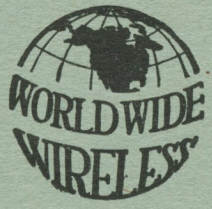
Annual Report of the Directors

of

Radio Corporation of America

to the

Stockholders for the year ended December 31, 1925



New York, 1926

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RADIO CORPORATION OF AMERICA

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WILLIAM BROWN,
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Comptroller

MARION H. PAYNE,
Assistant Treasurer

Report of the Directors
of
Radio Corporation of America

New York, March 1, 1926

TO THE STOCKHOLDERS:

The Directors of the Radio Corporation of America submit the following review of operations for the year ended December 31st, 1925.

Your Corporation continued to maintain its leadership in international radio communication, further extending its world-wide system. In the field of marine radio communication, facilities were enlarged and traffic increased. In the radio broadcasting sales field your Corporation solidified its position, although the year 1925 was a period of liquidation and readjustment which affected the entire industry.

INTERNATIONAL RADIO COMMUNICATION

Notwithstanding the fact that the cable companies reduced transatlantic and transpacific cablegram rates, the income from your international radiogram service increased during 1925.

A new circuit to the Dutch East Indies was added to your international radio communication system. This circuit not only provides direct communication facilities between the United States and that region of the Far East, but also, by connecting with your transatlantic system at New York, furnishes a fast and reliable "through" route to Holland. The Radio Corporation daily exchanges radiograms with stations in the following countries:

Transpacific

Hawaii	Hawaii-Japan
Japan	Dutch East Indies

Transatlantic

Great Britain	Italy
Norway	Poland
Germany	Argentina
France	Sweden

Holland (Dutch East Indies "through" traffic)

The transatlantic circuit to Sweden commenced actual operation on December 1st, 1924, but was officially opened on July 2nd, 1925, by an exchange of congratulatory messages between President Coolidge and King Gustav V.

Early in the year your President visited South America in the interest of the Corporation. The meeting of the A.E.F.G. South American Consortium, composed of the American, English, French and German radio companies, held in Berlin, in June, was attended by your representatives, as was also the International Telegraph Convention, held in Paris in September.

The transmitting and receiving stations near Rio de Janeiro, Brazil, and the central radio office in that city, constructed by the A.E.F.G., are practically completed and will be in operation early in 1926. Tentative installation of a short wave station is being made by the A.E.F.G., near Santiago, Chile, with a view to determining the most suitable site for a permanent station in that country.

Your Corporation is already part owner of the high-power sending and receiving stations near Buenos Aires, which operate various Argentine-United States-Europe radio circuits through the A.E.F.G. subsidiary, Transradio Internacional.

Unsettled conditions in China prevented the Federal Telegraph Company of Delaware, in which your Corporation holds the majority interest, from proceeding with the erection of radio stations in that country under its contract with the Chinese Republic. It is hoped, however, that this work may soon be commenced.

Your engineers are now in the Philippines in connection with the erection of a radio station near Manila; some preliminary work has been accomplished.

Agreements are being negotiated for the exchange of traffic with the Dutch East Indies at Malabar and with French Indo-China at Saigon.

Standard American operating and engineering practices were demonstrated by your engineers to several associated foreign

companies and administrations, notably the Italian and Japanese, with mutually beneficial results.

Marine Radio Service

All of the marine coastal stations are now equipped with vacuum tube transmitters of the latest type. These stations are located at

Chatham, Mass.
New York, N. Y.
Tuckerton, N. J.
Galveston, Texas.
San Francisco, Calif.
Los Angeles, Calif.

As in the past, radio through the stations of your Corporation, has saved life and property on various seas.

By means of a frequency multiplier, part of the output of the Alexanderson high frequency alternator at the Marion, Mass., transoceanic station is now diverted to the marine station at Chatham, Mass., making it the most powerful marine station in the world.

There was a good demand throughout the year for the radio telegraph ship equipment sold by your Corporation. In addition to the sale and rental of new ship sets, a number of sets already in operation were modernized, thus prolonging their usefulness and doubling their efficiency and range.

A radio direction finder was developed and placed on the market. This device so demonstrated its value as an aid to navigation that your Corporation received the largest single order ever placed by a shipping concern for direction finders.

A press service, consisting of a 1,200-word summary of important news items, stock quotations, etc., was transmitted nightly to approximately ninety subscribing vessels.

The free medical aid service by radio which your Corporation furnishes to ships which are without professional medical personnel, continued to be of great value to mariners.

Technical Development

Plant and Equipment

Continuous service was given during the year on international radio communication circuits and at marine coastal sta-

tions. All stations and equipment were kept abreast of technical development and maintained at a high standard of efficiency.

Development of short wave low-power transmitters for long distance communication progressed favorably and a number of these transmitters were regularly operated on the Atlantic and Pacific circuits. This system, however, while a useful supplement to your Corporation's long wave high-power transmitters, is still regarded as in the experimental stage. Meanwhile your engineers are giving it careful attention and hope for further technical improvements.

Progress was made in the development toward commercial practicability of the Pictoradiogram System. Your Corporation achieved the successful transmission from Honolulu to New York by radio of the first photographs of the United States Navy manoeuvers in Hawaii and of Commander Rogers after his gallant but unsuccessful non-stop flight from the Pacific Coast to Honolulu. Allied to the development of picture transmission, a system of multiplex transmission devised by one of your engineers, is very promising and will materially increase traffic facilities, when perfected.

Experiments in transoceanic radio telephony in cooperation with the engineers of the American Telephone and Telegraph Company continued with satisfactory results.

The transmitting station at Radio Central (Rocky Point, L. I.) was enlarged and additional equipment was installed at the receiving station at Riverhead.

Improved reception was accomplished through the receiving station located at Belfast, Maine and the facilities of that station are being extended.

Improvements were made at the stations at Marion, Mass., New Brunswick, N. J. and Kahuku, Hawaii and increased facilities are being provided at the stations at New Brunswick and Tuckerton, N. J., and at Marshall and Bolinas, Calif.

885 acres of surplus land at Rocky Point, L. I., were sold for $150,000.

General reductions were made in the cost of operation and at the same time increased efficiency was obtained.

Sales

Radiolas—Radiotrons

Twice during the year your Corporation was able through improved methods and quantity production to pass on econ-

omies to the public by reducing the prices on Radiotron vacuum tubes. On February 2nd these prices were reduced from $4.00 to $3.00; on August 1st from $3.00 to $2.50.

Notwithstanding heavy liquidation of competitive radio sets, your Corporation maintained its policy of contributing towards the stabilization of the radio industry by reducing its prices to the consumer without destroying the investments made by distributors and dealers in Radiolas and Radiotrons. The trade adjustments which resulted in lower prices to the consumer, cost your Corporation $4,000,000, but it was an investment in good faith and square dealing which has placed the Radio Corporation of America in a strong commercial position.

Your Corporation, responding to the public demand for higher standards of broadcast reception and transmission, pursued a steadfast policy of development during a period which was marked by inadequate equipment and falling prices. In research, development and production it maintained a program designed to the following ends:

1. To increase the efficiency and performance of radio receiving equipment.
2. To develop its broadcasting facilities and thus further to contribute to the service upon which the industry is built.
3. To strengthen and enlarge the trade outlets for its products.

With the cooperation of the General Electric Company and the Westinghouse Electric & Manufacturing Company, your Corporation developed new types of Radiolas, loud-speakers, Radiotrons, power amplifiers and battery eliminators.

Portable Radiolas were produced and there was a large demand for this type of set during the vacation season.

For the first time, radio sets which operate satisfactorily by using electric light current instead of batteries, were made available to the public.

The commercial position of your Corporation at the close of the year and public approval of its new radio equipment fully justified this policy of development.

Manufacturing adjustments, made necessary by the new features of your Corporation's 1925-26 line, did not permit substantial deliveries of the new apparatus to the trade until well into the last quarter of 1925.

A contract was consummated with the Victor Talking Machine Company for the sale of radio apparatus for use in com-

bination radio-phonograph instruments. This contract is similar to that made with the Brunswick-Balke-Collender Company in 1924. The contracts with the Victor and Brunswick Companies will materially increase the distribution of your Corporation's products. It is a signal recognition of the position of the Radio Corporation of America in the radio art, that the two leaders in the phonograph industry have chosen Radiolas and Radiotrons for combination with their instruments.

The use of Radiolas with the conventional type of mechanical phonograph led to the development of electrical methods of reproduction from phonograph records, in which the high standards of Radiola sound reproduction were applied to the phonograph art. New electrical reproducers, which generate minute electrical currents from phonograph records, were invented and are now used with modern vacuum tube amplifiers and loudspeakers, producing a superior quality of phonograph reproduction. Apparatus of this type was supplied to the Victor Company and to the Brunswick Company and was incorporated in new models of electrical phonographs, alone or in combination with Radiolas. Basic patents in this new art have been applied for.

Broadcasting

Broadcasting stations WJZ and WJY in New York City and WRC in Washington were continuously operated. Development of new apparatus for use in broadcasting went on apace and every endeavor was made to improve the quality and character of programs. The Presidential inauguration ceremonies were broadcast for the first time. Successful experiments were conducted in international broadcasting; speech and music broadcast in England were received at your Belfast receiving station, retransmitted by radio and broadcast through Stations WJZ and WRC of the Radio Corporation of America and Station WGY of the General Electric Company.

To render an improved service to the public and to transmit the entertainment and educational influences developed in the great centers of population, particularly to homes distant from local broadcasting stations, an experimental high-power broadcasting station was established at Bound Brook, N. J., which is about 25 miles from New York City. It has a maximum power one hundred times greater than that heretofore used by Stations WJZ, WJY or WRC. Experimental tests have shown that this high-power station will give improved service to New York and its suburbs and good service during day-

light hours to points within a radius of 500 miles. During the hours of darkness it has been heard in all parts of the United States and at many outside points. It is expected to furnish a reliable night broadcasting service to all points in the United States east of the Mississippi River. A single station of this character will furnish a service equivalent to that furnished by a number of low-powered stations scattered throughout the country and will provide a more economical and efficient means for rendering service to a large number of radio listeners. It is equipped with a high-power short wave transmitter for radio relaying. It is expected that programs broadcast by this station will be rebroadcast in Europe and international broadcasting thus become a reality.

The experimental operation of the new high-power broadcasting station at Bound Brook resulted in favorable comments from radio listeners in many places in the United States and other parts of the world. A few complaints were made by persons living in the immediate vicinity of Bound Brook that the operation of the new station interfered with their reception of other stations. For these cases, your engineers demonstrated methods for the elimination of the interference.

The Brunswick-Balke-Collender Company and the Victor Talking Machine Company cooperated in presenting programs of superior quality through the broadcasting stations of your Corporation and those of its associates.

The Fourth Radio Conference, which convened in Washington at the request of the Secretary of Commerce, was attended by your representatives. It contributed much to the solution of the problems incidental to radio broadcasting and radio communication. Bills have been presented in Congress embodying its recommendations and your representatives have appeared before the appropriate Congressional Committee to urge the adoption of the proposed legislation as necessary for the protection and regulation of this great and growing public service.

Financial

You were advised in the Annual Report for the year 1924, that on May 6th, 1924, Article IV of the Certificate of Incorporation was amended by reducing the authorized number of shares of preferred stock from 5,000,000 to 500,000 shares of "A" preferred stock, and the authorized number of shares of common stock from 7,500,000 to 1,500,000 shares of "A" common stock. This amendment did not change the capitalization of

the company, but merely reduced the number of shares and correspondingly increased their value. Stockholders were requested to exchange their certificates of the original common and preferred stock on the basis of one share of "A" common stock for five shares of the original common and one share of "A" preferred stock for ten shares of the original preferred stock. Approximately one per cent. of the original stock now remains to be exchanged for "A" common and "A" preferred stock.

The following dividends have been paid on the "A" preferred and on the original preferred stock:

Dividend No.		
1	(3½%)	July 1, 1924—1st and 2nd quarters of 1924.
2	(1¾%)	October 1, 1924—3rd quarter of 1924.
3	(1¾%)	January 1, 1925—4th quarter of 1924.
4	(1¾%)	April 1, 1925—1st quarter of 1925.
5	(1¾%)	July 1, 1925—2nd quarter of 1925.
6	(1¾%)	October 1, 1925—3rd quarter of 1925.
7	(1¾%)	January 1, 1926—4th quarter of 1925.

No dividends have been declared on the common stock.

Balance Sheet

Your Corporation's capital stock consists of 395,597 and four-tenths shares of seven per cent. "A" preferred stock, with a par value of $50.00 per share and 1,155,400 shares of "A" common stock of no par value.

The Corporation's financial position has been further strengthened during 1925. Current assets have increased $1,646,277 and exceed the current liabilities by $17,564,047. The Corporation has no bonded debt or notes outstanding.

The total of plant and equipment stands at $13,779,510 and the reserve for depreciation and obsolescence of plant amounts to $2,631,930. The amortization of patents reserve after charging patents expired, now stands at $4.849,497 and represents the depreciation to December 31, 1925, indicated by the schedule founded on the life of such patents.

Operations

After providing for depreciation of plant and inventory, the operations for the year resulted in a net profit of $5,737,206. Of this $1,660,145 has been allocated to reserves for patents and

Federal Income Tax, and $2,852,993 has been credited to surplus account. The balance of $1,224,068 has been applied to reserve against foreign investments and writing down contracts, good-will, etc.

For the Directors:

OWEN D. YOUNG, *Chairman of the Board*
JAMES G. HARBORD, *President*

Printed by order of the Board
LEWIS MACCONNACH,
Secretary

RADIO CORPORATION OF AMERICA

BALANCE SHEET—DECEMBER 31, 1925

ASSETS

PLANT AND EQUIPMENT:		
Comprising High Power Stations in Operation with the Necessary Equipment, together with Ship Stations, Broadcasting Stations and Sundry Machinery, Tools and Furniture		$13,779,509.92
PATENTS, PATENT RIGHTS, CONTRACTS AND GOOD-WILL		15,837,400.19
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY AND ASSOCIATED COMPANIES		4,379,608.82
DEFERRED CHARGES		264,865.20
INSTALLATION WORK FOR FOREIGN CUSTOMERS		261,294.86
CURRENT ASSETS:		
Cash in Banks and on Hand	$6,155,763.43	
Notes Receivable	155,130.96	
Accounts Receivable	9,259,168.46	
INVENTORIES (at cost)—		
Merchandise..$7,785,238.71		
Ship, Shore and High Power Apparatus.. 990,243.38	8,775,482.09	
Investments in Marketable Securities at Cost (Dec. 31, 1925 Market is in Excess of Cost)	1,308,061.99	
TOTAL CURRENT ASSETS		25,653,606.93
		$60,176,285.92

LIABILITIES AND CAPITAL

CAPITAL STOCK:		
395,597 and Four-Tenths Shares 7% "A" Preferred, $50 Par Value		$19,779,870.00
1,155,400 Shares "A" Common (No Par Value)		13,767,263.56
TOTAL CAPITAL STOCK		$33,547,133.56
CURRENT LIABILITIES:		
Current Accounts Payable	$7,010,801.03	
1925 Federal Income Tax Accrued	714,434.54	
Other Accruals	22,489.08	
Dividends Declared and Unpaid	341,835.64	8,089,560.29
DEFERRED LIABILITIES		540,000.00
RESERVES:		
For Amortization of Patents After Writing off Patents Expired	$4,849,497.14	
For Depreciation and Obsolescence of Plant and Inventories	4,599,774.69	
For Investments in and Advances to Subsidiary and Associated Companies	1,541,896.22	
Other Reserves	654,861.00	11,646,029.05
SURPLUS:		
January 1, 1925	$5,000,569.72	
ADD—Amount Transferred from 1925 Earnings	2,852,993.30	
	$7,853,563.02	
DEDUCT—Good-will Written Down	1,500,000.00	6,353,563.02
		$60,176,285.92

RADIO CORPORATION OF AMERICA

SUMMARY OF OPERATIONS
YEAR ENDED DECEMBER 31, 1925
(WITH COMPARATIVE FIGURES FOR 1924 AND 1923)

	Year Ended December 31, 1925	1924	1923
GROSS INCOME FROM OPERATIONS:			
Gross Sales	$46,251,785.86	$50,747,202.24	$22,465,090.71
From Transoceanic Communications	3,418,179.09	3,358,584.31	3,191,558.73
From Marine Service	735,179.29	742,345.03	738,140.14
	$50,405,144.24	$54,848,131.58	$26,394,789.58
DEDUCT:			
General Operating and Administrative Expenses, Depreciation and Cost of Sales	45,431,937.11	45,838,398.44	21,833,039.93
	$4,973,207.13	$9,009,733.14	$4,561,749.65
OTHER INCOME	763,999.02	493,708.92	176,024.11
NET INCOME FOR YEAR	$5,737,206.15	$9,503,442.06	$4,737,773.76
APPLIED AS FOLLOWS:			
Reserve for Amortization of Patents	$960,145.13	$989,907.39	$931,459.78
Reserve for Federal Income Tax	700,000.00	1,100,000.00	500,000.00
Balance of Organization Expenses Written off		275,000.00	277,804.77
Amount Written off on Account of Ascertained Losses Sustained on Investments in Associated and Subsidiary Companies Taken Over from Marconi Wireless Telegraph Company of America		768,512.50	
Reserve Against Foreign Investments	524,067.72	414,235.89	
Reserve Against Account Due by Marconi Wireless Telegraph Company of America		587,844.57	
Amount Written off Contracts, Good-will, etc.	700,000.00	626,699.40	
Transferred to Surplus	2,852,993.30	4,741,242.31	3,028,509.21
	$5,737,206.15	$9,503,442.06	$4,737,773.76

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA for the year 1925, and we certify that, in our opinion, the foregoing Balance Sheet and Summary of Operations correctly set forth, in brief, the financial position of the Corporation at December 31, 1925 and the operations of the year ended that date.

ARTHUR YOUNG & COMPANY,
Members American Institute of Accountants.

New York, February 9, 1926.