume. Internal funding for research and development programs continue to yield successful proprietary products.

International sales were up nearly

GOVERNMENT ELECTRONICS DIVISION

four-fold over 1966. While the Brusel's office concentrated on serving European customers, other rapidly expanding new markets were developed in Canada, Japan, Taiwan, and Australia.

In 1968 the Chicago Center will concentrate on the design and production of advanced communications systems and displays. The Aerospace Center will pursue the same state-of-the-art military and space business on which it has built an established success pattern, while continuing to expand its instrumentation products line into new areas. The division foresees continuing sales growth in 1968 with a significant improvement in profits.





Receiving latest medical developments while commuting . . . stereo tape player

Fast, reliable starts in emergencies . . . electronic alternator systems



Increased sales in stereo tape players, alternators and ignition systems offset decreases in car radio volume due to reduced automobile production, reduced percentage of radios for Ford Motor Company, and the effect of the Ford strike.

To augment the rapidly expanding 8-track stereo tape player program, a joint-venture company, Alps-Motorola, was formed in Japan in early 1967. The auto, home and portable tape decks and players manufactured by this company meet the high quality standards established by Motorola, while prices remain competitive with other units built in Japan. Facilities are already being expanded to meet heavy demands for these products.

A significant engineering accomplishment during the year was the design of a new series of combination push-button radio and stereo tape players for 1968 model Ford and Chrysler cars.

Capacitor discharge ignition system sales increased substantially. Outboard Marine Corporation includes this unit on three engine models because of increased reliability and performance in adverse marine environments.

The Midland, Ontario plant reached near-capacity level, while meeting the requirements for car radios of Chrysler and American Motors in the United States.

Heavy-duty alternators are being adopted by more and more truck manufacturers after proving their durability over several years of performance testing. Production has been doubled to meet the increasing demand.

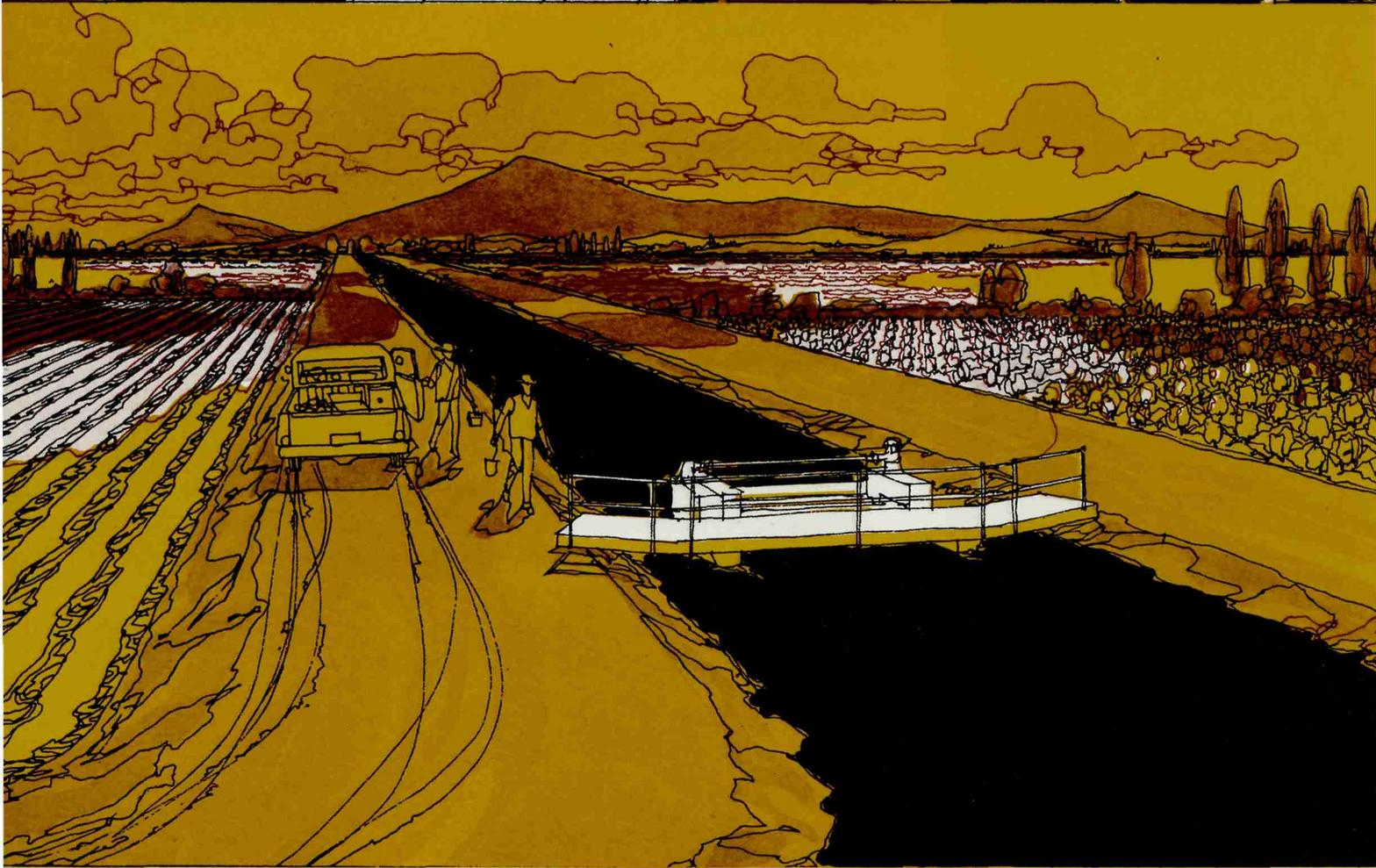
Sales of the standard alternator line continue to expand in agricultural

AUTOMOTIVE PRODUCTS DIVISION

and industrial areas. An increasing number of manufacturers are switching from generators to Motorola's all-electronic alternator systems because of their greater reliability and durability.

Special alternators for military applications are providing a new area for future sales.

Negotiations are under way in a number of countries for the manufacture and distribution of the division's products, both on an original-equipment and after-market basis.





Automated attendance checking and test scoring free the faculty for increased student instruction . . . document reader

Regulated supply and control of water flow from dam site to crops . . . supervisory control system



The division completed the best year in its six-year history. Orders increased 40% over the previous year. Additionally, two significant objectives were reached.

The first was a move to achieve international stature in the process controls field. Early in the year, a sales and service organization was established in Puerto Rico to serve the mushrooming petro-chemical industry in that area. Also, early in 1968, the division established a fully owned subsidiary in England. The subsidiary, known as Motorola Control Systems, Ltd., will service the process control and information processing markets in the United Kingdom and the European Common Market.

Second, through product innovation and sales penetration, the division took a giant step in achieving its primary goal—placing Motorola firmly in the field of information processing. At the Fall joint computer conference in California, the division unveiled its MDR-1000 Document Reader, the first of a family of low-cost input terminals for information processing systems. The MDR-1000 provides a simple means for entering data into an electronic processing system directly from marked or punched cards and documents.

This offers systems designers a new, low-cost method of getting raw data directly from the source, without need for skilled data processing equipment operators.

The initial application of this "industry-first" is in processing daily operating information for one of the Bell Telephone systems. The imme-

diated success of the MDR-1000 resulted in an expansion of this customer's program. Potential applications for the MDR-1000 in business, education, industry and government are virtually endless.

The division's continuing success in marketing its three major product lines—supervisory control systems, data systems and process controls systems—increases its technical skills and disciplines in the related field of information processing. The primary skill involved is computer technology.

In the area of process control instrumentation, for instance, the division received several petroleum refinery contracts to supply complete networks of field instruments, plus all

CONTROL SYSTEMS DIVISION

related computer interface equipment. Three of these major contracts called for tying in with computers from three different computer manufacturers.

Supervisory control system sales also gained impetus during the year. A large system was designed and installed for the Minnesota Power & Light Co., and other systems are under construction for the Getty Oil Co. and Marathon Pipeline Co.

The sale of additional equipment for systems installed in previous years continued to increase during the year. This segment of the total sales picture is significant as engineering development costs were generally charged against the original sale.

ANNUAL MEETING

The annual meeting will be held on Monday, May 6, 1968. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about April 8, 1968, at which time proxies will be solicited by management.

TRANSFER AGENTS

Harris Trust and Savings Bank,
111 W. Monroe St., Chicago, Illinois 60690
Chemical Bank New York Trust Company
165 Broadway, New York, New York 10015

REGISTRARS

Continental Illinois National Bank and
Trust Company of Chicago
231 S. LaSalle St., Chicago, Illinois 60690
Irving Trust Company
1 Wall St., New York, New York 10015

MAJOR FACILITIES LOCATED AT:

Chicago, Franklin Park, Quincy,
Elgin, Pontiac, and Schaumburg, Illinois
Phoenix, Scottsdale, and Mesa, Arizona
Arcade, New York
Midland, Canada
Toulouse, France
Seoul, Korea

**BOARD OF DIRECTORS
AND OFFICERS**

BOARD OF DIRECTORS

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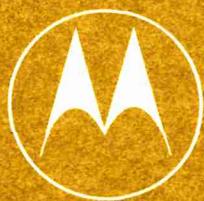
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