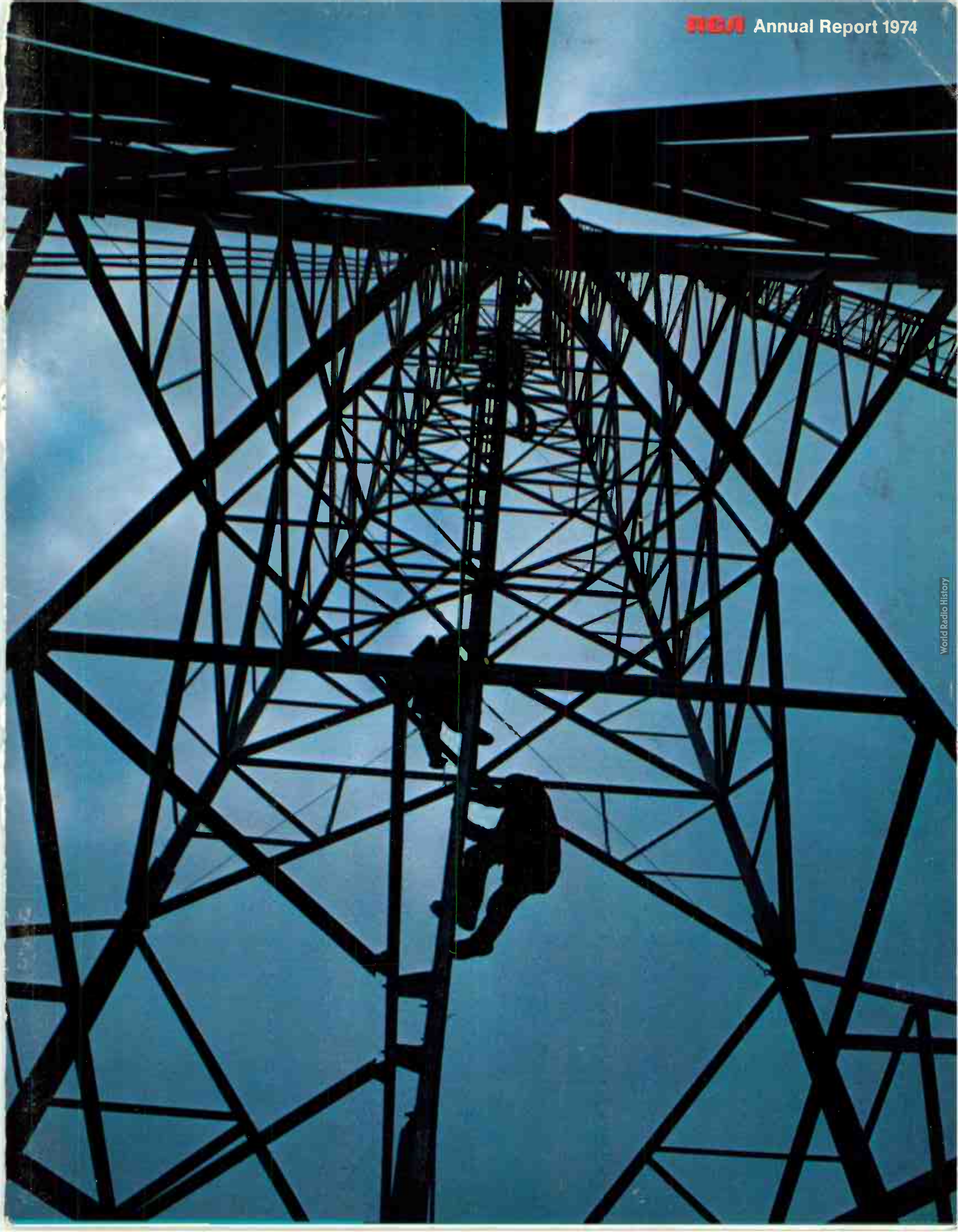
RCA Annual Report 1974



Cover: A new microwave relay tower looms against the Alaskan sky—one of a growing network. RCA is linking the vast state together, and to the world, with such modern technologies as microwave circuits, satellite communications, and electronic switching.

Annual Report 1974

RCA

Financial Highlights

(In millions, except per share)	**1974**	1973
Sales and other revenue	**$4,626.9**	$4,280.7
Net profit for year (A)	**113.3**	183.7
Per share of common stock		
Primary	**1.45**	2.39
Fully diluted	**1.45**	2.33
Cash dividends declared per share of common stock	**$ 1.00**	$ 1.00
Additions to plant and equipment	**$ 286.4**	$ 212.8
Net additions to revenue-earning equipment of Hertz	**230.2**	184.4
Total assets at year-end	**3,646.6**	3,300.8
Total shareholders' equity at year-end	**1,150.3**	1,116.9

Sales and Net Profit by Quarter

	Sales and Other Revenue		Net Profit (A) Total		Net Profit (A) Per Share	
(In millions, except per share)	**1974**	1973	**1974**	1973	**1974**	1973
First Quarter	**$1,081.6**	$1,013.6	**$ 31.3**	$ 41.7	**$ .40**	$ .54
Second Quarter	**1,145.9**	1,032.5	**35.2**	46.3	**.45**	.60
Third Quarter	**1,180.7**	1,050.5	**30.2**	42.3	**.39**	.55
Fourth Quarter	**1,218.7**	1,184.1	**16.6**	53.4	**.21**	.70
Total	**$4,626.9**	$4,280.7	**$113.3**	$183.7	**$1.45**	$2.39

(A) Net profit for 1974 has been determined on the LIFO method of inventory valuation for most of the domestic inventories. The effect of this change was to reduce 1974 net profit by $16.5 million ($.22 per share)—$3.5 million ($.05 per share) in the first quarter, $4.2 million ($.06 per share) in the second quarter, $4.8 million ($.06 per share) in the third quarter, and $4.0 million ($.05 per share) in the fourth quarter.

Contents

Report to Shareholders from the Chairman and the President

Robert W. Sarnoff

An unprecedented combination of inflation and recession made 1974 a uniquely difficult year for the economy at home and abroad, for many of the industries in which RCA operates, and for the company itself. It produced a climate unlike any we have experienced in a 55-year corporate history that has known the turbulence of war and depression.

RCA's sales for the 12 months rose by 8 percent over 1973 to $4.63 billion—partly because of inflation but primarily as a result of additional revenues from two new subsidiary companies abroad. Inflation also boosted the cost of virtually everything RCA uses—materials, labor, energy, money—to levels that for the most part could not be offset by adequate price increases in weakening national and world markets. The recession, deepening as the year unfolded, cut back demand for products and services. Whipsawed by these forces, the company's net profit declined by 38 percent to $113.3 million.

The drop in earnings also reflected our change last year to the "last-in, first-out" (LIFO) method of accounting for most of our domestic inventories to better reflect current income in the face of continued cost inflation. The change lowered earnings per share by 22 cents for the year, bringing them to $1.45, compared with $2.39 in 1973.

The deterioration of the national economy, particularly in the fourth quarter, led to a substantial decline in consumer and commercial markets important to RCA. The color television industry, for example, suffered its worst year-to-year decline, with sales 1.5 million sets short of 1973. That sharply reduced demand for color TV picture tubes and associated components. And toward the year's end, solid-state sales dwindled in response to growing weaknesses not only in consumer products but in the automotive and computer markets.

The economic downturn has worsened in early 1975. Unemployment is still rising, industrial output continues to decline, and persisting inflation threatens to push costs still higher for many raw materials, energy, and the goods they help to produce.

If misery loves company, the United States has plenty in its markets abroad. Many nations have been suffering greater inflation for longer periods. And our major trading partners are now caught in the wringer of inflation-recession to a degree approaching or exceeding our own.

These conditions dampened RCA operations outside the United States, though they did not prevent some sales gains. Exports and foreign manufacturing, distribution, and vehicle-services operations climbed to a new sales record of $884 million, including $213 million from two food-distributing subsidiaries in the United Kingdom—Oriel Foods, acquired in January, 1974, and Morris & David Jones, added later in the year. Earnings from these export and foreign operations declined for the year; profit margins were narrowed by the same cost-price squeeze we experienced at home. As in the domestic market, color television encountered special difficulties.

In this environment, we have taken pains to cut costs wherever possible. The most drastic measures have been the layoff of some 10,000 men and women in RCA's worldwide work force—mostly in consumer, component, and solid-state activities—and a series of plant shutdowns ranging from five days to four weeks during December and January. We have been making similar cuts in staff costs at corporate headquarters and in all divisions and subsidiaries.

Our operating costs have continued upward with the escalating prices of everything we must buy, from the plastic in television cabinets to the fuel for our factories and offices. While we cannot control these prices, we have held down our costs to some degree by careful planning and purchasing, the use of substitute materials, and, above all, a comprehensive program of energy conservation. During 1974, while fuel-oil prices were rising by 155 percent, we estimated that we achieved a reduction of more than 8 percent in RCA's consumption of oil at our domestic locations as well as a 14-percent cut in our use of electric power.

In common with all business management, we must take care that our economies meet present exigencies without weakening our prospects for growth in better times ahead. In this spirit, we are maintaining a close review of RCA's capital-spending priorities and stretching out or deferring programs where we can do so without impairing our basic plans for growth over the long term.

In 1974, our capital spending totaled $286 million. This was an increase of 35 percent over the 1973 total but considerably less than had been planned in the more favorable economic circumstances at the beginning of the year. Our capital-spending plans for 1975 also have been reduced from earlier estimates. The largest share in both years has been earmarked for RCA Global Communications and its Alaskan subsidiary for completion of RCA Satcom, the domestic satellite-communications system, and extension and upgrading of the Alaskan long-distance telecommunications system.

Severe as it is, the impact of the economic downturn could have been considerably worse had we not broadened our business base in recent years. One of our newest activities, The Hertz Corporation, and our oldest, RCA Global Communications, both ran against the tide in 1974 by achieving all-time sales and earnings records. The National Broadcasting Company scored significant gains in its competitive audience position and share of market while growing in sales and profit. And RCA Records improved its performance substantially.

Where we have been hit hardest in both sales and earnings is in the electronics manufacturing enterprises that have provided so much of our growth in past years, particularly in TV-related products and components. It is an industry-wide setback, and the prospects in these areas will remain clouded until there is some restoration, not yet evident, of buyer confidence among consumers, equipment makers, and commercial users of electronics.

Yet, there is reason to look for fresh growth and profitability in RCA's traditional as well as newer businesses once the economy turns upward. We have faith in the recovery of color television as a sound business. We are moving ahead with commercial development of an especially promising advance in consumer electronics, the "SelectaVision" VideoDisc system for playing—on any home TV set—a broad variety of visual material prerecorded on discs resembling phonograph records. We are building our own communications satellites to expand RCA Satcom. We are maintaining a wide-ranging research and development program that gives technological support to our current businesses and is breaking new ground in materials and techniques for solid-state devices, imaging systems, liquid-crystal displays, and other advanced concepts. The $110 million in company funds we spent on these activities in 1974 is a vital investment in RCA's future.

We predicted a year ago that 1974 would be extraordinarily complex and uncertain. It was all of that. We begin 1975 in an even more discouraging milieu at home and abroad. But now there are fewer uncertainties.

This country has become experienced at living, however uneasily, with the increased oil prices that posed a threat of unknown dimensions 12 months ago. It has gained ground with other nations toward a joint approach to our common economic and monetary problems. At home, it has resolved a major political crisis that distracted the nation and immobilized its leadership through the first half of 1974. And now, with a determined awareness we did not command a year ago, we are coming to grips with measures to halt and reverse the downward course of the economy.

These are hopeful signs, but they do not alter the prospect of another difficult year before we can expect substantial improvement. Under these conditions, your management intends to keep RCA on its present course—competing and marketing vigorously, holding down costs, deferring all but the most essential spending, and maintaining a strong technological base for future growth. We are confident that the company, like the nation, will emerge from these troubled times with renewed strength and promise.

March 10, 1975

Robert Sarnoff

Chairman of the Board

Anthony L. Conrad

President

Anthony L. Conrad

Recording star John Denver gets a visit in the studio from Kenneth D. Glancy, President of RCA Records.

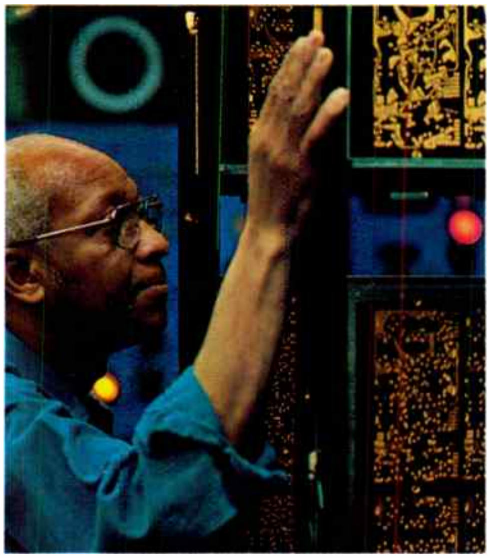
Electronics— Consumer Products and Services

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	1,130	24.4	11.1	9.8
1973	1,149	26.8	48.0	26.1
1972	1,098	28.4	57.7	36.5

(Dollar amounts in millions)

Results in this group were dominated by the steepest decline in the color television industry's two-decade history, a drop of 1.5 million sets from the number of sets sold in the peak year 1973. The recession cut RCA's unit sales of color sets by 13 percent from 1973, when record volume was achieved, though a cost-price squeeze had already begun to reduce profit from the 1972 level. Earnings were further depressed in 1974 by a decision to phase out of the audio-products business and by adoption of the LIFO inventory accounting method. In RCA Records, a steady stream of hit recordings produced a substantial gain in revenues and a recovery into the black from the 1973 net loss resulting from decreased U.S. sales and high expenses.

Television and Audio Products. The color television industry suffered a double impact: the sharp decline in sales and the continuing profit-margin squeeze between inflated costs and fiercely competitive prices. Under these pressures, three major set manufacturers merged with or were acquired by larger firms, and two others discontinued production. The same difficulties made deep inroads into RCA's sales and earnings, which also felt the adverse effect of a decline of 1 million in the industry's sales of black-and-white sets.



Circuit-board panels for solid-state TV sets are loaded on a rack that will carry them into an acid-etch bath.

Replacement items are packed at Parts and Accessories warehouse in Deptford, N.J.

Sketches and models of new consumer products are evaluated at RCA Design Center in Indianapolis.

The company undertook measures to deal with the year's difficulties and to speed recovery. In the spring, RCA became the first full-line U.S. manufacturer to devote its color TV production exclusively to 100-percent solid-state receivers designed to maintain the highest standard of performance and reliability. Although this decision knowingly risked price competition from lower-cost hybrid models, it accelerated the industry's trend to the solid-state standard and put RCA in a strengthened position to meet future demand for state-of-the-art sets. The company also achieved significant production economies by streamlining its color line to 31 models employing fewer basic chassis designs. Despite the industry's current difficulties, RCA expects to deal from strength in a healthy long-term market for television.

At midyear, the company announced that the newly introduced line of radios, phonographs, and tape players would be its last. Audio products had declined to 5 percent of RCA's consumer electronics business and, in a highly fragmented and crowded field, had lost their profitability.

The audio decision, made reluctantly because of RCA's historic association with radio, will help the company focus its resources on television and television-related products. Among the latter, the "SelectaVision" VideoDisc player system was demonstrated to a number of U.S. manufacturers and to the Japanese industry to invite participation when RCA determines to market it. The "SelectaVision" MagTape video recorder/player system was tested in homes in the Indianapolis area as part of a continuing evaluation of the product.

Phonograph Records and Tapes. RCA Records made its gains in the face of rapidly rising costs. The reorganized division achieved substantial growth both in the U.S. market and abroad. RCA retained a leading position in classical and country recordings and increased its share of the market in popular and rhythm-and-blues music. RCA Record and Tape Club sales also went up.

Consumer Services. Sales increased for the 20th consecutive year, but earnings declined, partly as a result of a two-week strike of servicemen. TV servicing again provided the largest revenue. The RCA Service Company maintained its total of more than 1 million home service contracts for TV and appliances.

Despite the severe downturn in construction, RCA achieved further growth in the business of leasing TV sets to hospitals and schools as well as to its principal customers, the hotel and motel industry. It also expanded sales of private telephone systems to hotels and motels.

Parts and Accessories. As a major supplier of replacement parts to the RCA Service Company and with its own network of 380 distributors in the United States, Parts and Accessories has grown fivefold in sales and profit in its 15 years of operation. Last year, sales and profit increased again.

Electronics—
Commercial Products and Services

Photomultiplier tubes are assembled at Electronic Components plant in Lancaster, Pa.

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	671	14.5	(7.4)	(6.5)
1973	644	15.0	25.8	14.1
1972	531	13.7	11.7	7.4

(Dollar amounts in millions)

A net loss on a modest rise in sales was registered in 1974 for this area in a major reversal from the previous year's substantial gain in both sales and profit. The industry-wide slump in color TV sales, following 1973's peak volume, cut deeply into demand for set components, notably picture tubes. The adverse effects were felt in Europe as well as the United States by RCA's picture-tube operations, a capital-intensive business with high fixed costs. Similar weakening in the markets for solid-state devices caught RCA and its competitors still building production capacity in response to 1973's surge in demand. RCA's commercial services showed sales and profit improvement for 1974, but an operating loss was incurred by Commercial Systems as a result of start-up costs in such new business areas as the manufacture of telecommunications equipment and provision for losses related to the aviation-equipment business.

Electronic Components. Two major problems affected electron tubes for entertainment equipment: the sharply reduced worldwide demand for color TV picture tubes and the increasing use of solid-state components instead of receiving tubes in TV sets. Sales of industrial tubes continued at about the same level as in 1973.

Despite setbacks in the marketplace, RCA took steps to maintain its leadership in technology. In the European market, the precision in-line color TV picture-tube concept was expanded to include large screen sizes with 110-degree deflection, thus offering savings to European TV set manufacturers in circuitry and labor costs while maintaining excellent picture quality. Initial production of the new tubes is planned for early 1975 in Scranton, Pa., with subsequent production by RCA ventures in Italy, England, and France.

The original equipment market for receiving tubes has been all but eliminated by solid-state components. Future sales will basically consist of replacement tubes, and these, too, are expected to decline in the years ahead. To reduce costs of its electronic components business, RCA closed operations in Woodbridge, N.J., and Cowansville, Que. The company believes it can maintain profitable receiving-tube operations at its three remaining plant locations: in Harrison, N.J.; Mexico; and Brazil.

Sales of electro-optic products increased modestly, and profitability improved despite the unfavorable economy and strong competition. New closed-circuit-TV equipment was successfully introduced in 1974, and sales are expected to grow rapidly in 1975.

Solid State. Despite excess industry capacity and rising costs, RCA increased its sales of power transistors, integrated circuits, and other semiconductor devices. Worldwide sales have grown nearly two and a half times since 1971. While sharing the problems and profit decline of the

RCA's newest commercial color TV camera weighs less than 20 pounds and provides the picture quality of much larger studio cameras.

Elements of an integrated circuit are plotted at Solid State plant in Somerville, N.J.

industry, RCA Solid State looks for renewed growth as the economy recovers.

The company began assembling and testing transistors and integrated circuits at its new plant in Malaysia. Integrated-circuit processing facilities will be expanded by 70,000 square feet in Palm Beach Gardens, Fla., during the second quarter of 1975.

Solid State anticipates a broadening of its markets in 1975 with its new microprocessors, SOS (silicon-on-sapphire) integrated circuits, and NMOS (n-channel metal-oxide-semiconductor) memories. SOS circuits will enable RCA's COS/MOS technology to increase its role in the computer market and other areas where high-speed circuits are required. The company introduced its first NMOS random-access memory in the fourth quarter and is now offering samples of a new COS/MOS microprocessor.

Commercial Systems. Broadcast equipment maintained its operations close to 1973 levels. RCA is the U.S. industry's only supplier to offer a complete line of studio and transmitting systems for AM and FM radio stations and for television broadcasters. Led by a rise in shipments of color TV equipment to Brazil and Australia, international sales increased substantially and represented about one-third of total volume.

In mobile-radio equipment, RCA expanded its activity in a growing market. It benefited from a successful new portable, two-way radio and significantly improved production methods. The United States Postal Service and the United States Forest Service made major purchases of two-way radio systems.

Aviation equipment reported a decline in sales and a net loss, but the company remained an important supplier of avionics to commercial, general, and military markets. RCA plans to strengthen this business with a new product line and an expanded program of development engineering.

In other Commercial Systems operations, RCA continued work on three satellites that will be used by RCA Global Communications for its domestic satellite-communications service and began an intensive effort to open new markets for telex and telephone switching equipment.

The Dataway electronic resource-management system, which helps speed service for such users as hotels, motels, and hospitals, continues to make progress and will be introduced in new markets in 1975.

Commercial Services. Revenues continued to rise sharply in leasing, installing, and servicing of teleprinter equipment in 1974. In addition, the company's strong position in servicing communications equipment for broadcasters, industrial firms, and marine- and mobile-radio users helped provide the RCA Service Company with an increase in both sales and profit for commercial services.

Except for communications common carriers, RCA maintains the largest force of data-communications technicians in the United States, with offices in 140 cities.

"Today" co-hosts Jim Hartz and
Barbara Walters discuss programming with
NBC President Herbert S. Schlosser.

Hal Holbrook stars in a scene from NBC
special, "Sandburg's Lincoln."

Broadcasting

Freddie Prinze and Jack Albertson co-star in one of the season's new hits, "Chico and the Man."

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	725	15.7	48.3	42.6
1973	684	16.0	47.7	26.0
1972	611	15.8	36.0	22.8

(Dollar amounts in millions)

The National Broadcasting Company achieved the highest sales in its history and its third successive year of gains in revenues and earnings. Profit increased in 1974 despite inflationary cost pressures and without the benefit of the $2.9-million capital gain included in 1973 earnings. The company's improved 1973 operating results largely represented a continuation of 1972's recovery from the governmental ban on cigarette commercials. Most of the 1974 gains came in the fourth quarter as the result of a strong fall program schedule that improved the market share of the NBC Television Network and the company's five owned television stations.

NBC's enhanced competitive standing—not only in prime time but in all parts of the television network schedule—places it in a strong position in 1975. Its fall ratings for prime-time programs made it the only network to increase its evening audience over the previous fall. Contributing to this success were new series such as "Chico and the Man" and "Little House on the Prairie," which emerged from an intensified overall effort in program research and development. More than 600 program concepts were tested and evaluated, 35 of those became pilots, and 10 finally entered the fall schedule. NBC again was a leader in prime-time entertainment specials, with top-rated entries in the fields of live entertainment and made-for-television movies.

The "Today" and "Tomorrow" programs, "The Tonight Show Starring Johnny Carson," and late-night specials together attracted 29 sponsors to network television for the first time, a record for this program category. With the death of Frank McGee, "Today" suffered the loss of a gifted and popular host, but the choice of Jim Hartz to join Barbara Walters as co-host has helped maintain the program's popularity at its high level.

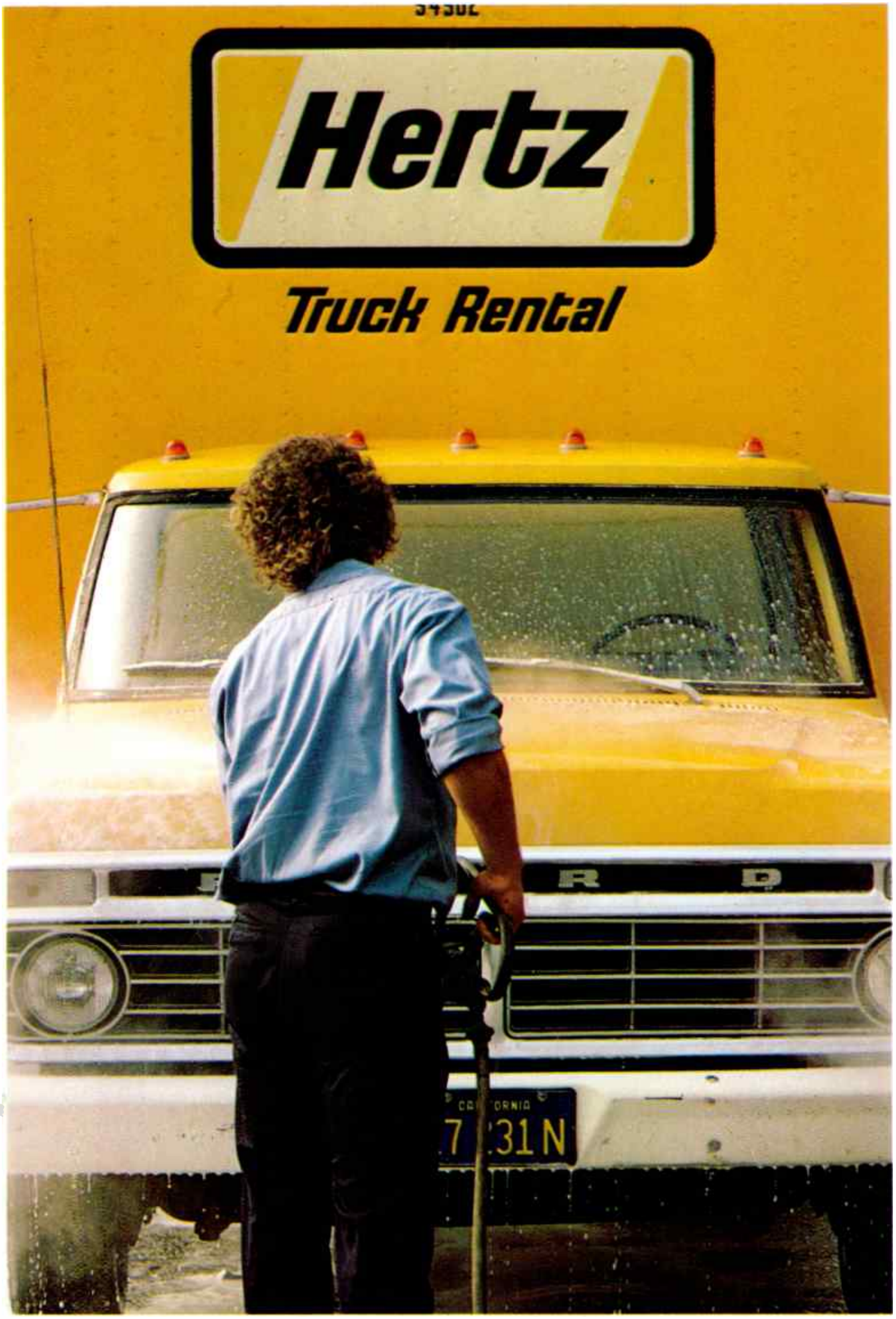
While total network-industry revenue for Saturday morning children's programming declined, NBC improved its market share substantially, both in audience and in advertiser support.

NBC led the television networks in sports, with 378 hours of programming. Viewers in nearly 15 million homes watched Hank Aaron break Babe Ruth's home-run record on "NBC Monday Night Baseball," the highest-rated regular-season prime-time baseball telecast in history.

"NBC Nightly News" increased its gross advertising revenues by 21 percent over 1973 and moved into close contention with its competition for audience leadership. The dramatic political events of 1974 were comprehensively covered by NBC News, which devoted 44 hours of live coverage to the House Judiciary Committee's impeachment hearings and other events connected with the resignation of President Nixon and the inauguration of President Ford. In all, NBC News presented 1,949 hours of TV and radio programming.

NBC programs and personalities were honored with more than 135 awards and citations during 1974, and NBC's five owned TV stations won more than 100. Among them were seven George Foster Peabody Awards, including a special award for "NBC Reports: The Energy Crisis—An American White Paper" and another to Joe Garagiola for "The Baseball World of Joe Garagiola."

The NBC Television Stations Division achieved record revenues in 1974, though higher costs reduced earnings. The success of the stations in attracting large audiences in the half-hour of prime time designated for local programming, combined with an improvement in network prime-time ratings, has strengthened the competitive position of the group.



Hertz trucks are thoroughly serviced and cleaned for use by rental and lease customers.

Vehicle Renting and Related Services

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	722	15.6	23.2	20.5
1973	677	15.8	19.3	10.5
1972	636	16.5	15.4	9.7

(Dollar amounts in millions)

The Hertz Corporation turned in record sales and profit for the third straight year. The world's leading vehicle renting and leasing organization achieved this performance in the face of a fuel shortage, sharply inflated fuel costs, increased automobile and truck prices, and a decline for the industry as a whole. Hertz management moved early in the 1973-74 energy crisis to assure the company of an adequate and continuing fuel supply and significantly larger numbers of cars giving high gasoline mileage. It also imposed tight cost controls on its operations and succeeded in a pricing policy designed to recover unavoidable cost increases. Most major Hertz operations contributed to the sales and profit records in both 1974 and 1973. But car-rental operations in Europe, which made a profit in 1973, ran at a loss last year because of steeply rising costs and a significant reduction of leisure and business travel.

As early as mid-1973, Hertz and its Rent A Car licensees began shifting to smaller, more economical cars in the company's worldwide fleet of 170,000 vehicles. During 1974, about 80 percent of Hertz's automobiles were intermediate-sized or smaller. Hertz and its licensees are ordering $610 million worth of new cars and trucks for 1975—probably the biggest vehicle-

Hertz facilities offer convenient service for travelers at hundreds of airports throughout the United States.

acquisition program in industry. Continued awareness of the need for fuel economy, coupled with customer demand for comfort, has led the company to introduce large numbers of well-appointed compacts into the 1975 fleet. But Hertz will continue to offer customers the broadest variety of makes, models, and sizes in the car rental and leasing field.

Although Hertz cars are available through its own facilities or from licensees in more than 100 countries, the company's largest operations are in the United States. Last year, membership in the highly successful Hertz #1 Club topped 1.2 million, and computer-based reservation service was introduced in the Canadian market.

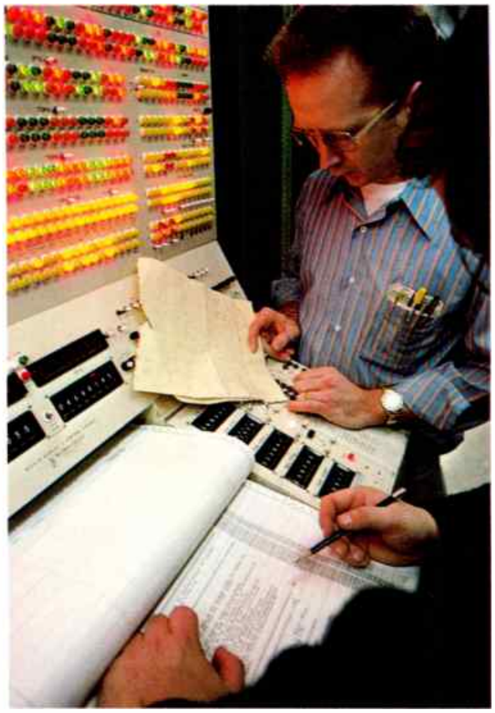
The second largest of Hertz's operations, the Truck Division, achieved record sales and profit as increasing numbers of businesses began to lease trucks rather than buy them outright. A growing part of the truck fleet consists of tractors for hauling large trailers over long distances. The company expects the truck-leasing industry to double in size by 1980.

Car-leasing operations also turned in new highs in revenues and earnings. Significant cost reductions were achieved by the introduction of an integrated data program on Hertz's leased cars. This provides division management with comprehensive information and controls over its leasing operations. Hertz entered the individual car-leasing business in 1974, and this, along with its business-leasing program, is expected to produce substantial growth in future years.

Hertz also has a growing business in renting and leasing equipment to builders and contractors whose projects range widely from home developments to oil refineries and other heavy-construction jobs. This operation expanded in 1974 and is expected to continue its rapid growth in the coming decade.

The world's leading vehicle renting and leasing organization also provides heavy equipment for construction and major industrial uses.

Communications



Sophisticated telecommunications equipment displays status of central processing unit at the Lena Point, Alaska, switching center.

At RCA's Global Control Center in New York, worldwide leased-channel circuits are monitored 24 hours a day to assure optimum performance.

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	195	4.2	25.7	22.7
1973	165	3.9	18.2	9.9
1972	137	3.5	13.6	8.6

(Dollar amounts in millions)

Maintaining the growth pattern of recent years, RCA Global Communications (Glōbcom) gained 18 percent in revenues and 41 percent in profit, both at all-time highs. RCA Glōbcom continued to strengthen its position as the leading U.S. international voice/record communications carrier; the company's traditional telex, telegram, and leased-channel businesses all grew substantially during the year. Glōbcom's subsidiary, RCA Alaska Communications, improved its performance in 1974, benefiting from Alaska's economic growth and the accelerating work on the Alaskan oil pipeline. For an expanded report on this newest arm of RCA's oldest business, see page 22.

RCA Global Communications. Telex operations were aided by a new computer-controlled switching center at Lodi, Calif. The Lodi exchange improved the overall reliability of RCA's service by providing alternate routing for the New York computer telex switching system and also increased RCA's telex capacity by 23 percent. Further growth prospects prompted a decision to lease a 97,000-square-foot building in Piscataway, N.J., to complement Glōbcom's New York telex and leased-channel operations. The new facility, which will eventually house $20 million in sophisticated communications equipment, is under construction and will begin operations in 1975.

The company continued to serve almost half the international commercial leased-channel market in 1974. The MINIPLUS private-line switching systems, introduced in 1973, expanded operations last year. Twelve minicomputers comprising seven MINIPLUS systems are now on order or have been installed.

Glōbcom increased its international communications capacity during the year by acquiring circuits in the new cable that links Canada, the United Kingdom, and continental Europe. In the Pacific, the first leg of a new California-Hawaii cable became operational. Glōbcom is investing $20.8 million in that venture, which will provide communications services between the United States and Asia when it is completed in 1975. RCA Glōbcom is also a part owner of a new 4,000-circuit voice/record cable being laid between Rhode Island and France. Scheduled for completion in 1976, the cable will more than double existing transatlantic communications channels.

RCA Satcom, the first U.S. domestic satellite-communications system, made major strides in its first year, providing voice, data, and facsimile services between the East and West Coasts. Satcom also furnished these services and television transmission between Alaska and the contiguous 48 states as well as between major points in Alaska. Increasing numbers of customers are finding the RCA Satcom system a reliable and much less expensive alternative to land-based communications services. The system has been using leased transponders and a network of eight earth stations. The first of its own satellites will be launched next winter. Eventually, RCA satellites combined with an expanded earth-station network will enable the RCA Satcom system to reach all 50 states.

In the years ahead, communications capacity being made available by large international satellites and new submarine cables will create thousands of new circuits for growing overseas communications uses and demand. The domestic communications systems of many countries also are being rapidly modernized, particularly in the Middle East, the Far East, and South America, and computer switching is now being introduced worldwide. RCA Glōbcom expects to participate in these growing world markets.

Electronic equipment is installed in the airframe of RCA Glōbcom's new communications satellite.

Government Business

The Navy's newest defense radar system, AEGIS, built by RCA, is undergoing tests aboard the U.S.S. Norton Sound off the coast of California.

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	356	7.7	3.7	3.2
1973	381	8.9	3.3	1.8
1972	396	10.3	3.4	2.2

(Dollar amounts in millions)

In spite of a continued decrease in sales to the government, profit from government business was up 12 percent in 1974, the first earnings increase in three years. The improvement resulted chiefly from favorable contract settlements.

RCA maintained its position as a leading supplier to the Department of Defense and the National Aeronautics and Space Administration of advanced communications, command and control systems, environmental and defense spacecraft, a spectrum of radar and laser systems, and advanced test equipment. RCA holds about 1,000 contracts with these government agencies.

The company continued to supply advanced radio systems to all three branches of the armed forces as well as NASA. When the Viking spacecraft starts its 460-million-mile trip to Mars later this year, it will contain in its landing vehicle an RCA communications system for transmitting information about the surface of Mars back to Earth. The company delivered two flight-ready communications systems for Viking in 1974.

Another RCA weather satellite was sent into space, marking the company's 24th success in a program that began in 1960. Work is under way to develop a third generation of environmental satellites.

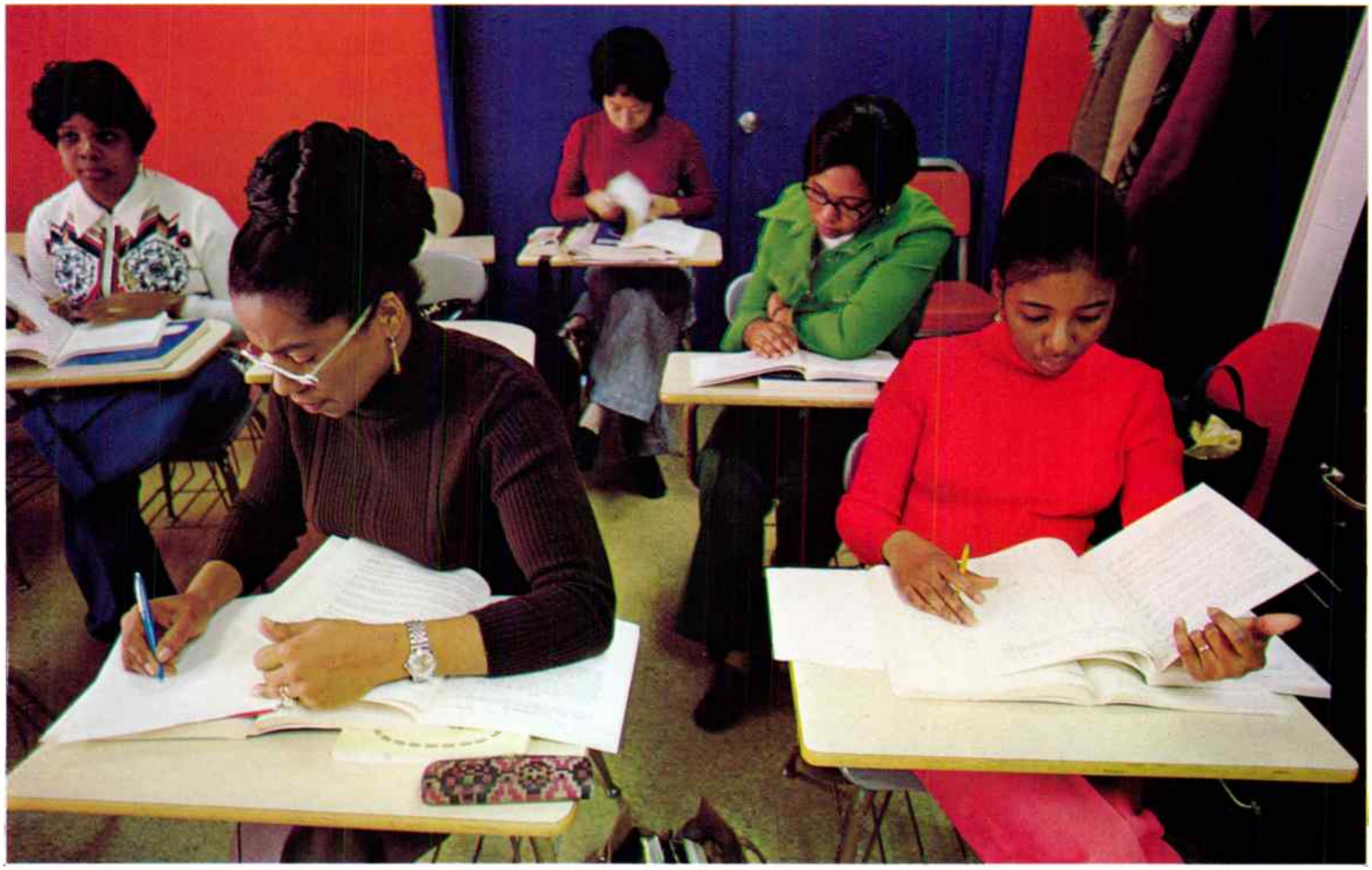
In another significant space accomplishment, an RCA-built Explorer satellite achieved the lowest Earth orbit—75 miles—of any spacecraft ever flown by NASA. Two more Explorers will be launched in 1975 to continue NASA's scientific probe of the Earth's lower atmosphere.

In defense products, the first engineering model of AEGIS, a new Navy antimissile defense system, was successfully tested at sea. The system contains an RCA-designed radar complex that scans in all directions simultaneously and establishes three-dimensional target tracking in a fraction of a second.

The company successfully demonstrated its transportable satellite-communications terminal for the Army during the year. The new earth stations are being designed for use by all the military services. Ten engineering models were under construction at year-end. The Army is also conducting trials, which have thus far proved successful, of an RCA-designed automatic testing system for all types of military electronics. The system, named EQUATE, has potential applications for the Navy and Air Force as well.

RCA's Automatic Test System for Jet Engine Accessories (ATSJEA) won contracts during the year from the Air Force and Navy and from a Japanese manufacturer.

Government Services. The RCA Service Company's government business ranged from technical management and operation of defense and space installations to providing training through Job Corps and other manpower programs. The major part of this business came from such installations as the Ballistic Missile Early Warning System



Students at RCA-operated Manpower Career Development Agency are trained in a wide variety of vocational skills.

(BMEWS), the Air Force Eastern Test Range, the Navy's Atlantic Undersea Test and Evaluation Center (AUTEC), and the satellite control facilities at Goddard Space Flight Center.

RCA won extensions of several major defense and space contracts and took on a new contract to provide additional technical services for the Navy's Atlantic Fleet Weapons Range in Puerto Rico. A new Air Force contract calls for operation and maintenance services in testing airborne surveillance radar.

Among the company's Job Corps contracts is a new one to provide training in business and health-related occupations for 180 disadvantaged young women at the Blue Ridge Center in Marion, Va. Three new contracts were awarded to the company by county school districts in Virginia to give special job training to handicapped persons, develop a staff and a curriculum for a vocational education center in a rural mining area, and develop a career-oriented teaching program for junior high school students.

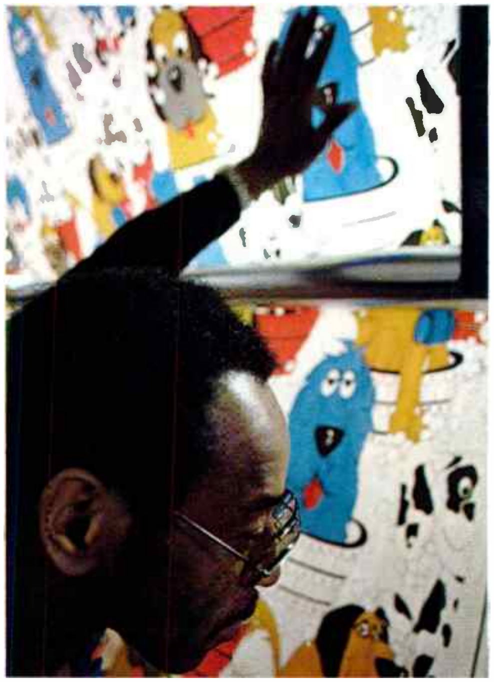
RCA Service Company personnel operate satellite-tracking equipment at Goddard Space Flight Center under contract to NASA.

Novelist Joseph Heller (left), whose *Something Happened* is a major best-seller, meets with Random House President Robert L. Bernstein and Robert L. Gottlieb, President and Editor-in-Chief of Alfred A. Knopf.

Space requirements are discussed with prospective tenant by Cushman & Wakefield agents at Chicago's Sears Tower.

Frozen prepared food is distributed throughout the United States by Banquet's fleet of refrigerator trucks.

Other Products and Services



Wall coverings are manufactured by J. Josephson, a subsidiary of Coronet Industries.

	Sales and Other Revenue		Net Profit	
	$	% Total	$	% Total
1974	828	17.9	8.7	7.7
1973	581	13.6	21.4	11.6
1972	454	11.8	20.3	12.8

(Dollar amounts in millions)

After years of steadily advancing sales and earnings, these nonelectronic businesses as a group shared the major ailments of the economy in 1974. Sales rose 43 percent, largely reflecting newly acquired food processing and wholesaling operations in the United Kingdom, but profit was down 59 percent despite added earnings of the new companies. The decline resulted from a leveling in sales of home furnishings and frozen prepared foods accompanied by a cost-price squeeze in both businesses and the impact of LIFO.

Banquet Foods. This leading frozen prepared foods enterprise had to contend with an industry sales drop of 10 percent as well as inflationary cost increases difficult to recover in a highly competitive market situation. Although sales showed a moderate gain, earnings were lower.

Banquet attacked these problems with energetic promotional campaigns and such product innovations as a line of Man-Pleaser dinners, which offer larger portions of fried chicken, turkey, Salisbury steak, and meat loaf. These measures were major factors in enabling Banquet to end the period with an improving performance.

Coronet Industries. Fewer Americans bought new homes in 1974, and fewer householders made major investments in furnishings. As a result, sales and profit declined for Coronet's carpeting products—the mainstay of its business. For similar reasons, European carpeting operations produced unsatisfactory results.

Soaring raw-materials costs—as much as a 25-percent rise in the price of synthetic fibers at midyear—contributed to Coronet's downturn. In an unsettled and weakening market, price increases achieved only limited success. A new carpet-dyeing technology was put into broader use in all plants in the United States and Canada and in the wholly owned subsidiary in Belgium.

Coronet's subsidiary, J. Josephson, Inc., successfully test-marketed prepasted vinyl wall coverings—the first by a U.S. manufacturer.

Coronet's commercial furniture business improved its sales, but earnings declined. The company's small Duo-Bed retail furniture subsidiary operated at a loss in 1974 and was sold early this year.

Cushman & Wakefield. In the face of a generally weaker commercial real-estate market, Cushman & Wakefield continued to expand. Revenues rose, but profit remained at the 1973 level.

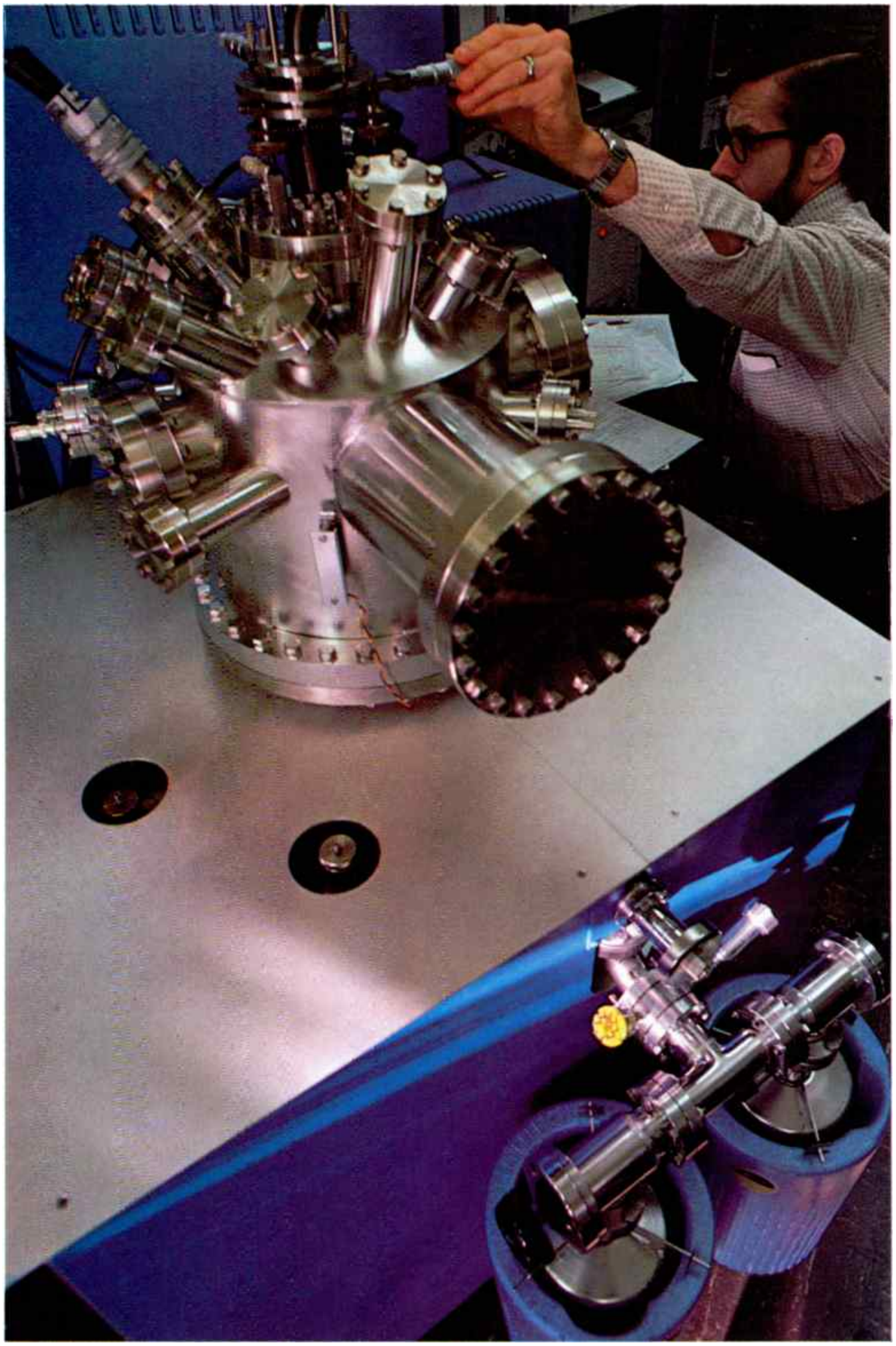
The company opened a branch office in Dallas, where it was named leasing agent for the new 56-story First International Building, and created another new branch in Memphis. Cushman & Wakefield now has 19 branch offices in the United States.

Abroad, the company entered a joint venture as project director for American Express' new European headquarters in Brighton, England. Cushman & Wakefield is supervising the design and construction of the $15-million project, planned for completion in 1976.

Random House. The company increased its sales by 25 percent to a new high. Business was adversely affected by industry-wide inflationary cost increases that could not be fully recovered in the 1974 marketplace; these costs were charged to current income under the new LIFO accounting method. The result was to move operations into a loss position. Random House and its imprints, Alfred A. Knopf and Pantheon, placed 15 books on national best-seller lists. Ballantine Books, Random House's newest division, produced record sales of mass-market paperback books.

Sales of elementary, secondary, and college textbooks and work programs were well ahead of 1973, and gains were made in such key college course markets as psychology, anthropology, English, and history.

United Kingdom Food Companies. RCA acquired Oriel Foods Limited and Morris & David Jones Limited. The two firms distribute food, mainly through wholesale outlets, throughout the United Kingdom, and Oriel also processes edible oils. Both companies nad a profitable year. Further gains are expected through integration of the two operations.



RCA scientist operates sophisticated analyzer used in materials research.

Research and Development

RCA Laboratories, where whole industries have been germinated over the years, carried forward the research and development that are indispensable to technological leadership. To conduct wide-ranging efforts to advance electronics and communications, RCA applied $110 million of company funds and another $157 million from government agencies and other customers. The research and development programs involved thousands of scientists, engineers, and technicians working at the David Sarnoff Research Center in Princeton, N.J., in laboratories in Zurich and Tokyo, and within major RCA operating units.

While basic research remains one of the Laboratories' missions, the 1970s have put fresh emphasis on applied research more closely attuned to the needs of RCA and its commercial and government customers. Both in research projects and as technical consultants and troubleshooters for the divisions, RCA scientists focused on products and techniques that can contribute significantly to sales and earnings.

Television Products. A Laboratories team worked closely all year with engineering staffs of RCA Consumer Electronics and RCA Records and made considerable technical progress in the development of the "SelectaVision" VideoDisc system for the playback on home TV sets of prerecorded programs. The Laboratories also enlarged its research program with Consumer Electronics to further improve RCA's television receivers. Among the goals are additional refinements in picture quality, greater reliability and safety, streamlined

Scientist studies growth of an experimental crystal using radio-frequency heating device.

design to minimize manufacturing costs, greater automation in tuning and control, and lower use of energy.

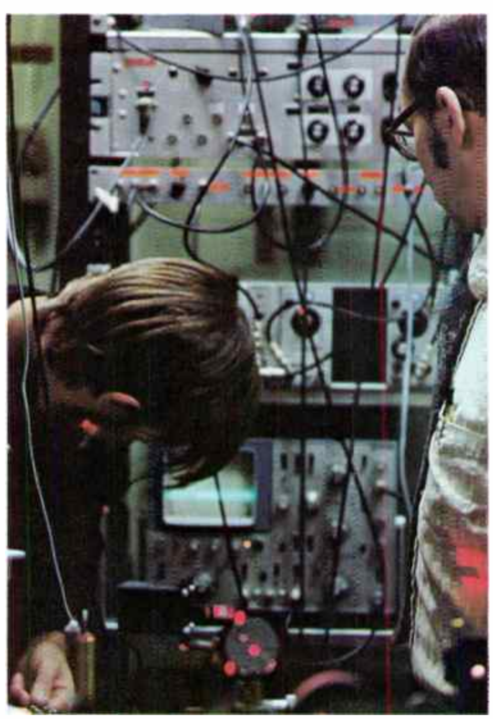
Laser Research. RCA announced the development of a new low-cost gas laser that will make possible simpler electro-optic equipment for consumer, governmental, and industrial information-processing applications. The new laser eliminates many expensive precision components and handmade glass parts previously required in laser manufacture. Also, it operates at reduced voltages that should lead to lower power costs.

RCA scientists also made advances in miniaturized lasers, including a reliable semiconductor laser that operates continuously at room temperature for thousands of hours. The new device is expected to enhance the use of such lasers in communications systems as well as in optical scanning equipment. The Laboratories demonstrated the new laser's capability as a document reader that can provide high-quality electronic reproductions of text, sketches, and photographs suitable for long-distance facsimile transmission.

Solid-State Devices. The Laboratories continued to make major contributions to silicon-on-sapphire integrated circuits. These operate at higher speeds and require less power than conventional integrated circuits and are expected to take over an increasing share of the electronic clock business as well as to play an important role in electronic data processing.

RCA also announced the first microprocessor employing COS/MOS integrated-circuit technology. This small, programmable data-processing device is expected to be used in low-cost, high-volume systems such as process controls and manufacturing automation as well as in automotive control devices and point-of-sale terminals.

Experiments in a newly developed system employing a laser interferometer provide precise measurements of ultrasonic waves at RCA Laboratories.



RCA scientists developed a simple liquid-crystal technique for observing electron pulses flowing through a tiny integrated circuit, much as a biologist studies living cells under a microscope. With the new technique, an engineer can watch the electron pulses flow through an integrated-circuit chip one-tenth of an inch square containing thousands of transistors and related devices and can locate operational defects by observing where the electron flow is interrupted.

Tubeless Cameras. Scientists worked closely during the year with RCA Government and Commercial Systems and with the Industrial Tube Division of RCA Electronic Components in developing products employing charge-coupled devices (CCDs). They also completed development of miniaturized, tubeless TV cameras that employ CCD sensors as their "eyes." These cameras were introduced commercially in January, 1975.

Electro-optics. A newly developed electro-optic modulator could permit as many as 25,000 persons to talk simultaneously over a single laser-beam, high-grade telephone circuit. The device, which is still in the research stage, is the first electro-optic modulator compatible with integrated circuits and capable of aiming or switching the direction of a laser beam.

RCA Around the World

In Tokyo, RCA maintains offices in this and other buildings.

The opportunities in world markets for RCA products, services, and expertise have drawn the company increasingly into the international arena. Indeed, aside from opportunity, the spread of business competition across national borders has obliged RCA, as it has many other major companies, to compete on an international scale. Last year, nearly 20 percent of RCA's sales came from abroad through exports, manufacturing, distribution, and vehicle services. Representing activity in more than 100 countries, these sales grew by 47 percent over 1973 to $884 million, including $213 million from RCA's newly acquired food companies in the United Kingdom. Profit on these total sales was moderately off.

The sales and profit from the company's international activity are included in the results of RCA's various lines of business. Each major operating unit is responsible for its own foreign operations. But RCA's international business receives coordinating guidance at the corporate level, including specialized counsel on marketing, finance, business strategy, and growth opportunities.

The company's oldest and largest foreign subsidiary is RCA Limited in Canada, which achieved record sales last year while improving its profit. With 5,000 employees and seven major installations, RCA Limited holds a leading position in Canada's electronics industry. It operates that country's largest color TV picture-tube plant and turns out approximately 25 percent of Canadian-produced color television sets. The Canadian subsidiary also is an industry leader in the design and production of communications satellites, earth stations, and microwave systems. Orders from the Canadian government's Department of Communications and from Radio Quebec boosted results in those areas over 1973.

In Europe, RCA is engaged in ventures in Great Britain and France that produce color TV picture tubes, and the company sells a broad range of its electronic products through a West German electronics distribution subsidiary. Some improvement in the operating results on the Continent was more than offset by a loss in the British picture-tube venture.

Electronic components also are distributed worldwide by the company's U.S.-based Parts and Accessories division. RCA manufactures TV picture tubes and receiving tubes in Brazil and Mexico as well as black-and-white TV sets and solid-state components in Taiwan.

The growing European market for solid-state devices is served by a plant in Liège, Belgium. In Asia, RCA opened a new solid-state assembly plant last year in Malaysia. The Solid State Division strengthened its international position with improved sales and earnings overseas.

The company also increased its exports of electronic communications systems and TV broadcast and studio equipment to commercial customers in growing world markets.

International volume accounted for a substantial part of total revenues for RCA Records, which sells its products around the world. Subsidiaries also produced RCA recordings in Argentina, Australia, Brazil,

RCA records and tapes are distributed in London and other cities throughout the world.

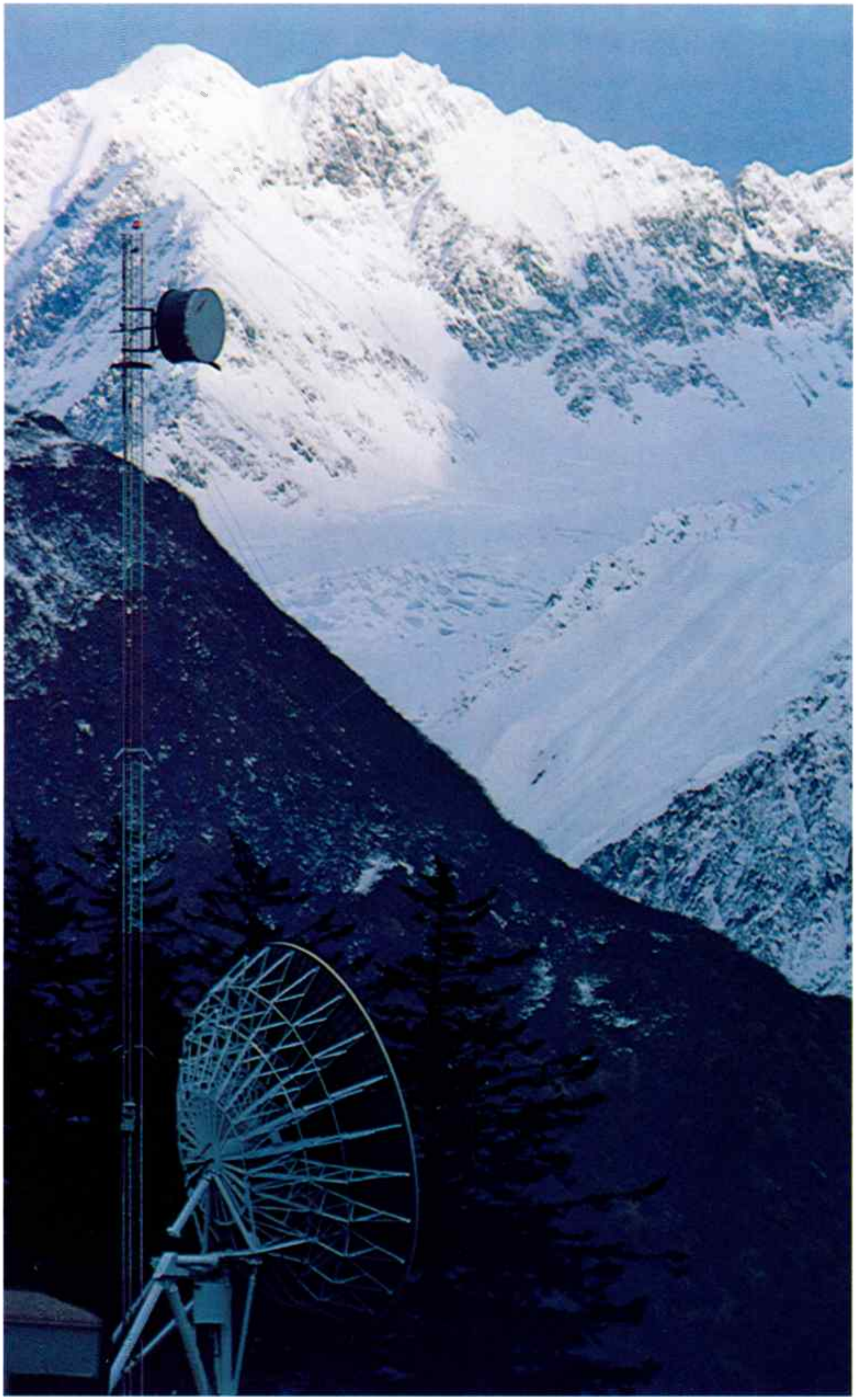
Canada, France, Germany, Great Britain, Italy, Mexico, and Spain, and the division maintains licensing arrangements in 39 other nations, having added such agreements last year with East Germany, Nigeria, and Iran. RCA Records' international operations continued to increase both sales and earnings.

Most of the company's businesses apart from electronics and communications also are represented in markets outside the United States. Coronet's Canadian carpet-making venture produced record results in 1974, although its European carpet-producing subsidiary, based in Lanklaar, Belgium, experienced the difficulties of a start-up year. Hertz international rental and leasing operations improved sales and profit in Latin America and the Caribbean and in Australia. But these were not enough to compensate for a loss caused by a slowdown in the European market.

RCA's latest venture abroad was the acquisition of the United Kingdom food companies: Oriel Foods Limited, a food wholesaler-distributor and processor of edible oils, and Morris & David Jones Limited, which engages in retail and wholesale food distribution. These two companies not only complement each other's operations but together provide a base for substantial growth.

Components for RCA color TV picture tubes are assembled in Mexico City plant.

RCA in Alaska



This Alascom satellite earth station is located at Valdez, the southern terminal of the trans-Alaska oil pipeline route.

The dynamics of America's biggest, fastest-growing state defied the U.S. economic reversal in 1974. Alaska's employment rose 7.9 percent; personal income climbed 25.8 percent; business travel and tourism were up more than 20 percent; and accelerating work on the 789-mile Alaskan oil pipeline sent fresh ripples of growth through the state's economy, which expanded 17.5 percent.

Sharing the challenge, the hard work, and the benefits of a growing Alaska was RCA Global Communications' subsidiary, RCA Alaska Communications (RCA Alascom). Alaskans made 30 percent more toll telephone calls than in 1973 over systems operated by Alascom.

Through this and such other expanding services as private-line and TV transmission of live TV programs from the lower 48 states, Alascom improved its revenues and profit. The company also enlarged its commitment to keep pace with Alaska and to give its 350,000 citizens a full range of modern communications services designed for their special needs.

Since taking over the Alaska Communication System from the U.S. government four years ago, RCA has more than doubled the state's long-distance commercial communications capacity and at the same time saved Alaskans more than $100 million through rate reductions. So far, the company's Alaskan investment has grown at twice the originally contemplated rate. It now stands at $100 million.

To overcome the obstacles of Alaska's rugged landscape, weather, and sheer size,

Telephone operators at Juneau are provided with the most advanced telecommunications equipment.

RCA Alascom provides long-lines telephone service among the communities of Alaska and to other locations throughout the world.

Alascom is employing satellite communications and the most advanced microwave technology. With its parent company, it marked the first full year of operating the RCA Satcom system, the domestic satellite-communications service that will operate intensively in Alaska and also serve the other 49 states.

In addition to the Satcom earth stations originally built in Alaska near Anchorage and Juneau, new ones rose at Bethel, Nome, Prudhoe Bay, and Valdez. Up to six more major earth stations and many small ones are planned for 1975; eventually, there could be well over 100 in Alaska, providing 70 percent of the state's long-distance communications needs.

At the same time, the company advanced in another of its long-range programs: the building of 850 miles of new microwave circuits. A chain of microwave towers joined Anchorage and Fairbanks for the first full year, and another major microwave system linked Anchorage and Seward, providing vitally needed circuits to many areas lacking in telephone communications. Still another such system, with a main link stretching 250 miles down the panhandle from Angoon to Ketchikan, is scheduled for completion this year.

Alascom also is expanding its telephone-call handling capacity in the switching centers by installing new electronic equipment to replace manually operated switchboards. The Anchorage switching center added a building to house new equipment that will meet traffic needs over the next two decades.

The company began playing its unique role in support of the Alaskan oil pipeline, which is scheduled to start delivering vast quantities of crude oil from Prudhoe Bay on the North Slope to Valdez on the southern coast at the end of 1977. Employing both satellite and microwave technology, Alascom is building primary and back-up communications systems along the pipeline to be used in the control of operations for efficiency and safety.

Earth stations are already operating at each end of the pipeline route, and the company plans to install two more—one in the rugged Brooks Range south of the oil fields and the other in central Alaska near the point where the pipeline crosses the Yukon River. At year's end, a temporary microwave system was operating to support pipeline construction from Prudhoe Bay to Fairbanks, a distance of more than 400 miles. While designed for pipeline support, both the satellite and terrestrial systems will become integral parts of Alaska's growing communications infrastructure.

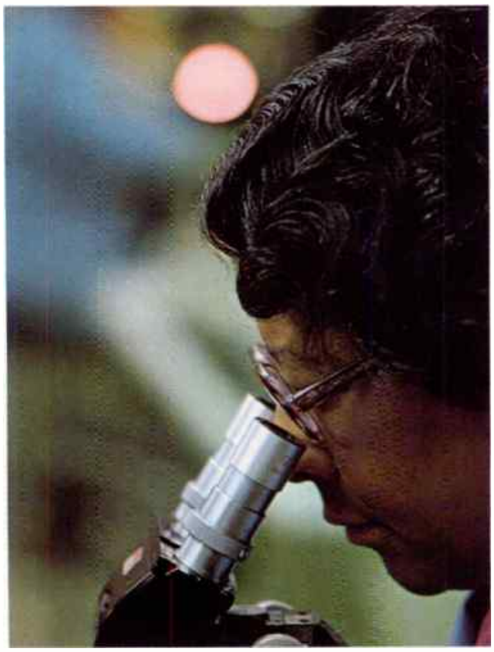
As with all rapid growth, there are growing pains in Alaska, too. Alascom's bush telephone program—designed to bring telephone service for the first time to small, remote communities—has been confronted by time-consuming procedures and other difficulties. RCA is confident that the problems of keeping up with the state's growth will yield to the kind of ingenuity, energy, and deep commitment with which Alascom's 1,100 skilled men and women are succeeding in making Alaska a new frontier of modern communications.

Pipe is stacked at Valdez prior to use in the oil pipeline, which will be monitored for safe and efficient operation by RCA Alascom.

New housing for senior citizens rises amid urban decay in a renewal project by the Camden City Center Corporation, an organization co-sponsored by RCA.

Cherokee Nation Industries at Stilwell, Okla., is one of the many minority vendors under contract to RCA.

RCA People and Corporate Responsibility



Solid-state devices are inspected at Somerville, N.J.

The People of RCA. RCA's worldwide work force declined by some 10,000 men and women in 1974, mostly toward the end of the year, reducing total employment to 116,000. This reduction, affecting both hourly and salaried employees, resulted chiefly from the drop in sales of electronic products.

Although the work force was smaller at year's end, the company's 1974 payroll also reflected increased compensation. The wages and salaries paid to RCA employees rose in 1974 by 7 percent to a total of $1.33 billion. Group-insurance contributions by the company came to $66.7 million, compared with $61.6 million in 1973. Employer contributions to retirement plans were $53.5 million, compared with $29.5 million the year before. Social Security payments and other related employee-benefit payments were $94.3 million in 1974, an increase of $11.1 million over the previous year. Total employment costs for the year were $1.55 billion, or 33 percent of sales. These costs were 9 percent above the $1.42 billion of 1973.

Three innovations were introduced to benefit employees as well as the company. To assist employees in understanding RCA's improving benefit programs, a computerized system was introduced to give each an annual personalized statement containing the details of his own insurance and retirement benefits. A program to improve management selection and development was begun in many RCA divisions. Called the Talent Inventory system, it actively seeks to identify employees with management potential for special training and promotion. Finally, using funds freed by revision of the long-standing program of college scholarships for children of employees, the company launched a program of 20 to 25 annual Career Scholarships, from $250 to $1,500 each, for employees' children who wish to attend vocational-technical institutions. This program of two-year grants, reflecting a new educational trend, is one of the largest corporate scholarship projects in America.

The Employee Suggestion System drew more than 5,000 award-winning ideas, resulting in production, administrative, and service savings of $3.4 million. Awards to employees totaled $500,000.

Management continued its active implementation of RCA's Affirmative Action Program to provide jobs and promotions for women and members of minority groups. Minorities now make up approximately 12.5 percent of RCA's employees in the United States, representing 16 percent of the hourly work force and 10 percent of the salaried employees. Approximately 38.5 percent of all RCA employees are women, and they occupy 16 percent of the managerial, professional, and sales positions.

Labor relations were generally stable during the year; 192 labor agreements were negotiated successfully. Only two significant work stoppages occurred, and those were of short duration—a 14-day strike of TV and appliance technicians in the RCA Service Company and a 15-day strike at RCA's glass-bulb plant in Circleville, Ohio. All contract settlements provided for wage and benefit improvements consistent with industry patterns.

Community Relations. Both as a company and by encouraging the efforts of its employees as individuals, RCA tried to maintain the highest standards of good citizenship in the communities where its activities are conducted.

Management instructed purchasing officials throughout RCA to seek bids from qualified suppliers who are members of minority groups. At the same time, it sought to stimulate interest among potential minority vendors through special corporate advertising in black and Hispanic media. As a result, 92 such vendors—an increase of 46 percent over 1973—sold some $2.2 million worth of tools, plant materials, and services to RCA.

RCA's participation in the Camden City Center Corporation, an urban-renewal project covering 160 acres in downtown Camden, N.J., has helped to complete 93 town houses and 104 other family-dwelling units for low-income and elderly families.

As a major employer in southern New Jersey, RCA, for the eighth consecutive year, gave considerable support in money, materials, and manpower to the Opportunities Industrialization Center in that part of the state. For its response over the years, the company won the 1974 OIC Industrial Award. RCA Chairman and Chief Executive Officer Robert W. Sarnoff serves on the National Industrial Advisory Council of OIC, which supervises some 200 projects across the nation.

Sales and Net Profit by Segment

RCA

(In millions)	1974	1973	1972	1971	1970
Sales and Other Revenue					
Electronics—Consumer Products and Services	**$1,130**	$1,149	$1,098	$ 968	$ 847
Electronics—Commercial Products and Services	**671**	644	531	476	446
Broadcasting	**725**	684	611	566	605
Vehicle Renting and Related Services	**722**	677	636	597	563
Communications	**195**	165	137	118	86
Government Business	**356**	381	396	423	420
Other Products and Services	**828**	581	454	397	373
Total	**$4,627**	$4,281	$3,863	$3,545	$3,340
Net Profit					
Electronics—Consumer Products and Services	**$ 11.1**	$ 48.0	$ 57.7	$ 53.7	$ 12.0
Electronics—Commercial Products and Services	**(7.4)**	25.8	11.7	.2	5.9
Broadcasting	**48.3**	47.7	36.0	26.3	39.6
Vehicle Renting and Related Services	**23.2**	19.3	15.4	10.1	15.6
Communications	**25.7**	18.2	13.6	11.7	15.8
Government Business	**3.7**	3.3	3.4	5.0	3.4
Other Products and Services	**8.7**	21.4	20.3	21.6	15.1
Total	**$113.3**	$183.7	$158.1	$128.6	$107.4

Profit information in the above table is after deduction of allocations to the respective segments of corporate expenses not charged directly to any of the reported segments and excludes discontinued general-purpose computer business for the years 1971 and 1970.

Market Prices of RCA Stock by Quarter

	$3.50 First Preferred Stock		$4 Convertible First Preferred Stock		Common Stock	
	High	Low	High	Low	High	Low
1974						
Fourth Quarter	36	32	43¼	38	12¾	9¼
Third Quarter	39½	34	50	39¾	15⅝	10⅝
Second Quarter	46	39½	56	49	19¾	15
First Quarter	50	44⅛	61¼	54½	21½	17½
1973						
Fourth Quarter	49	43	74¾	52	27¾	16½
Third Quarter	51	45¼	71¼	62½	26¾	22½
Second Quarter	53	50	74	64½	30½	22⅛
First Quarter	53	50½	91	71	39⅛	26¾

The capital stock of RCA Corporation is traded principally on The New York Stock Exchange.

RCA

Consolidated Earnings and Reinvested Earnings

Years ended December 31, 1974 and 1973

(In millions)	1974	1973
Sales and other revenue		
Product sales	**$2,583.5**	$2,359.8
Broadcasting, product services, communications, and other services	**2,010.8**	1,887.0
Interest and other income	**32.6**	33.9
Total sales and other revenue	**4,626.9**	4,280.7
Cost of operations		
Cost of product sales (Note 2)	**2,025.0**	1,781.2
Cost of broadcasting, product services, communications, and other services	**1,269.9**	1,166.5
Selling, general, and administrative expenses	**698.2**	628.5
Depreciation	**259.8**	232.4
Rent	**76.3**	68.3
Interest	**96.0**	68.6
Total cost of operations	**4,425.2**	3,945.5
Profit before taxes on income	**201.7**	335.2
Provision for taxes on income (Note 3)		
Current	**56.1**	131.8
Deferred	**32.3**	19.7
	88.4	151.5
Net profit for year	**113.3**	183.7

Per share of common stock	**1974**	1973
Primary (on average shares outstanding)	**$1.45**	$2.39
Fully diluted (on shares outstanding and issuable)	**1.45**	2.33

	1974	1973
Reinvested earnings—beginning of year	**607.3**	503.6
	720.6	687.3
Cash dividends declared		
$3.50 first preferred stock ($.875 per quarter)	**.6**	.6
$4 convertible first preferred stock ($1 per quarter)	**4.8**	4.8
Common stock: 1974 and 1973, $1 per share ($.25 per quarter)	**74.4**	74.5
Repurchase of preferred stock		
Excess of repurchase price over stated value of $3.50 first preferred stock on 4,000 shares in 1973	**—**	.1
	79.8	80.0
Reinvested earnings—end of year (Note 7)	**$ 640.8**	$ 607.3

See accompanying notes

Consolidated Financial Position

December 31, 1974 and 1973

Assets	1974 (In millions)	1973
Current assets		
Cash	$ 150.0	$ 139.0
Short-term investments, at cost (approximate market)	167.7	147.9
Receivables (less reserve: 1974, $28,610,000; 1973, $23,916,000)	729.8	758.4
Inventories (Note 2)		
Plant inventories and government contracts (less progress payments: 1974, $44,804,000; 1973, $38,542,000)	289.4	278.6
Finished goods	308.1	250.4
Prepaid expenses	252.6	260.3
Total current assets	1,897.6	1,834.6
Revenue-earning equipment of Hertz (Note 6)		
Vehicles and other equipment	704.9	599.7
Less accumulated depreciation	174.8	159.7
	530.1	440.0
Investments and other assets		
Receivables due after one year (less reserve: 1974, $1,901,000; 1973, $2,550,000)	80.7	84.7
Investments and advances, at or below cost (Note 12)	60.2	66.3
Other assets, including excess of cost over equity in net assets of acquired subsidiaries, less amortization	31.5	7.2
	172.4	158.2
Plant and equipment		
Land and buildings	546.9	489.0
Machinery and equipment	1,309.7	1,107.0
Total	1,856.6	1,596.0
Less accumulated depreciation	810.1	728.0
	1,046.5	868.0
Total assets	$3,646.6	$3,300.8

See accompanying notes

Liabilities and Shareholders' Equity	(In millions) 1974	1973
Current liabilities		
Notes payable (Note 5)	**$ 269.2**	$ 209.4
Accounts payable and accruals	**819.9**	743.2
Taxes on income	**51.8**	69.1
Dividends payable	**21.3**	21.3
Total current liabilities	**1,162.2**	1,043.0
Revolving credit notes and other debt of Hertz (Note 6)	**443.3**	376.4
Other noncurrent liabilities (Notes 4 and 12)	**280.3**	233.4
Other long-term debt (Note 7)	**610.5**	531.1
Shareholders' equity		
Capital stock, no par, at stated value $3.50 cumulative first preferred stock; authorized: 160,426 shares; outstanding: 158,865 shares (preference on liquidation $100 per share: $15,886,500)	**2.6**	2.6
Cumulative series first preferred stock; authorized: 2,000,000 shares $4 convertible first preferred stock (Note 8); authorized: 1974, 1,221,268 shares; 1973, 1,221,568 shares; outstanding: 1974, 1,194,015 shares; 1973, 1,194,315 shares (preference on liquidation $100 per share: 1974, $119,401,500; 1973, $119,431,500)	**9.6**	9.6
Common stock (Notes 7, 8, and 10); authorized: 100,000,000 shares; issued: 1974, 74,661,975 shares; 1973, 74,661,333 shares	**49.8**	49.8
Capital surplus (Note 9)	**447.5**	447.6
Reinvested earnings (Note 7)	**640.8**	607.3
	1,150.3	1,116.9
Total liabilities and shareholders' equity	**$3,646.6**	$3,300.8

Consolidated Changes in Financial Position

RCA

Years ended December 31, 1974 and 1973

(In millions)	1974	1973
Source of working capital		
Net profit for the year	**$ 113.3**	$ 183.7
Expenses not requiring outlay of working capital		
Depreciation	**259.8**	232.4
Noncurrent portion of deferred taxes	**32.5**	30.5
Total from operations	**405.6**	446.6
Sale of common stock	**—**	1.2
Increase in revolving credit notes and other debt of Hertz	**66.9**	50.1
Increase in other noncurrent liabilities, excluding deferred taxes	**7.3**	14.9
Decrease in investments and other assets, excluding acquisitions	**13.7**	17.0
Increase in other long-term debt	**169.0**	2.2
Disposition of plant and equipment	**12.8**	12.0
Total	**675.3**	544.0
Application of working capital		
Cash dividends declared on preferred and common stock	**79.8**	79.9
Redemption of $3.50 first preferred and $4 convertible first preferred stock	**—**	2.8
Additions to plant and equipment	**286.4**	212.8
Additions to revenue-earning equipment of Hertz, less net value of vehicles replaced: 1974, $232,800,000; 1973, $224,100,000	**230.2**	184.4
Reduction of other long-term debt	**89.6**	53.9
Acquisition of United Kingdom food companies	**45.5**	—
Total	**731.5**	533.8
Increase (decrease) in working capital	**$ (56.2)**	$ 10.2

	1974	1973
Increase (decrease) by component		
Cash and short-term investments	**$ 30.8**	$ (106.9)
Receivables	**(28.6)**	71.9
Inventories	**68.5**	85.1
Prepaid expenses	**(7.7)**	(22.4)
Notes payable	**(59.8)**	(8.7)
Accounts payable and accruals	**(76.7)**	(37.5)
Taxes on income	**17.3**	28.6
Dividends payable	**—**	.1
Increase (decrease) in working capital	**$ (56.2)**	$ 10.2

See accompanying notes

Notes to Financial Statements

1. Summary of Accounting Policies:

Principles of Consolidation. The Consolidated Financial Statements include the accounts of RCA Corporation and its active domestic and foreign subsidiaries and RCA's share, on the equity basis of accounting, of other companies in which RCA has a 20- to 50-percent interest.

Translation of Foreign Currencies. In general, plant and equipment is translated at rates prevailing when the assets were acquired; other assets and liabilities are translated at year-end rates. Revenues and expenses are translated at average rates during each year, except for provisions for depreciation and amortization, which are based on rates prevailing when the assets were acquired. Net gains or losses, realized or unrealized, from changes in foreign exchange rates are included in income.

Inventories. Inventories are stated at the lower of cost or market. As of January 1, 1974, RCA and its manufacturing subsidiaries adopted the last-in, first-out (LIFO) method of determining cost for most of its domestic inventories, as described in Note 2 below. With respect to the 1973 inventories and the remaining 1974 inventories, cost was determined on a first-in, first-out basis.

Plant and Equipment. Plant and equipment additions are taken into fixed asset accounts at cost, as are plant and equipment renewals and betterments. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions of plant and equipment are included in income as incurred. Depreciation of plant and equipment is, in general, based upon straight-line amortization of cost over estimated useful lives of the respective facilities categories, which include 30 years for land improvements, 10 to 60 years for buildings, 4 to 30 years for machinery and equipment, 3 to 20 years for office furniture and machines, and 3 to 10 years for equipment leased or rented to customers. Supplemental depreciation is provided where facilities may be subject to abnormal economic conditions or obsolescence.

Public-Liability/Property-Damage Reserve. Noncurrent liabilities include a reserve of The Hertz Corporation for public-liability and property-damage risks in connection with vehicles and equipment used by customers to a maximum of $500,000 per accident. Supplemental coverage is purchased for amounts beyond $500,000 per accident. Provision for estimated losses is charged to income currently.

Pension Plans. RCA and its subsidiaries have pension plans available to substantially all employees after specified periods of service. The RCA Retirement Plan is the largest of the plans and covers approximately 90 percent of the eligible employees of RCA and domestic subsidiaries other than Banquet Foods Corporation and Coronet Industries, Inc., and all but two of their subsidiaries, which have separate pension or profit-sharing plans.

Employees contribute a part of the cost of current-service benefits under the RCA Retirement Plan on earnings in excess of the minimum. The employer contributes the remaining cost of current-service benefits and the entire cost of prior-service and other benefits under the accrued-benefit cost method.

Cost of current-service benefits is funded currently as accrued; cost of increases in prior-service benefits and related interest is funded ratably over 14 years.

Research Costs. Costs and expenses related to basic research, applied research, and product development, including those involved in the obtaining of domestic and foreign patents, are expensed as incurred, and any subsequent revenue therefrom is included in income of the activity to which it relates.

2. Change in Accounting Policy: Effective January 1, 1974, RCA Corporation and its manufacturing subsidiaries adopted the last-in, first-out (LIFO) method of inventory valuation for most of its domestic inventories. Prior to 1974, cost was determined on the first-in, first-out method. The change was made because the Corporation believes LIFO better reflects income by providing a closer matching of current costs against current revenues in periods of inflation. The effect of this change was to reduce 1974 net income by $16.5 million ($.22 per share) and year-end inventories by $34.4 million. Restatement of earlier years to reflect the LIFO method is not practical, and, therefore, neither the cumulative effect of the change on prior years nor the pro forma results for such years are presented.

3. Taxes on Income: RCA's effective tax rates were 43.8 percent in 1974 and 45.2 percent in 1973. The provision includes foreign taxes of $16.9 million in 1974 ($15.1 million in 1973) and state taxes of $15.9 million in 1974 ($16.9 million in 1973). After adjustment for state taxes net of federal tax benefit, the difference in each year from the U.S. statutory rate of 48 percent results primarily from the flow-through of tax effects of accelerated deductions and investment tax credits in RCA Global Communications as required by regulatory agency ($6.4 million in 1974 and $5.8 million in 1973) as well as offshore earnings planned for repatriation in a tax-free liquidation and foreign earnings not planned for repatriation, earnings of Domestic International Sales Corporations, amortization of investment tax credits, and adjustment of prior accruals. U.S. income tax on earnings of foreign subsidiaries is provided to the extent that such earnings are expected to be transferred to the parent company.

Deferred taxes include approximately $27 million ($18 million in 1973) because of higher depreciation for tax purposes and $4.5 million of deferred investment tax credits ($5 million in 1973).

4. Discontinued Operations: Substantial progress continues to be made toward the windup of the general-purpose computer business. Residual assets and liabilities previously stated separately have been reduced to immaterial amounts and restored to conventional asset or liability accounts.

During 1974 and 1973, costs and losses of $14.9 million in each year, before tax effects and net of revenues, were charged to the reserve established in 1971.

Management believes the remaining reserve of $35.0 million before tax effects at December 31, 1974, to be a reasonable and adequate provision for remaining unresolved matters.

5. Notes Payable: Short-term debt of RCA and subsidiaries other than Hertz consisted of the following at December 31:

	(In millions) 1974	1973
Bank borrowings		
Demand notes, 1974, 8.9%; 1973, 7.9%	**$127.8**	$118.5
Term notes, 1974, 13.1%; 1973, 9.9%	**51.8**	44.2
Commercial paper issued by Coronet Industries, a subsidiary, 9.7%	**—**	7.0
Current portion of long-term debt	**89.6**	39.7
	$269.2	$209.4

During 1974, bank borrowings ranged from $162.7 million at January 1 to $241.7 million at July 31 and averaged $210.7 million, with a weighted average interest rate of 10.2 percent. Interest rates and balances outstanding during 1973 did not differ materially from year-end amounts.

After deduction of amounts sufficient to liquidate debt payable on demand, RCA and subsidiaries other than Hertz had available unused lines of credit aggregating approximately $418 million and $460 million at December 31, 1974 and 1973, respectively. Included in the unused lines of credit at December 31, 1974, was $150 million under a three-year revolving credit agreement with a group of banks bearing interest at the prime rate and a commitment fee of one-half of 1 percent per annum on the unused portion. This 1974 agreement requires maintenance of working capital of not less than $400 million. RCA has agreed to maintain compensating balances equal to approximately 10 percent under this agreement or other general lines of credit. Additional amounts would be required should borrowings be made.

6. Revolving Credit Notes and Other Debt of Hertz: Debt of The Hertz Corporation and its subsidiaries, which has not been assumed or guaranteed by RCA, included the following at December 31:

	(In millions) 1974	1973
Revolving credit and other notes, average 10.0% (9.6% in 1973)	**$176.8**	$122.6
Promissory notes		
5½%, due 1975 to 1981 ($3,000,000 per year to 1980)	**31.0**	34.0
5¼%, due 1977 to 1986 ($1,500,000 per year to 1985)	**20.0**	20.0
5⅞%, due 1978 to 1987 ($3,000,000 per year to 1986)	**40.0**	40.0
10½%, due 1975 to 1990 ($1,740,000 per year to 1989)	**28.3**	30.0
11¼%, due 1977 to 1990 ($2,137,500 per year to 1989)	**30.0**	—
Subordinated promissory notes		
Senior 5½%, due 1976 to 1980 ($1,500,000 per year)	**7.5**	9.0
Junior 5½%, due 1976 to 1983 ($750,000 per year to 1982)	**8.3**	9.0
Revolving bank loans and other debt of Hertz subsidiaries, average 12.0% (10.3% in 1973)	**101.4**	111.8
Total	**$443.3**	$376.4

This debt is principally related to the asset category Revenue-Earning Equipment of Hertz. Some of this debt is payable within one year, and certain of the revenue-earning equipment may also be converted within one year. Both the asset and the related debt are stated as noncurrent in the Consolidated Financial Position statement.

The aggregate amounts of maturities in millions, exclusive of revolving credit and bank debt of $221.4 million, for five years following December 31, 1974, are: 1975, $26.3; 1976, $20.1; 1977, $17.9; 1978, $17.8; 1979, $14.8.

In connection with certain borrowings at December 31, 1974, Hertz is required to maintain compensating balances to a maximum of $22 million; unused lines of credit aggregate approximately $102 million at December 31, 1974 and 1973.

7. Other Long-Term Debt and Reinvested Earnings: Long-term debt of RCA and subsidiaries other than Hertz included the following at December 31:

	(In millions) 1974	1973
Promissory notes		
3%, due $20,000,000 per year to 1974	**—**	$ 20.0
3¾%, due $10,000,000 per year to 1977	**$ 30.0**	40.0
5⅜%, due 1977 to 1986 ($10,000,000 per year)	**100.0**	100.0
9%, due 1975	**75.0**	75.0
9%, due 1979 to 1991 ($7,700,000 per year)	**80.0**	—
Convertible subordinated debentures, 4½%, due 1978 to 1992	**159.9**	159.9
Guaranteed sinking fund debentures of RCA International Development Corporation, 5%, due 1979 to 1988	**50.0**	50.0
Sinking fund debentures		
9¼%, due 1980 to 1990	**75.0**	75.0
10.20%, due 1981 to 1992	**84.5**	—
Debt of foreign subsidiaries, average 7.7% in 1974 (6.1% in 1973)	**23.1**	23.2
Purchase money mortgages, facilities financing, and other debt, payable in installments to 1989	**22.6**	27.7
	700.1	570.8
Less amounts due within one year included in current liabilities	**89.6**	39.7
Total	**$610.5**	$531.1

In 1975, RCA delivered for cash an additional $20 million of the 9% promissory notes and $15.5 million of the 10.20% sinking fund debentures.

The aggregate amounts of maturities in millions for five years following December 31, 1974, are: 1975, $89.6; 1976, $22.2; 1977, $23.4; 1978, $19.9; 1979, $31.1.

The subordinated debentures are convertible into RCA common stock at $59 per share, and 2,710,977 shares of RCA common stock are reserved for this purpose. The guaranteed sinking fund debentures of RCA International Development Corporation are convertible into RCA common stock at $55 per share, and 909,090 shares of RCA common stock are reserved for this purpose. The terms of promissory notes and convertible subordinated debentures impose limitations on the payment of cash dividends and the purchase by RCA of its capital stock. Consolidated reinvested earnings of $149.3 million at December 31, 1974, were free of such limitations.

8. $4 Convertible First Preferred Stock: Each outstanding share of $4 convertible first preferred stock at December 31, 1974, may be converted at the option of the holder into 2.12 shares of RCA common stock, and 2,531,311 shares are reserved for this purpose. RCA may currently redeem $4 convertible first preferred stock at a price of $104 per share.

9. Capital Surplus: Capital surplus decreased $.1 million during 1974, representing the excess of cost over award value of treasury shares of common stock distributed under the RCA Incentive Plan. Capital surplus decreased $2.3 million during 1973, principally representing the excess of repurchase price over stated value of $4 convertible first preferred stock.

10. Stock Options: Under the stock option plan approved by RCA shareholders in 1957 and most recently amended in 1968, authorizing restricted or qualified stock options as provided in the Internal

Revenue Code, and under the stock option plan approved by shareholders in 1971 for stock options not qualifying under the Internal Revenue Code, options may be granted to key employees selected by a committee of the Board of Directors for the purchase within a maximum period of 10 years (five years with respect to qualified options), at a price not less than fair market value at the date of the grant, of shares of common stock from RCA's treasury or from authorized but unissued shares. Options that have been granted are exercisable in cumulative annual installments of 20 percent, beginning with 20 percent at date of grant.

At December 31, 1974, options were outstanding for the purchase of 986,730 shares of RCA common stock at prices ranging from $11.00 to $41.63 (average $26.97) per share; options on 432,840 shares were then exercisable at prices ranging from $11.00 to $41.63 (average $30.10) per share; and 355,583 shares were available for future grants. During 1974, options to purchase 312,200 shares were granted at prices ranging from $11.00 to $19.50 (average $16.67) per share; and options on 257,200 shares expired or were canceled.

At December 31, 1973, options were outstanding for the purchase of 931,730 shares of RCA common stock at prices ranging from $22.38 to $47.13 (average $34.48) per share; options on 455,880 shares were then exercisable; and 410,583 shares were available for future grants. During 1973, options to purchase 398,750 shares were granted; options on 159,431 shares expired or were canceled; and options on 6,490 shares were exercised at prices ranging from $19.05 to $22.38 (average $19.36) per share.

11. Lease Commitments: Under noncancellable leases in effect at December 31, 1974 (principally for plant and office space), minimum rental commitments in millions are: 1975, $60; 1976, $52; 1977, $43; 1978, $37; 1979, $32. Aggregate minimum rental commitments in millions for the subsequent five-year periods ended December 31 are: 1984, $106; 1989, $73; 1994, $58. After 1994, minimum rental commitments aggregate $33 million. RCA had no material noncapitalized financing leases at December 31, 1974.

12. Incentive Compensation and Treasury Stock: The RCA Incentive Plan provides that the maximum credit to the Incentive Reserve in any year cannot exceed the lesser of 15 percent of Incentive Plan base earnings as defined, or 25 percent of dividends paid. The maximum allowable credit for 1974, at 15 percent of Incentive Plan base earnings, was $13.6 million.

For 1974, a credit of $10.6 million to the Incentive Reserve was ordered by the Incentive Committee, and $10.5 million was awarded to employees from the available Incentive Reserve of $12.2 million, including $1.6 million unawarded from prior years. For 1973, the Committee ordered a credit of $14.3 million, and $14 million was awarded.

At December 31, 1974, 177,729 shares of treasury stock, included in Investments and Advances at cost to RCA of $4.4 million, were available to cover undistributed awards payable in RCA common stock. At December 31, 1973, there were 254,249 shares of treasury stock at cost to RCA of $6.4 million. Distribution of 1974 awards will be made in annual installments through January, 1977, subject to the earning-out provisions of the Plan. Awards payable after December 31, 1975, of $14 million are included in Other Noncurrent Liabilities.

13. Foreign Operations: Consolidated sales and net profit of foreign companies were $768 million and $14 million, respectively, in 1974 ($498 million and $15 million in 1973). Consolidated assets and equity of these companies amounted to $567 million and $256 million, respectively, at December 31, 1974 ($437 million and $194 million at December 31, 1973). The 1974 figures include from dates of acquisition sales ($213 million) and net profit ($1.3 million) of Oriel Foods Limited and Morris & David Jones Limited, food companies in the United Kingdom, which were purchased for cash in January, 1974, and September, 1974, respectively.

14. Pension Plans: Company contributions, principally for current-service benefits, under the RCA Retirement Plan and separate plans of subsidiary companies were $53.5 million for 1974 and $29.5 million for 1973. The increase in 1974 contributions resulted primarily from the decline in the market value of the RCA Retirement Plan portfolio at December 31, 1973, the date of the most recent actuarial determination, which did not take subsequent market fluctuations into consideration. Unfunded prior-service cost at that date was approximately $30 million.

Pending issuance of definitive regulations under the Employee Retirement Income Security Act (P.L. 93-400) and other possible developments, the company is unable to project its 1975 pension contributions with certainty. However, as recommended by its actuary, the company intends to make a change in funding of the RCA Retirement Plan regarding recognition of actuarial gains or losses and does not expect market fluctuations subsequent to December 31, 1973, to materially change company contributions in 1975 from the 1974 level.

Report of Independent Public Accountants

To the Shareholders of RCA Corporation

We have examined the accompanying statements of financial position of RCA Corporation and Consolidated Subsidiaries at December 31, 1974 and 1973, and the related statements of income and reinvested earnings and changes in financial position for the years then ended. Our examinations were 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.

In our opinion, the statements mentioned above present fairly the financial position of RCA Corporation and Consolidated Subsidiaries at December 31, 1974 and 1973, and the results of operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the change, effective January 1, 1974, with which we concur, to the last-in, first-out (LIFO) method of valuing inventories as described in Note 2 to the financial statements.

Arthur Young & Company

277 Park Avenue, New York, N.Y. 10017
February 18, 1975

Five-Year Financial Data

These Five-Year Financial Data have been compiled from the financial statements of RCA Corporation and consolidated subsidiaries that were reported upon by Arthur Young & Company for each of the years set forth.

(In millions, except per share)

	1974	1973	1972	1971	1970
Summary of Operations					
Product sales	**$2,583.5**	$2,359.8	$2,088.2	$1,906.1	$1,728.7
Broadcasting, product services, communications, and other services	**2,010.8**	1,887.0	1,750.0	1,623.7	1,588.6
Interest and other income	**32.6**	33.9	24.4	15.2	23.0
Total sales and other revenue	**4,626.9**	4,280.7	3,862.6	3,545.0	3,340.3
Cost of product sales	**2,025.0**	1,781.2	1,541.8	1,440.9	1,324.1
Cost of broadcasting, product services, communications, and other services	**1,269.9**	1,166.5	1,093.7	1,005.9	982.4
Selling, general, and administrative expenses	**698.2**	628.5	583.9	546.9	525.1
Depreciation	**259.8**	232.4	229.9	201.8	190.0
Rent	**76.3**	68.3	70.8	62.7	59.4
Interest	**96.0**	68.6	57.5	61.0	61.5
Total cost of operations	**4,425.2**	3,945.5	3,577.6	3,319.2	3,142.5
Profit before taxes on income	**201.7**	335.2	285.0	225.8	197.8
Provision for taxes on income	**88.4**	151.5	126.9	97.2	90.4
Profit after taxes on income	**113.3**	183.7	158.1	128.6	107.4
Loss, net of tax, from discontinued operations	**—**	—	—	(34.5)	(16.1)
Extraordinary charge, net of tax	**—**	—	—	(210.0)	—
Net profit (loss) for year	**113.3**	183.7	158.1	(115.9)	91.3
Less dividends on preferred stocks	**5.4**	5.4	5.5	5.5	5.5
Net profit (loss) applicable to common stock	**$ 107.9**	$ 178.3	$ 152.6	$ (121.4)	$ 85.8
Per share of common stock					
Primary	**$ 1.45**	$ 2.39	$ 2.05	$ (1.63)	$ 1.16
Fully diluted	**1.45**	2.33	2.01	(1.63)	1.16
Cash dividends per share of common stock	**1.00**	1.00	1.00	1.00	1.00

Management's Discussion and Analysis of the Summary of Operations

As shown in the above table summarizing operations from 1970 through 1974, RCA achieved record sales in each of the last four years, reaching $4.6 billion in 1974. During the same period, earnings rose to an all-time high in 1973 and then declined 38 percent to $113.3 million as the economy turned down in 1974.

At the outset of the five-year period, 1970 sales and profit were depressed by a general slowdown in the economy and a 101-day strike at 12 plants. Thereafter, until the 1974 reversal, earnings rose steadily except in 1971. In that year, the company's discontinuance of its general-purpose computer business produced a net loss as shown, though continuing operations still maintained their profit growth.

The 1974 profit decline centered in the consumer and commercial electronics businesses, which were particularly affected by the year's deepening recession. The decline resulted mainly from an industry-wide drop in unit sales of color television sets, picture tubes, and associated components as well as inflationary costs that could not be offset by price increases because of intense competitive pressures. Earnings improved in 1974 in the Broadcasting, Communications, and Vehicle Renting and Related Services segments, each of which attained record sales, and in Government Business. Profit declined in the category designated as Other Products and Services despite record sales chiefly reflecting the 1974 acquisition of two food companies in the United Kingdom.

Because of the diversity of the Corporation's operations, the 1974 results can be compared most informatively with preceding years in terms of each of its segments. Sales and profit information for

(In millions, except as indicated)

	1974	1973	1972	1971	1970
Financial Position					
Assets					
Cash	**$ 150.0**	$ 139.0	$ 141.6	$ 144.8	$ 146.7
Short-term investments	**167.7**	147.9	252.2	91.6	91.1
Receivables, less reserves	**729.8**	758.4	666.8	589.0	553.0
Inventories, net	**597.5**	529.0	435.7	391.3	390.8
Prepaid expenses	**252.6**	260.3	282.5	272.7	283.4
Other current assets	**—**	—	28.1	188.3	188.8
Total current assets	**1,897.6**	1,834.6	1,806.9	1,677.7	1,653.8
Revenue-earning equipment of Hertz, net	**530.1**	440.0	384.0	385.7	375.1
Investments and other noncurrent assets	**172.4**	158.2	175.2	193.3	391.8
Plant and equipment, net	**1,046.5**	868.0	771.2	765.5	692.5
Total assets	**$3,646.6**	$3,300.8	$3,137.3	$3,022.2	$3,113.2
Liabilities					
Current liabilities	**$1,162.2**	$1,043.0	$1,025.5	$ 923.4	$ 805.1
Revolving credit notes and other debt of Hertz	**443.3**	376.4	326.3	367.7	367.9
Other noncurrent liabilities	**280.3**	233.4	186.9	180.0	180.4
Other long-term debt	**610.5**	531.1	582.8	615.8	628.1
Total liabilities	**2,496.3**	2,183.9	2,121.5	2,086.9	1,981.5
Shareholders' equity					
$3.50 first preferred stock	**2.6**	2.6	2.6	2.7	2.7
$4 convertible first preferred stock	**9.6**	9.6	9.9	9.9	9.9
Common stock	**49.8**	49.8	49.8	49.7	49.7
Capital surplus	**447.5**	447.6	449.9	447.4	448.2
Reinvested earnings	**640.8**	607.3	503.6	425.6	621.2
Total shareholders' equity	**1,150.3**	1,116.9	1,015.8	935.3	1,131.7
Total liabilities and shareholders' equity	**$3,646.6**	$3,300.8	$3,137.3	$3,022.2	$3,113.2
Other Financial Data					
Current ratio	**1.6**	1.8	1.8	1.8	2.1
Additions to plant and equipment	**$ 286.4**	$ 212.8	$ 144.8	$ 167.3	$ 174.4
Net additions to revenue-earning equipment of Hertz	**230.2**	184.4	114.0	125.3	140.0
Shares of common stock (in thousands)					
Outstanding at year-end	**74,484**	74,407	74,472	74,352	74,184
Weighted average for the year	**74,468**	74,483	74,440	74,308	73,993
Number of shareholders (in thousands)	**301**	295	292	318	342
Number of employees (in thousands)	**116**	126	122	118	131

each segment is presented on page 26, and factors affecting each during the past two years are discussed in the text beginning on page 4.

Apart from developments within particular segments, operations in 1974 and some prior years warrant the following comments:

—The last-in, first-out (LIFO) method of accounting for inventories was adopted in most domestic manufacturing operations to replace the first-in, first-out method. This change was made in the belief that LIFO provides a better determination of earnings by matching current costs more closely against current revenues in periods of inflation. Its effect was to reduce reported income in 1974 by $16.5 million ($.22 per share).

—Of the expenses itemized in the Summary of Operations, interest charges showed the greatest relative increase, from about 1.5 percent of sales ($57.5 million) in 1972 to 2.1 percent of sales ($96.0 million) in 1974. This resulted from a steady rise in interest rates starting in 1973 and from borrowings of $200 million arranged in 1974 for additions to working capital and fixed assets in such areas as domestic satellite communications and international and Alaskan telecommunications.

—The growth in sales each year was paralleled by an increase in selling, general, and administrative expenses, which remained at approximately 15 percent of sales during the five-year period.

—RCA's effective tax rate was 44.5 percent in 1972, 45.2 percent in 1973, and 43.8 percent in 1974. Further information regarding the provision for taxes on income is included in Note 3 to the Consolidated Financial Statements.

Board of Directors

Thornton F. Bradshaw	President, Atlantic Richfield Company, integrated energy company
Anthony L. Conrad	President and Chief Operating Officer
Stephen M. DuBrul, Jr.	Partner, Lazard Frères & Co., investment bankers
Lawrence E. Fouraker	Dean, Harvard Business School
George H. Fuchs	Executive Vice President, Industrial Relations
Julian Goodman	Chairman of the Board and Chief Executive Officer, National Broadcasting Company, Inc.
Edgar H. Griffiths	Executive Vice President
Howard R. Hawkins	Executive Vice President
William C. Hittinger	Executive Vice President
William J. Kennedy III	President, North Carolina Mutual Life Insurance Company
John R. Petty	Partner, Lehman Brothers, investment bankers
Robert W. Sarnoff	Chairman of the Board and Chief Executive Officer
Cecily C. Selby	National Executive Director, Girl Scouts of the U.S.A.
Donald B. Smiley	Chairman of the Board and Chief Executive Officer, R. H. Macy & Co., Inc., department stores
Robert L. Werner	Executive Vice President and General Counsel

Audit Committee

Donald B. Smiley
Chairman

Stephen M. DuBrul, Jr.

William J. Kennedy III

John R. Petty

Director and Officer Changes

William C. Hittinger, an Executive Vice President, was elected to the Board of Directors in September, 1974.

Harry C. Hagerty, a Director since 1953, and Charles M. Odorizzi, an Executive Vice President until his retirement in December, 1973, and a member of the Board since 1957, chose not to stand for election as Directors of the Corporation in May, 1974.

In June, 1974, Joseph W. Curran, who had served as Staff Vice President, Marketing Services, was elected Vice President, Marketing Services, and Roy H. Pollack, who had served as Division Vice President and General Manager, Color and Black & White Television Division, was elected Vice President and General Manager, Consumer Electronics.

John B. Farese, an Executive Vice President, retired on February 28, 1975.

Officers

Robert W. Sarnoff	Chairman of the Board
Anthony L. Conrad	President
Kenneth W. Bilby	Executive Vice President, Public Affairs
Charles R. Denny	Executive Vice President, Washington
George H. Fuchs	Executive Vice President, Industrial Relations
Edgar H. Griffiths	Executive Vice President
Howard R. Hawkins	Executive Vice President
James Hillier	Executive Vice President, Research and Engineering
William C. Hittinger	Executive Vice President
Irving K. Kessler	Executive Vice President, Government and Commercial Systems
Robert L. Werner	Executive Vice President and General Counsel
Charles C. Ellis	Senior Vice President, Finance
Stephen S. Barone	Vice President, Licensing
Lester Bernstein	Vice President, Corporate Communications
Eugene E. Beyer, Jr.	Vice President and General Attorney
Herbert T. Brunn	Vice President, Consumer Affairs
Robert C. Butler	Vice President, Financial Analysis
Joseph W. Curran	Vice President, Marketing Services
George C. Evanoff	Vice President, Corporate Development
George A. Fadler	Vice President, Manufacturing Services and Materials
Laurence J. Farley	Vice President, Financial Resources
J. Thomas Kennedy	Vice President and Controller
Roy H. Pollack	Vice President and General Manager, Consumer Electronics
Alexander S. Rylander	Vice President, Corporate Information
Eugene A. Sekulow	Vice President, International
Bernard V. Vonderschmitt	Vice President and General Manager, Solid State Division
William M. Webster	Vice President, Laboratories
George E. Morris	Secretary
Warren E. Hendrickson	Treasurer

Domestic Subsidiary Executives

National Broadcasting Company, Inc.

Julian Goodman	Chairman of the Board
Herbert S. Schlosser	President

RCA Global Communications, Inc.

Howard R. Hawkins	Chairman of the Board
Eugene F. Murphy	President

Random House, Inc.

Donald S. Klopfer	Chairman of the Board
Robert L. Bernstein	President

The Hertz Corporation

Robert L. Stone	Chairman of the Board and President

Banquet Foods Corporation

Kenneth E. Guebert	President

Cushman & Wakefield, Inc.

Leone J. Peters	Chairman of the Board
Anthony J. Peters	President

Coronet Industries, Inc.

Martin B. Seretean	Chairman of the Board
Richard A. Stabile	President

SEC Form 10-K

A copy of the annual report to the Securities and Exchange Commission on Form 10-K may be obtained without charge upon written request to: Secretary, RCA Corporation, 30 Rockefeller Plaza, New York, N.Y. 10020.

Annual Meeting

May 6, 1975, at 10:30 A. M.
NBC Studio 8-H
RCA Building
30 Rockefeller Plaza
New York, N.Y.

Agents, Registrars, and Trustees

Transfer Agents for Stock:

RCA Corporation
30 Rockefeller Plaza, New York, N.Y. 10020

The First National Bank of Chicago
One First National Plaza, Chicago, Ill. 60670

Registrars for Stock:

$3.50 First Preferred Stock
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South La Salle Street, Chicago, Ill. 60690

$4 Convertible First Preferred Stock
Chemical Bank
20 Pine Street, New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South La Salle Street, Chicago, Ill. 60690

Common Stock
Chemical Bank
20 Pine Street, New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South La Salle Street, Chicago, Ill. 60690

Agents and Trustees for Debentures and Notes:

4½% Convertible Subordinated Debentures
Transfer, Conversion, and Paying Agent:
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza, New York, N.Y. 10015

Trustee: Irving Trust Company
1 Wall Street, New York, N.Y. 10015

9¼% Sinking Fund Debentures and 9% Notes
Trustee and Transfer and Paying Agent:
Manufacturers Hanover Trust Company
4 New York Plaza, New York, N.Y. 10015

10.20% Sinking Fund Debentures
Trustee and Transfer and Paying Agent:
Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N.Y. 10015

5% Guaranteed Sinking Fund Debentures of RCA International Development Corporation
Conversion and Paying Agents:
First National City Bank, 55 Wall Street, New York, N.Y. 10015, and main offices in London, Brussels, Amsterdam, Paris, Frankfurt/Main, and Milan. Banque de Paris et des Pays-Bas pour le Grand Duche de Luxembourg, Luxembourg

Trustee: First National City Bank
55 Wall Street, New York, N.Y. 10015

Design: Danne & Blackburn, Inc.
Most photography: Burk Uzzle

RCA Space Mountain is a
spectacular new attraction at Florida's
Walt Disney World.

RCA 30 Rockefeller Plaza, New York, N.Y. 10020

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