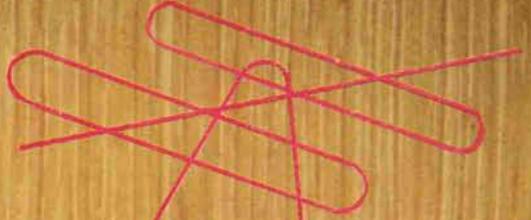


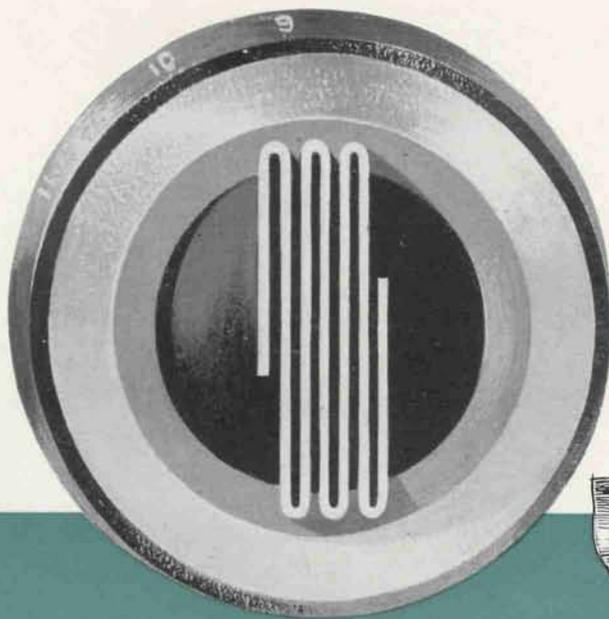
ANNUAL REPORT 1950



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# Motorola *Incorporated*





*Motorola Television and Radio  
Awarded Fashion Academy Gold  
Medal for Distinctive Design*

## **BOARD OF DIRECTORS**

PAUL V. GALVIN

ROBERT W. GALVIN

MATTHEW J. HICKEY, JR.  
*President, Hickey & Company*

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

## **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 7, 1951. 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, 1951, at which time proxies will be solicited by the management.*

## a ten year comparative statement

Year	Net Sales	Net Earnings	Net Earnings Per Share <sup>1</sup>	Working Capital	Investment in Plant and Equipment <sup>2</sup>	Net Worth
1941	\$17,631,499	\$ 906,824	\$1.03	\$1,822,044	\$ 856,402	\$2,829,151
1942	30,918,014	858,456	.98	2,048,294	1,209,574	3,377,949
1943	78,454,461	1,259,302	1.43	2,854,250	1,345,746	4,405,889
1944	86,946,631	1,448,351	1.65	3,133,942	1,913,486	5,672,512
1945	67,896,597	851,882	.97	4,671,851	1,273,523	6,311,719
1946	23,201,107	656,286	.75	5,862,933	2,464,598	8,733,345
1947	46,679,148	2,510,410	2.85	7,028,844	2,811,211	10,635,345
1948 <sup>3</sup>	61,981,442	3,550,347	4.04	11,088,342	3,148,206	13,085,196
1949 <sup>4</sup>	81,803,358	5,280,196	6.00	14,558,505	4,071,987	17,165,391
1950 <sup>4</sup>	177,104,669	12,809,247	14.56	21,079,362	5,794,309	26,574,638

<sup>1</sup> Earnings per share of common stock based upon 879,605 shares outstanding at December 31, 1950. <sup>2</sup> Net investment after deduction of depreciation reserves. <sup>3</sup> Thirteen month period ended December 31, 1948. <sup>4</sup> Consolidated information including financial data of wholly-owned subsidiaries.

# President's annual report to Motorola Stockholders

It is my pleasant duty at this time to report to you covering operations of Motorola Inc. for the year ended December 31, 1950. Results from the standpoint of sales, earnings and overall progress are most gratifying to your management as I know they will be to you, reaching an all time high in every division of our company. The Television Division, of course, led the way greatly exceeding our most optimistic budgeted estimates for production, but noteworthy advances were also scored in the other three divisions, particularly in Communications.

## SALES AND EARNINGS

Consolidated net sales amounted to \$177,104,669, with net earnings of \$12,809,247, equal to \$14.56 per share, based on 879,605 shares outstanding at the close of the year. This includes the 10% stock dividend issued to holders of record December 28, 1950. Sales for the year showed an increase of 116% over the previous year's total of \$81,803,358, while earnings reflected an improvement of 142% over the net earnings of \$5,280,196 attained during 1949.

During the forepart of the year the price trend of television receivers continued to decline, as a result of changes in design and efficiency gained in production. About late summer, however, rising

costs of wages and materials caused a reversal of this trend and an increase in the prices of our products. At November 1, as a result of the increased federal excise tax, prices of television sets were again raised only in an amount, however, sufficient to cover the additional tax. It will continue to be the aim of your company to resist as far as possible any increases in costs and to maintain the level of established prices.

## FINANCIAL CONDITION

At December 31, 1950 current assets of \$47,903,243 exceeded current liabilities of \$26,823,881, by \$21,079,362, compared with working capital of \$14,558,505 at the close of 1949, an increase of \$6,520,857. Although terms of payment on sales to our distributors were changed from 30 days to semi-monthly, year end receivables of \$12,091,412 surpassed receivables at the close of the preceding year and together with inventories of \$19,822,645 reflect the large increase in sales and production. During the past year, investment in plants and equipment increased by \$1,722,322. Of this amount \$382,827 came from depreciation reserve and the balance from profits of the corporation.

Net worth of \$26,574,638 at December 31, 1950 was equal to a book value of \$30.21 per share on

the 879,605 shares of capital stock outstanding at that date, an increase of \$10.70 per share over the previous year.

## **DIVIDENDS**

Regular quarterly dividend, increased from 25c to 37½c in December 1949, was again increased to 50c per share in September 1950. In addition to regular dividends of \$1.75, extra dividends of \$2.50 were declared making a total of \$4.25 per share declared out of 1950 earnings. At a meeting held November 15, 1950, the Directors approved a stock dividend of 10% to holders of record December 28, 1950. In lieu of issuing fractional shares, a cash dividend was paid to holders entitled to receive such fractional shares. A total of 79,605 shares was issued January 29, 1951 in payment of this stock dividend. Stockholders at the close of the year numbered 2,880. During the year no significant changes were made in the stock holdings of directors and officers and at the close of the year a total of 294,193 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 is limited to employees who have been in our employ at least twelve full months. During 1950, 1,014 new eligible employees became participants. At December 31, the membership numbered 4,142. Employee contributions to the fund during the year totalled \$520,-

901, while the company contributed \$2,295,901. Of the total company contribution for the year, \$2,288,849 was for the benefit of employees other than officers and directors.

This Fund, established in 1947, has for its principal purpose to provide a solution of the problem of compensation for employees upon retirement. The Fund, administered by the trustee, with four advisory members, two of whom are appointed by management and the other two elected by the participants, is invested in government and corporate bonds and equity securities. A substantial block of Motorola Inc. capital stock is included among the investments. At December 31, 1950, the Fund had a book or cost value of \$6,791,075, and a market value of \$7,094,159.

## **WHAT THE FUTURE HOLDS**

In appraising the prospects of Motorola for 1951, we must view the year fundamentally as one of conversion, with civilian volume contracting and military business expanding.

Because of this conversion program which will materially affect our production, it is difficult at this time to predict our volume. The first quarter will in all probability be the only normal quarter of the year because we are predominately engaged in civilian business. Our volume in this period should be good. Shortly after April 1, we should begin to feel the effect of government orders on scarce materials. In all likelihood, the government, later in the year, will institute a controlled materials plan

in which case we, together with all other civilian industries, expect to be allocated a smaller quantity of certain materials.

We believe that it is the requirement of our government to keep the civilian economy moving but that this must be accomplished with smaller quantities of strategic materials. Therefore, as we see it, it is part of industry's responsibility to produce as much civilian goods as is possible with the limited supply of materials which will be available for that purpose. In our particular field, ingenuity of design will be the principal means of attaining that end. This must be done without any impairment in the quality of our products. A great deal has already been accomplished in this direction by our company.

Our communication equipment business should increase substantially. Among the products manufactured in this Division are many items essential to various government agencies and vital to the organization of civilian defense. Our television business should remain close to normal for the first half of this year, but will probably be restricted in the second half of the year. Our car radio business will parallel pretty much the fortunes of the automobile manufacturers and to the degree that their production is curtailed ours should follow.

The authorization by the Federal Communications Commission of the CBS system for transmitting color television is now being challenged in the Supreme Court of the United States. If approved, then we will have the CBS system for color. The

progress that a color television system could make at this time is questionable in our judgment because engineering staffs in our industry are, and will be for some time, primarily engaged in essential military work.

We, at Motorola, believe that color should not be formalized as a system until such time as it can be done electronically. This again involves more engineers and more time. As we see it, no matter which way the decision goes, color television for the public will be several years in the future. In our opinion the television receivers which will be available this year will be sold quickly and color television will have but a minor effect on our business.

We have already received substantial military contracts on which we are presently in the early stages of preparation for production. Production on these contracts should start during the latter part of this year and early 1952.

During World War II, Motorola was one of the important electronic manufacturers; there is every indication that we will have a very substantial military responsibility during 1952 and 1953. To sum up, however, in view of the many imponderables confronting us at this time, I prefer to make no definite prediction concerning sales volume for 1951.

Again, it is my privilege and pleasure to express on behalf of the Management sincere thanks to our employees, stockholders and customers for their co-operation in making 1950 a truly banner year for Motorola Inc.



President  
For the Board of Directors

# Motorola

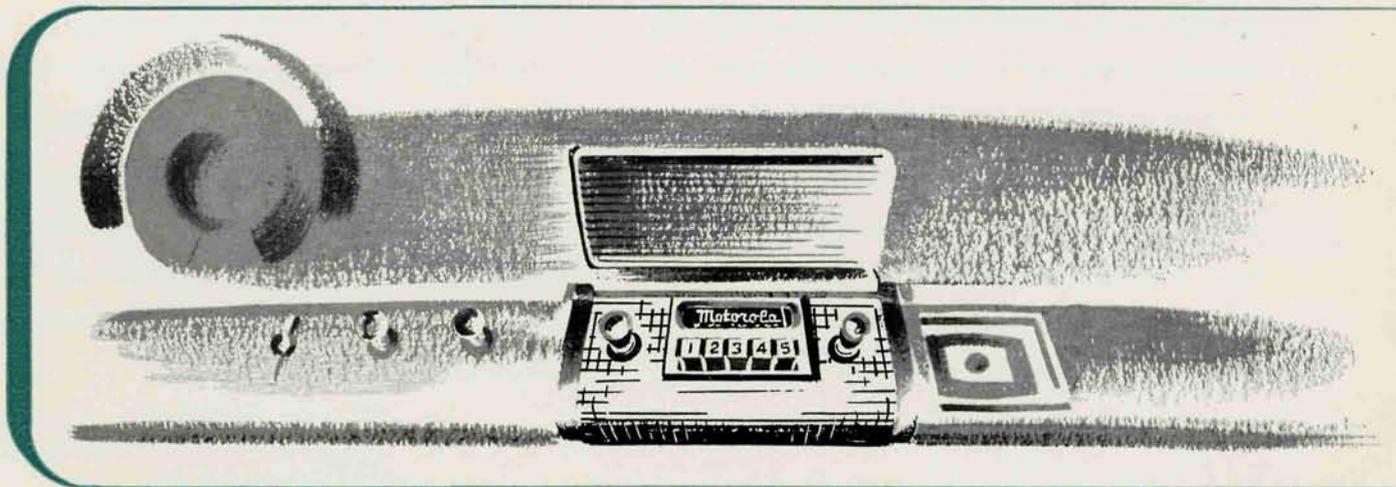
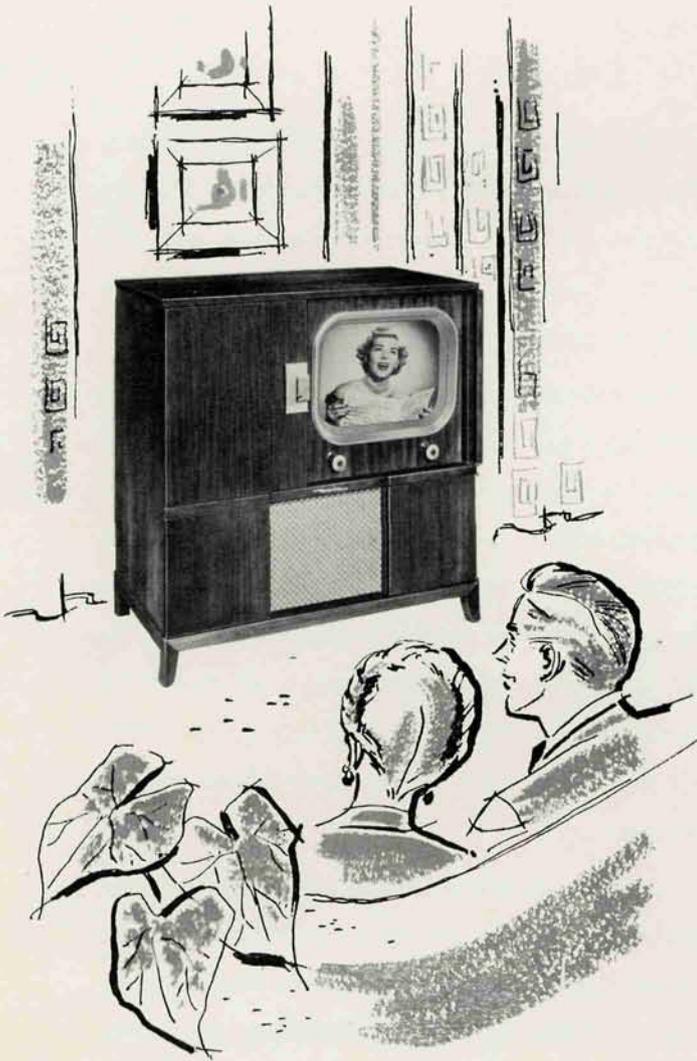
## television

During 1950 Motorola continued to place special emphasis on product quality, careful control of that quality, and distinctive styling.

A year ago we installed on our television production lines the newest type of "live power" testing. By means of an overhead belt system every Television chassis coming off the assembly lines was "live-tested" by submitting it to a higher voltage charge than it would ever receive in normal use.

A laboratory was also established at Lakewood, New Jersey to test production sets in sizeable quantities. Located to receive all television channels from New York and Philadelphia, this laboratory conducts a thorough series of tests on completed sets covering all points of operation.

In recognition of outstanding beauty of styling, Motorola was awarded the Fashion Academy gold medal for distinctive television and home radio cabinet design.

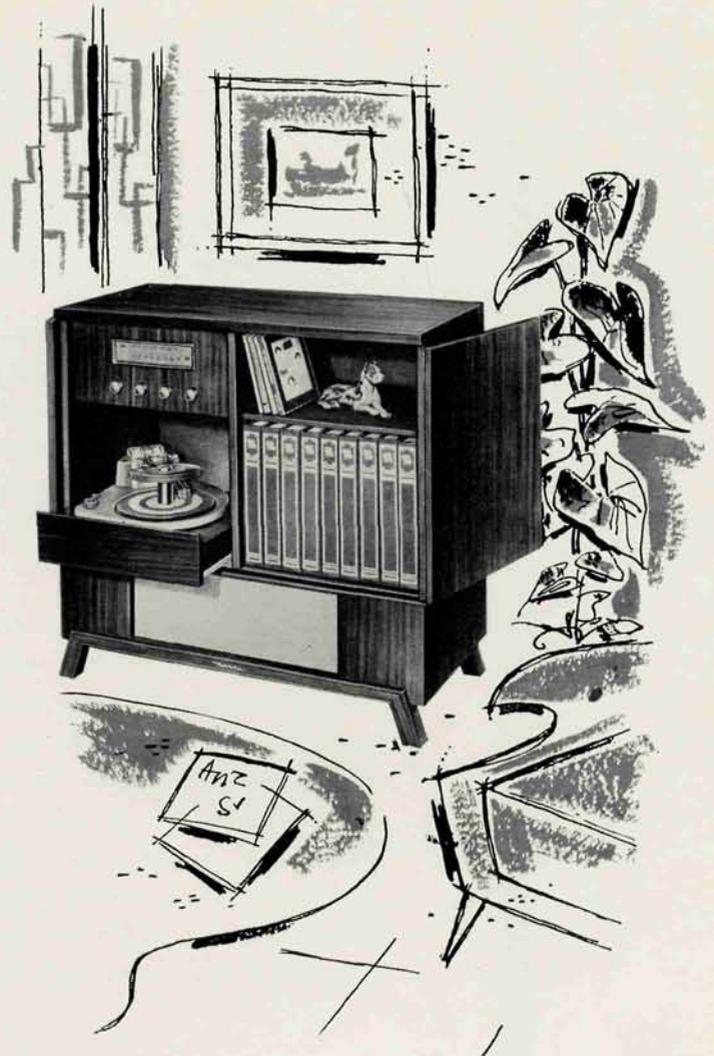


# Products

## home radios

A complete line of home radios was carried throughout the year. From smart portables to highly-styled radio-phonograph combinations, this line embodies many new features. The home radio line also merited the exclusive distinction of the Fashion Academy Gold Medal Award.

Realizing the importance of making fine quality radios and radio phonograph combinations available to important non-television markets, Motorola has been in no way unmindful of this phase of our business. The recognition of non-television markets by your company's management has increased by 30% our proportionate share of the industry's volume of home radios. By so doing the name of Motorola becomes better established in those areas which will become important television markets at some time in the future. The furtherance of this policy promises to pay continued dividends in the years to come.



## car radios

Motorola car radios, occupying an unchallenged position of top leadership in the industry, showed a tremendous increase in sales over 1949. Unit sales figures registered notable gains amounting to more than 60% over the preceding year.

With the introduction in January 1951 of our new line, which has greater adaptability than

ever before, your company expects to maintain a large volume in 1951 barring any major curtailment of necessary materials.

In addition to car radios sold through our national distributing organization, we shall continue to produce radios used as original equipment for certain leading automobile manufacturers.

## communications and electronics division

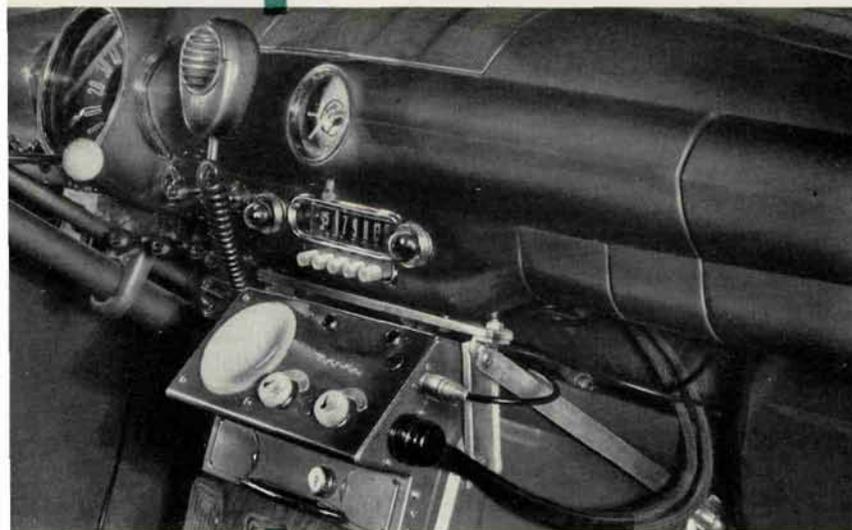
Wide acceptance of Motorola's communications equipment by old established markets plus increased sales to such newer users as railroads, fire departments and industry resulted in Motorola achieving the largest volume of sales of this equipment in our history.

The current program of mobilization of our country's defenses is creating even greater demands for many of the products manufactured and sold by our Communications Division. Police, fire and civilian defense units of all types require two-way mobile and portable radio communication. Motorola's battery-powered Handie-Talkie Radio Phone is being purchased in increasing quantities, not only by the Safety

Services, but by industry as well for plant protection and emergency communication.

The expansion of industry is resulting in increasing need for the distribution of all kinds of power. New pipelines are being constructed for the transportation of gas and petroleum products and electric utilities are expanding to meet the demand. Motorola's Microwave, Telemetry and Supervisory Control Equipment has demonstrated its value in these operations.

More than two thousand miles of pipeline communications and airport control relays have been installed and are currently in use by our customers. Likewise, several of our major telemetry and supervisory control systems are now in operation in the electric utilities field.



*Motorola Uni-Channel Sensicon Dispatcher, one of the newer FM radio mobile communication models, is shown mounted and ready for use in police squad car.*



*Evanston and Chicago Civilian Defense officials get first hand demonstration of Motorola mobile communications equipment and its valuable potential use in vital civil defense operations.*

# rola

## **engineering research and development**

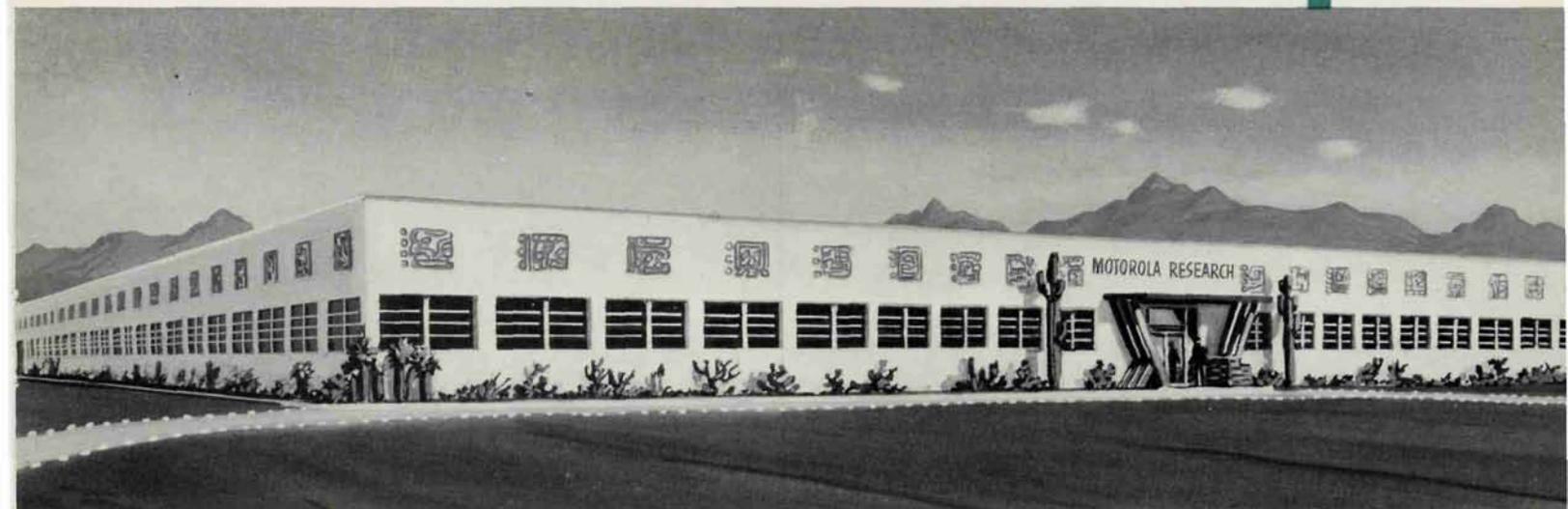
Construction of a laboratory in Phoenix, Arizona, begun in December 1949, was completed in February of 1950. The location of Phoenix, Arizona, was selected to provide decentralization and safety in a period of national emergency. This laboratory, staffed with highly trained engineers, scientists and technicians, is devoted entirely to the military end of our business.

Notwithstanding that there are presently many engineers devoting their time to the development of military equipment in our Chicago laboratories, a competent staff remains there to handle the very important work of design and development of civilian products.

1950 saw the completion of a three year development program of a line of Micro-

wave Relay Communications equipment for pipelines, railroads and electric utilities. During the year, new low cost models of communications equipment were designed to give us the most complete line of mobile equipment ever offered. This line ranges from  $\frac{1}{4}$  watt Handie-Talkie Radio Phones to 5,000 watt base station units with approximately one hundred mobile and portable models to accommodate the wide usage now required for this type of equipment.

The immediate future success of Motorola in producing the greatest number of its non-military products, depends entirely upon our ability to design radio and television sets which will remain high in quality and yet require reduced amounts of strategic materials.



*External view of Motorola's laboratory at Phoenix, Arizona. This facility provides for pilot run production as well as engineering and development.*

## employee relations

The growth of Motorola during 1950 was well reflected in an increase of approximately 1500 employees over the preceding year. At the close of 1950 Motorola employees numbered in excess of 7,000.

The many popular benefits for Motorola personnel continue in force. Chief among these are the Savings and Profit Sharing Plan, a broad and liberal non-contributory

group insurance program, and the maintenance of wage and salary rates which are equal to the highest in the radio and television industry.

Benefits such as the aforementioned plus the unique family spirit which has always prevailed at Motorola continue to improve your company's excellent reputation as a desirable place to work.

## plants

At the start of World War II your company was occupying 185,000 square feet of plant area in Chicago. At the close of 1950, approximately 900,000 square feet of area was in use in plants located at Chicago and Quincy, Ill. and Phoenix, Ariz.

Plant facilities added during the year include a building located in Chicago, with 186,000 square feet of floor area leased in April 1950 for television receiver manufacturing. Construction of a warehouse and office space totalling 55,000 square feet for use by Motorola-Chicago Company, a

subsidiary was virtually completed by the end of the year.

In February 1951 a purchase agreement was executed covering the acquisition of the building immediately adjacent to our main Chicago plant. This building was completed shortly after the erection of our own plant and its construction followed the same general architectural plans. It has an area of about 200,000 square feet of which approximately 125,000 square feet will be made available for our occupancy before June 1st next. This purchase brings the total of company plant area to more than 1,000,000 square feet.



One section of the large group of Ten Year Motorola Service Club members who attended the 1950 Annual Banquet.



A special display of dolls made by Motorola employees is admired by a group of visitors at Motorola 1950 Open House program.

# How the sales dollar is put to work

## We Received

From Sale of our Products . . . . .	\$177,104,669	
Miscellaneous Income . . . . .	736,147	
Total . . . . .	<u>\$177,840,816</u>	100%

## We Paid

For Materials . . . . .	\$106,451,342	
For Manufacturing, Selling and other expenses . . . . .	17,205,750	
For Taxes . . . . .	14,459,207	
For Salaries and Wages of Employees . . . . .	24,619,369	
To Profit Sharing Fund for future payment to Employees at time of retirement . . . . .	2,295,901	
These items total . . . . .	<u>\$165,031,569</u>	93%

## Leaving for Stockholders and reinvestment

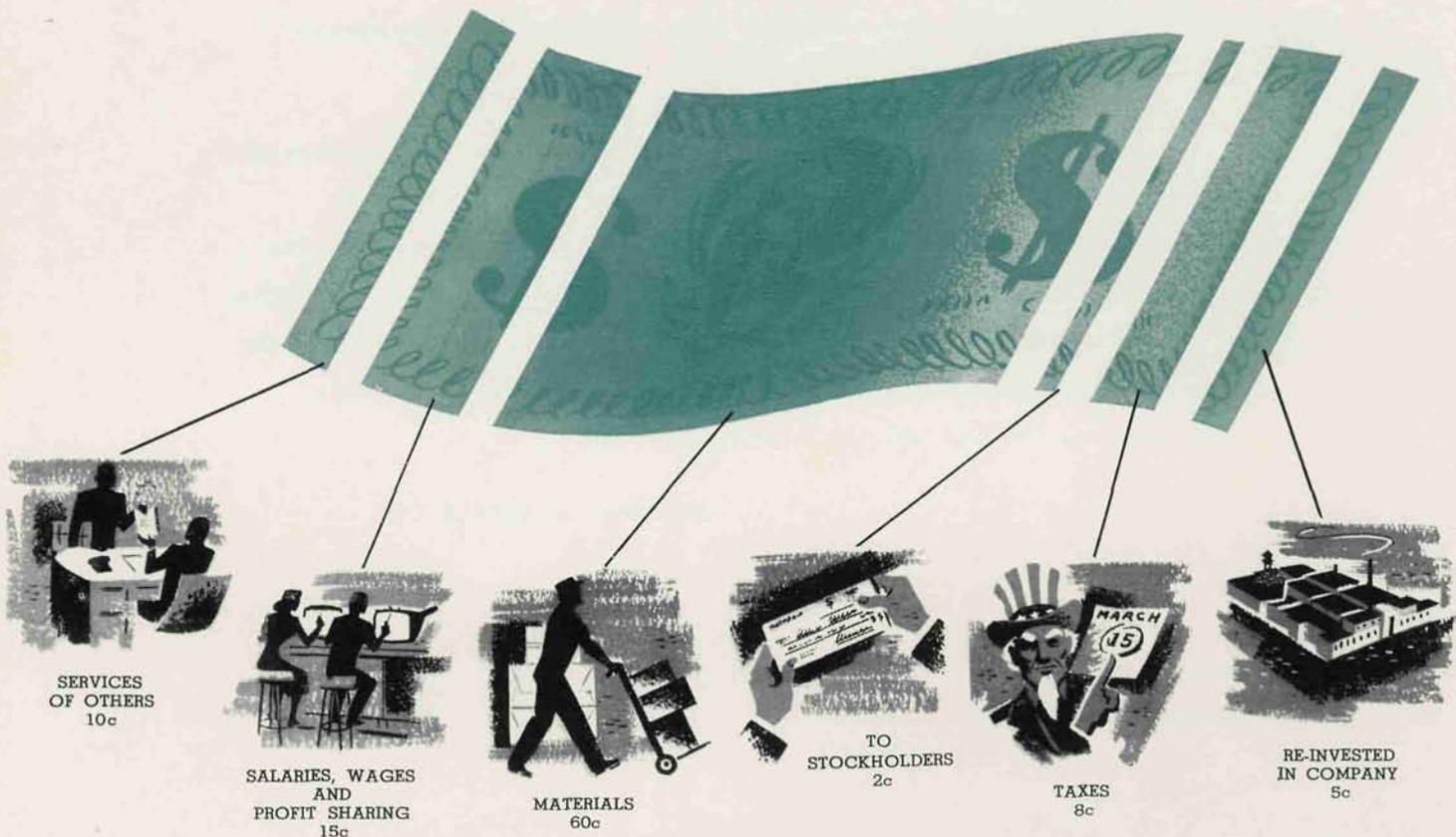
in Company . . . . .	<u>\$ 12,809,247</u>	7%
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## Distributed to Stockholders for use of their money . . . . .

\$ 3,400,000	2%
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## Reinvested in Company for future growth . . . . .

9,409,247	5%
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# Auditor's Report . . .

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, 1950, 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, 1950, 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 sheet and related statement of income and expense and surplus, as footnoted, present fairly the financial position of Motorola Inc. and its subsidiaries consolidated, on December 31, 1950, 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 27, 1951.

# Motorola

## Motorola Inc., and Subsidiaries Consolidated Statement of Financial Condition

DECEMBER 31, 1950 AND 1949

	DECEMBER 31,	
	1950	1949
Current Assets:		
Cash.....	\$11,289,747	\$ 7,252,068
United States Government obligations—short term, at cost. ....	3,995,920	
Accounts receivable (less reserves for uncollectible accounts— 1950, \$202,500; 1949, \$185,000).....	12,091,412	9,748,520
Other current receivables. ....	289,567	233,672
Inventories. ....	19,822,645	8,517,643
Prepaid expenses.....	413,952	105,013
Total Current Assets.....	<u>\$47,903,243</u>	<u>\$25,856,916</u>
Current Liabilities:		
Accounts payable and sundry accruals.....	\$10,404,108	\$ 6,441,426
Provisions for taxes.....	15,016,115	3,738,868
Portion of long-term debt due within one year.....	133,000	133,000
Cash dividend payable.....	400,000	600,000
Reserves for product warranties.....	870,658	385,117
Total Current Liabilities.....	<u>\$26,823,881</u>	<u>\$11,298,411</u>
Working capital (excess of current assets over current liabilities) ..	\$21,079,362	\$14,558,505
Deferred items applicable to future periods.....	529,733	84,687
Other assets.....	275,338	9,428
Equipment leased to others—less depreciation.....	259,665	132,215
Plant and equipment—less depreciation.....	5,794,309	4,071,987
Patents and trademarks—less amortization.....	81,767	76,756
Total Working Capital and Other Assets.....	<u>\$28,020,174</u>	<u>\$18,933,578</u>
Long-term debt less current prepayment requirements.....	1,395,000	1,661,000
Excess of assets over liabilities.....	\$26,625,174	\$17,272,578
Deduct deferred television service and warranty income.....	50,536	107,187
Remainder—stockholders' equity.....	<u>\$26,574,638</u>	<u>\$17,165,391</u>
Represented by:		
Capital stock—800,000 shares, \$3.00 par value.....	\$ 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: (\$3,200,395 appropriated December 31, 1950 for 10% stock dividend payable January 29, 1951).....	22,946,806	13,537,559
Stockholders' equity.....	<u>\$26,574,638</u>	<u>\$17,165,391</u>

# Motorola

## Motorola Inc., and Subsidiaries Consolidated Statement of Income and Expense and Earned Surplus

FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

	1950	1949
Products sold.....	\$177,104,669	\$ 81,803,358
Other income.....	736,147	316,590
Total income.....	<u>\$177,840,816</u>	<u>\$ 82,119,948</u>
Deduct:		
Manufacturing and other costs of products sold.....	\$129,659,612	\$ 61,399,064
Selling, service and administrative expenses.....	18,823,521	10,277,634
Contribution to employees' profit-sharing fund.....	2,295,901	1,654,120
Provision for federal and state taxes on income.....	13,890,323	3,305,500
Other expenses.....	362,212	203,434
Total deductions.....	<u>\$165,031,569</u>	<u>\$ 76,839,752</u>
Net income.....	\$ 12,809,247	\$ 5,280,196
Earned surplus, beginning of year.....	13,537,559	9,457,363
Total.....	<u>\$ 26,346,806</u>	<u>\$ 14,737,559</u>
Cash dividends declared—\$4.25 per share, 1950;		
\$1.50 per share, 1949.....	3,400,000	1,200,000
Earned surplus, end of year.....	<u>\$ 22,946,806</u>	<u>\$ 13,537,559</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 approximately \$7,435,000 was available on December 31, 1950 for the payment of cash 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, 1950 and 1949 are detailed as follows:

	December 31,	
	1950	1949
Finished stock.....	\$ 3,416,294	\$ 1,673,036
Work in process.....	1,247,172	894,600
Raw materials and supplies.....	15,159,179	5,950,007
Total.....	\$19,822,645	\$ 8,517,643

Plant and equipment on December 31, 1950 and 1949, at cost, are detailed as follows:

	December 31,	
	1950	1949
Depreciable assets—less depreciation.....	\$ 5,134,936	\$ 3,671,980
Dies—less amortization.....	252,788	262,875
Land.....	406,585	137,132
Total.....	\$ 5,794,309	\$ 4,071,987

Depreciation included in costs and expenses, for the year ended December 31, 1950, totaled \$382,827.

On December 31, 1950, long-term debt consisted of the following:

3½% promissory note, due June 1, 1963 (less current prepayment requirements of \$133,000 included in current liabilities).....	\$ 1,335,000
Real estate mortgage payable, 4¼%, due February 25, 1959.....	60,000
Total.....	\$ 1,395,000

On December 31, 1950 the company was contingently liable with respect to notes receivable discounted in the amount of approximately \$125,000.

The companies' federal income tax returns for fiscal years subsequent to December 31, 1948 are subject to review by the Treasury Department.

On December 31, 1950, the companies' commitments with respect to the acquisition and construction of new plant facilities aggregated approximately \$1,490,000.

On November 15, 1950, a 10% stock dividend was declared, payable on January 29, 1951. In payment of the dividend, \$3,200,395 was charged to earned surplus for: stock issued, 79,605 shares of a par value of \$3.00 each—\$238,815; fractional shares, which were paid in cash—\$16,195; and amount credited to capital surplus, at the rate of \$37.00 per share—\$2,945,385. On December 31, 1950, earned surplus in the amount of \$3,200,395 was appropriated for this dividend.

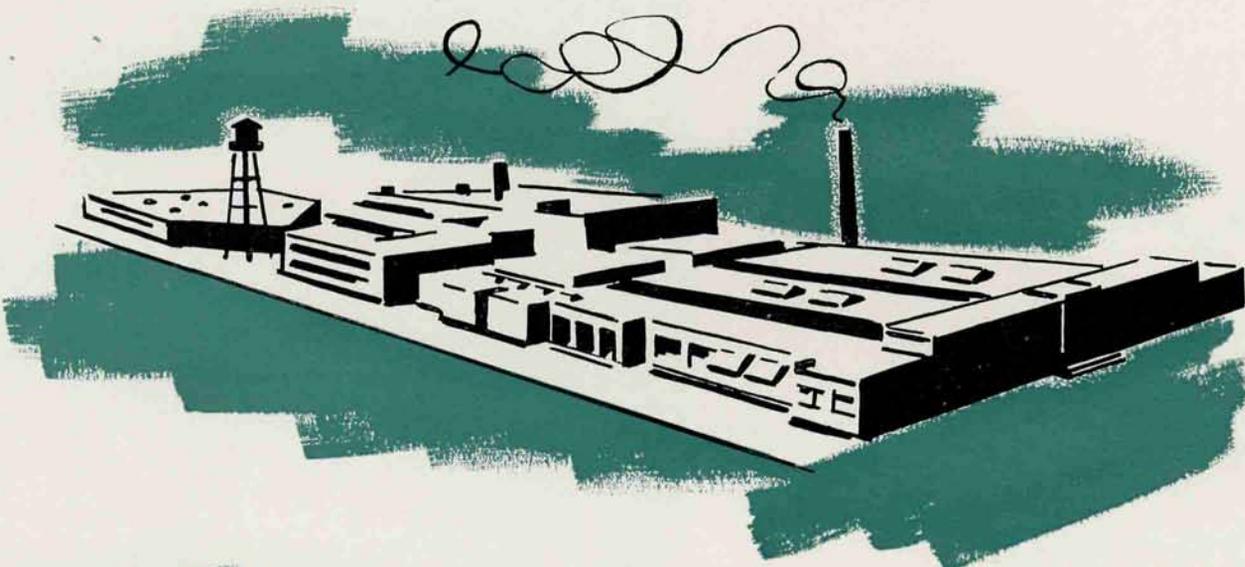
# Motorola

Television

•  
Radio

•  
Communications





*22*

**YEARS OF  
ELECTRONIC  
LEADERSHIP**