



ANNUAL REPORT

· 1933 ·

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RADIO CORPORATION
OF AMERICA

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RCA BUILDING
30 ROCKEFELLER PLAZA
NEW YORK



February 24, 1934

*To the Stockholders
of Radio Corporation of America:*

Financial The Consolidated Balance Sheet of the Radio Corporation of America and its wholly-owned subsidiary companies at December 31, 1933, appears on pages 10 and 11, and the Consolidated Statement of Income and Surplus on page 12 of this report.

Gross income for the year 1933 was \$62,333,496. While this figure represents a decrease of 7.5 per cent as compared with the gross income of the preceding year, the cost of doing business in 1933 was reduced 8.1 per cent as compared with 1932. After providing for fixed charges of \$4,237,378, to cover the items of interest, depreciation and amortization of patents, the net result of operations for the year shows a loss of \$582,094. This is approximately one-half the loss of the previous year, notwithstanding a decline of \$5,027,646 in gross income.

During the final quarter of the year the Corporation's business improved materially, resulting in a net profit from operations for the three

months of \$1,211,277. This compares with a net loss of \$540,863 for the same quarter of 1932, and with a loss of \$1,793,371 for the first nine months of 1933.

It is the first time a quarterly profit has been earned since the first quarter of 1932.

The profit accruing to the Corporation from the conversion of current assets held in foreign countries at the current rate of exchange at December 31, 1933, has not been included in income, but has been credited to a reserve for possible fluctuations in foreign exchange.

The Balance Sheet shows a ratio of current assets to current liabilities of 5.2 to 1.

The reduction in net current assets is principally accounted for by the final payment of \$2,925,329 which was due on the subscription for Radio-Keith-Orpheum Corporation debentures. This payment was made in January, 1933, and was

referred to in the Annual Report to stockholders for the year 1932.

Inventories of \$6,603,335 have been valued at the lower of cost or market and represent current merchandise. The increase of \$2,088,434 as compared to last year is due to the requirements of increased current business.

In addition to the foregoing items of cash outlay, the Corporation made capital outlays during the year in the various branches of its business and that of its wholly-owned subsidiaries. These capital additions increased the Corporation's fixed assets by \$3,964,000.

The Corporation has no bank indebtedness. It has financed all its activities during the year without borrowing. The present working capital of the Corporation is adequate to meet its normal requirements.

Organization

Radio Corporation of America operated for the first time in 1933 under its new status, divorced from the General Electric and Westinghouse Companies, which formerly held a controlling stock interest in the Corporation.

This new status permitted the entry by the Corporation, late in the year, into the additional field of manufacture of radio transmitting equipment, a field in which it was not previously licensed to manufac-

ture. Closer coordination of the various activities of its wholly-owned subsidiary companies was effected by RCA during the year, resulting in increased economies and efficiency of operation. The Corporation's executive offices were moved into the new RCA Building in Radio City, the western section of the Rockefeller Center development in New York City.

Studios, offices and transmitting equipment of the National Broadcasting Company are now located in the RCA Building, while the offices and two of the theatres operated by Radio-Keith-Orpheum Corporation, the Radio City Music Hall and the RKO Center Theatre, are in the nearby Radio City Buildings.

Your Corporation has maintained its international and marine radiotelegraph operations in the downtown district in New York, with branch offices located at advantageous points in the city, as well as in Boston, Washington, D. C. and San Francisco. Headquarters for manufacturing of radio receiving sets, phonograph records and special radio equipment have been retained at Camden, N. J., where sales activities are centralized and where the Corporation has its largest manufacturing plant. The manufacture of radio tubes has been continued in the plant of the RCA Radiotron Company, Inc., at Harrison, N. J.,

patents relating to broadcast receiving sets and tubes have been measurably reduced. Important suits have also been filed under patents relating to radio transmitting equipment and transmitting tubes, for the purpose of protecting the Corporation's interest in this field. Litigation against your Corporation alleging infringement of the patents of others has been defended successfully.

Television

It has been the policy of the management to refrain from definite prediction as to the time when television might be brought from the research laboratory and offered on a commercial basis to the American public.

Definite progress has been made each year in research and development incident to sight transmission by radio. Outstanding in television research during the past year was the perfection by RCA engineers of the "iconoscope"—an electric eye—which has advanced the technique of television by facilitating the pickup of studio action and permitting the broadcast of remote scenes, thereby giving to the television transmitter the function of a camera lens. Through the use of the iconoscope, street scenes and performances in studios have been satisfactorily transmitted and received by television, on an experimental and laboratory basis.

Nevertheless, some important problems relating not only to the technical side, but also the commercial side of television still call for solution. These problems relate principally to the cost of erecting and operating the necessary television transmitting stations, their interconnection for a wide-range service, the price at which television receiving sets can be successfully manufactured and sold to the public, and the production of suitable programs. While it is impossible to anticipate the exact time when this development can be introduced on an industrial basis, it may nevertheless be said that the progress made by the Corporation's laboratories and engineers, especially during the year under review, has brought us much nearer the goal, when transmission of sight will supplement transmission of sound.

Research and Engineering

Particular importance, both with respect to new radio communication services and to television, is attached to the research and engineering carried on during the year in the field of ultra short radio waves.

The creation by RCA engineers of extremely small radio tubes has provided a new avenue of approach to the problem of using these waves. Tubes have been developed of a diameter of only five-eighths of an inch, with internal elements fitted

into a space about the size of a pea. They are especially effective on wave-lengths in the region of one meter and below.

Other important developments have included the personal type velocity microphone for a speaker to wear in his buttonhole or breast pocket; improved short wave relay apparatus for broadcasts from aircraft and similar uses; improved mobile short wave equipment, and new double purpose radio tubes.

Much attention has been given during the year to improvements in phonograph recording and reproduction. These developments have resulted not only in improved phonograph instruments and new radio-phonograph combinations, but also in the creation of new types of flexible phonograph records eliminating the danger of breakage.

Developments in the field of sound recording and sound reproduction bear a natural and direct relationship to the field of talking motion pictures. During the year the work of RCA engineers has produced outstanding improvements in the quality of recording and reproducing sound on films. These improvements have been made available to motion picture studios and theatres.

Manufacture and Sales

The manufacture and sale of radio receiving sets and radio tubes

has been and still is faced by the overcrowded conditions existing in this branch of the industry, and by low price levels and liquidations.

It is estimated that the capacity of the large number of competing radio manufacturing plants in the country is still approximately ten times in excess of present-day market requirements.

Conditions in the industry have further depressed the prices of radio receiving sets and tubes below the 1932 averages, which already were sharply below those of previous years. This overcrowding in the manufacturing field with the natural struggle to survive has led, unfortunately, to demoralizing and destructive trade practices which, it is hoped, may be improved with a general improvement in the nation's business.

Broadcasting

Your Corporation's broadcasting activities were given added impetus in 1933 by the installation of the National Broadcasting Company in their new studios at the RCA Building in Radio City. These studios incorporate many advances in design, sound proofing, acoustics and technical facilities. They set a new standard in radio engineering and provide your Corporation with a broadcasting plant capable of meeting all modern requirements. The

studios were publicly dedicated on November 11, 1933, with an extraordinary broadcast program to the entire nation and over short waves to many foreign countries.

During the year the National Broadcasting Company transmitted a total of more than 50,000 broadcasts covering science, education, religion, politics and the arts. International broadcasts occupied an important place in 1933 programs. RCA's international radio circuits brought to American listeners more than 140 radio programs from countries across the seas.

The essential place radio has come to occupy in the life of the nation received new emphasis during 1933 through the repeated use of radio by the President of the United States, members of his Cabinet, members of Congress and others, to keep the country informed on economic and political problems of national importance.

Communications

Marked improvement in the Corporation's radiotelegraph communication business in 1933 indicates that R. C. A. Communications, Inc., continues to make gains through the speed and directness of its service.

Scientific developments in radio during the year provided the basis for the organization of new projects,

important among them being the domestic radio communication service, which is now in process of establishment.

For several years RCA research engineers have been occupied developing multiplex transmission by radio and also high speed facsimile transmission by use of extremely short waves.

Multiplex transmission makes possible the simultaneous sending of three different radiograms on one wave-length. By means of an arrangement of commutators, the three distinct sets of Morse signals are interlaced, and again separated into three radiograms at the receiving station.

The second and perhaps more important development is the practical use of ultra high frequencies or very short waves.

In this portion of the radio spectrum, RCA proposes to introduce the first domestic facsimile radio communication service between New York and Philadelphia. This is made possible by the use of two automatic radio relay stations to be erected at New Brunswick and Trenton, New Jersey. Over this new circuit, when it is completed and its commercial use authorized, it is confidently expected that photographs will be transmitted at higher speed and at lower tariffs than is

possible with the dot-and-dash system of the Morse Code.

Applications for permission to construct these ultra modern radio stations at New York, New Brunswick, Trenton and Philadelphia, and additional radio stations at Chicago, New Orleans, Washington and Boston, have been approved by the Federal Radio Commission and construction activities are under way.

In the field of marine radio communication, the Radiomarine Corporation of America continued during the year to conduct a highly efficient service. Development of long range, short wave, radiotelegraph equipment was continued. Of the passenger vessels in foreign trade under RCA contract, upwards of 80 per cent had adopted short wave equipment by the close of the year. Freight steamships in foreign trade also recognized the value of short wave equipment.

As an indication of steamship owners' confidence in the reliability and efficiency of RCA equipment many concerns continued to purchase, rather than lease, their radiotelegraph equipment. During 1933, RCA booked the largest single order for radiotelegraph apparatus and service ever awarded by a private American steamship company — covering a total of 67 vessels.

Through fast radio messages sent

from RCA coastal stations in Florida and on the Gulf, a new Weather Report Service supplying information to ships in or near affected storm areas in the tropics has been developed in cooperation with the U. S. Weather Bureau. This service will augment storm information the Weather Bureau will have available for preparation of its weather forecasts and warnings to both ships and land interests which are threatened.

Increased public interest in aviation has given additional importance to RCA developments in that field. For the airplane in flight, as for the liner on the high seas, radio is the only practical means of communication. It affords aviation not only a means of contact with the ground, but also enables exact direction finding, thus increasing the safety of aviation. Equipment for airplanes and airport stations constitutes a part of RCA's important developmental and service work in the communications field. Combination radiotelephone and telegraph transmitters have been developed for use in airplanes, and other specialized equipment has been made available for airports.

RCA's Interest in RKO

The management of the Radio Corporation of America has given full cooperation during the year to the Receiver of Radio-Keith-

Orpheum Corporation, and to the management of the operating subsidiaries of that company. Substantial progress has been made, it is felt, in improving the operations of that company and its subsidiaries, which suffered severely from the falling off of receipts and theatre attendance that affected the entire motion picture industry. During the year substantial economies were made in the costs of motion picture productions and the costs of operating theatres. RKO Radio Pictures, Inc., during the year produced some outstanding successes, among them being "Little Women," "King Kong," and "Morning Glory."

The results of operations during the year have enabled RKO to attain a better position in the motion picture and theatre industry. It is hoped that during the present year conditions may warrant the development of plans for a reorganization of RKO and a discontinuance of the receivership.

RCA's Interest in Electric and Musical Industries, Ltd.

RCA's interest in Electric and Musical Industries, Ltd., of England, remains the same as at the end of last year. During the year, the position of this Company was so improved that on January 15, 1934, it paid off the entire arrears of two years' preference dividends. This company is now

on a profit earning basis. Latest reports received from EMI are encouraging. The Company is engaged in the manufacture of radio sets, electrical and mechanical phonographs, records, etc. It is not engaged in the field of communications.

The principal business of the Company is in Great Britain, but it also operates in other parts of the world, having factories in nineteen different countries. At the end of the year, the EMI had on its payrolls more than 15,000 employees throughout the world.

Present Status of RCA

Your management has found encouragement in the progress made during the first year of the Corporation's new status. The long duration of the business depression has evidenced the advantages of RCA's policy in seeking the development of the general radio field, so that its activities would be reasonably diversified and therefore the more responsive to any general business upturn, and less affected by depression in any special branch of the business.

From its beginning as a small communication company aiming in particular at the development of marine and transoceanic radio, the Radio Corporation of America has extended its activities into manufacturing enterprises, broadcasting, sound motion pictures and other

fields associated with communication, electrical entertainment and radio progress. This extension of activities was made possible by the results of research and engineering work followed by the company from the beginning. The company has adhered to the principle that extension should be undertaken only along lines that are related to the radio art and industry and that give promise of further development. Each unit of the company has been built up progressively, and expanded in keeping with public requirements.

Although the radio industry is one that has moved rapidly, and one in which new technical developments have quickly rendered old methods and old equipment obsolete, RCA has made the required transitions without resorting to public financing.

Ever since its early development, radio has been an indispensable agency of communication. During recent years, it has advanced in the home field from a novelty and entertainment luxury to a household requirement. Because of the type and variety of its services, its independent status, and its attention to future requirements, the Corporation occupies an important position among the nation's essential industries.

Stockholders

The total number of RCA stock-

holders on December 31, 1933, was 287,813.

Changes in Directors

On May 4, 1933, the resignation of Mr. Owen D. Young, as Chairman of the Executive Committee and as a Director of the Radio Corporation of America, was accepted with regret by the Board of Directors. Mr. Newton D. Baker was elected a Director to succeed Mr. Young at a meeting of the Board of Directors held May 19, 1933.

Employees

At the end of 1933 the total number of employees on the payrolls of the Radio Corporation of America and its wholly-owned subsidiary companies was 19,934. The Radio-Keith-Orpheum Corporation and its subsidiary companies had a total of 7,483 employees on their payrolls at the end of the year. Throughout the year, the management of the Corporation has had the loyal assistance of employees, who have served their respective companies effectively, and who have cooperated faithfully in bringing about the important readjustments of the year.

By Order of the Board of Directors:

JAMES G. HARBORD, Chairman
DAVID SARNOFF, President

Printed by order of the Board

LEWIS MACCONNACH, Secretary

New York City, February 24, 1934

RADIO CORPORATION OF AMERICA
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand	\$13,149,482.64
United States Government and Other Marketable Securities at Market Value	7,396,273.58
Notes and Accounts Receivable (less Reserves)	8,233,938.87
Inventories (at the lower of Cost or Market)	<u>6,603,335.63</u>
TOTAL CURRENT ASSETS	\$ 35,383,030.72

INVESTMENTS:

Radio-Keith-Orpheum Corporation (In Receivership)	\$15,909,126.00
Represented by 59.9% of its Common Stock and 84% of its Ten Year Debentures, at Cost	
Electric and Musical Industries, Ltd.	13,189,431.98
Represented by 29.2% of its Common Stock and 2/10 of 1% of its Preferred Stock, at Cost	
Sundry Investments in and Advances to Associated and Other Companies at Cost, less Reserves	<u>3,204,370.15</u>
TOTAL INVESTMENTS	32,302,928.13

FIXED ASSETS:

Factories, Radio Communication and Broadcasting Stations, Warehouses, Service Shops, Offices, etc—	
Land, Buildings and Equipment, at Cost	\$91,354,071.40
Less: Reserves	<u>59,376,548.33</u>
\$31,977,523.07	
Patents, Contracts, etc., at Cost, less Reserves	<u>8,468,443.21</u>
TOTAL FIXED ASSETS	40,445,966.28

DEFERRED CHARGES:

Taxes, Insurance, etc., paid in advance	633,133.73
TOTAL ASSETS:	<u>\$108,765,058.86</u>

AND SUBSIDIARY COMPANIES

AT DECEMBER 31, 1933

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts Payable and Accruals \$ 6,765,762.86

FUNDED DEBT AND OTHER LIABILITIES:

Mortgages on Real Estate at Broad and Beaver Streets,
New York City \$ 3,703,000.00

Debentures (maximum interest 5% per annum; redeemable in seven annual instalments of \$255,000 each, beginning in November, 1935, and one instalment of \$2,470,000 in November, 1942) 4,255,000.00

Note Payable (Non-interest bearing, due November, 1937) 530,463.00

Notes Payable (Serial Notes Payable in thirteen equal annual instalments) 654,135.43

TOTAL FUNDED DEBT AND OTHER LIABILITIES 9,142,598.43

RESERVE FOR CONTINGENCIES, ETC.:

Contingencies (after Net Charges of \$536,099.98 during year, including write-down of marketable securities) \$ 2,547,083.78

Fluctuations in Foreign Exchange 636,799.24 3,183,883.02

GENERAL RESERVE 12,931,764.45

CAPITAL STOCK:

"A" Preferred 7% Cumulative, Par Value \$50, 495,597.4 shares, dividends paid in full on 395,597.4 shares up to March 31, 1932—no dividends paid since and remaining 100,000 shares rank for dividends from date of issue in November, 1932, on which no dividends paid \$24,779,870.00

"B" Preferred Cumulative \$5 Dividend, No Par Value, Redemption Value \$100 per share (767,275.1 shares). All dividends paid in full up to September 30, 1931.

No dividends paid since 16,430,709.07
Common, No Par Value (13,130,690.2 shares) 26,261,380.40

TOTAL CAPITAL STOCK 67,471,959.47

EARNED SURPLUS 9,269,090.63

TOTAL LIABILITIES AND CAPITAL \$108,765,058.86

RADIO CORPORATION OF AMERICA AND
SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1933

GROSS INCOME:

From Operations	\$61,561,109.69
Other Income	<u>772,386.39</u>
Total Gross Income from all sources	\$62,333,496.08
<i>Less: Cost of Sales, General Operating, Development, Selling and Administrative Expenses</i>	<u>58,678,211.38</u>

**NET INCOME FOR THE YEAR (Before Interest, Depreciation
and Amortization of Patents)** \$ 3,655,284.70

Deduct:

Interest	\$ 242,445.29
Depreciation	3,394,932.96
Amortization of Patents	<u>600,000.00</u>
Total Deductions	<u>\$ 4,237,378.25</u>
NET LOSS FOR THE YEAR, TRANSFERRED TO SURPLUS	\$ 582,093.55
SURPLUS AT DECEMBER 31, 1932	<u>9,851,184.18</u>
SURPLUS AT DECEMBER 31, 1933	<u>\$ 9,269,090.63</u>

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS

RADIO AND CABLE ADDRESS

"ARTHYOUNG"

1 CEDAR STREET

NEW YORK

NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
TULSA
LONDON, ENGLAND
PARIS, FRANCE

TO THE STOCKHOLDERS OF
RADIO CORPORATION OF AMERICA:

We have made an examination of the Consolidated Balance Sheet of RADIO CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES as at December 31, 1933 and of the Consolidated Statement of Income and Surplus for the year 1933. In connection therewith, we examined or tested accounting records of the Corporation and its Subsidiaries and other supporting evidence to the extent we considered sufficient and obtained all information and explanations requested by us from officers and employees of the Company. We also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The audit of the Radio-Keith-Orpheum Corporation and its Subsidiaries for the year 1933 by the public accountants of that corporation has not been completed. We are advised by officers of Radio-Keith-Orpheum Corporation that the Consolidated Statement of Operations for the year 1933 will show a loss of \$3,341,714 compared with a loss of \$10,695,503 for the year 1932.

In our opinion, based on such examination, the accompanying Consolidated Balance Sheet and related Consolidated Statement of Income and Surplus fairly present, on the basis therein indicated, in accordance with accepted principles of accounting which have been consistently maintained by the Corporation, its position at December 31, 1933 and the results of its operations for the year ended that date.

ARTHUR YOUNG & CO.

New York, N. Y., February 16, 1934.

RADIO CORPORATION OF AMERICA
RCA Building, 30 Rockefeller Plaza, New York City

BOARD OF DIRECTORS

JAMES G. HARBORD, *Chairman*

NEWTON D. BAKER	EDWARD W. HARDEN
CORNELIUS N. BLISS	DE WITT MILLHAUSER
ARTHUR E. BRAUN	EDWARD J. NALLY
BERTRAM CUTLER	DAVID SARNOFF
JOHN HAYS HAMMOND, JR.	JAMES R. SHEFFIELD
FREDERICK STRAUSS	

OFFICERS

DAVID SARNOFF, *President*

J. R. McDONOUGH <i>Executive Vice-President</i>	GEORGE S. DE SOUSA <i>Treasurer</i>
MANTON DAVIS <i>Vice-President and General Attorney</i>	HENRY A. SULLIVAN <i>Comptroller</i>
OTTO S. SCHAIKER <i>Vice-President in Charge of Patent Department</i>	LEWIS MACCONNACH <i>Secretary</i>
ROBERT C. PROPPE <i>Assistant Secretary</i>	

TRANSFER AGENT:

The Corporation Trust Company, New York, N. Y.

REGISTRARS:

"A" Preferred and Common Stocks, New York Trust
Company, New York, N. Y.

"B" Preferred Stock, The Chase National Bank of the
City of New York, New York, N. Y.