



Cover

Hertz' comfortable Courtesy Shuttle is one of the conveniences offered to Rent A Car customers at many major airports in the United States and abroad. Here, passengers arriving at Los Angeles International Airport are transported directly from the terminal to their rental cars.

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Financial Highlights

(In millions, except per share)	1976	1975
Sales and other revenue	\$5,363.6	\$4,815.8
Net profit for year	177.4	110.0
Per share of common stock		
Primary	2.30	1.40
Fully diluted	2.24	1.40
Cash dividends declared per share of common stock	\$ 1.00	\$ 1.00
Additions to plant and equipment	\$ 275.4	\$ 302.2
Net additions to revenue-earning equipment of Hertz	219.9	149.3
Total assets at year-end	3,837.7	3,728.4
Total shareholders' equity at year-end	1,277.7	1,179.7

Sales and Net Profit by Quarter

Sales and Other Revenue		Total Profit		Net Profit Per Share	
1976	1975	1976	1975	1976	1975
(Dollar amounts in millions)		(Dollar amounts in millions)		(In dollars)	
				Primary	Fully Diluted
1st Quarter	1,256.5	1st Quarter	34.3	.44	.44
	1,090.3		17.0	.21	.21
2nd Quarter	1,320.4	2nd Quarter	53.7	.70	.68
	1,155.0		26.8	.34	.34
3rd Quarter	1,329.1	3rd Quarter	33.4	.43	.42
	1,219.6		32.8	.42	.42
4th Quarter	1,457.6	4th Quarter	56.0	.73	.70
	1,350.9		33.4	.43	.43



Photo by Fabian Blichartz

Edgar H. Griffiths

President's Report to Shareholders

RCA began in 1976 to achieve the rewards of systematic—and continuing—efforts to improve its profitability. With the added spur of a modest economic recovery, these efforts produced a 61-percent increase in earnings to \$177.4 million on sales that rose 11 percent, surpassing \$5 billion for the first time.

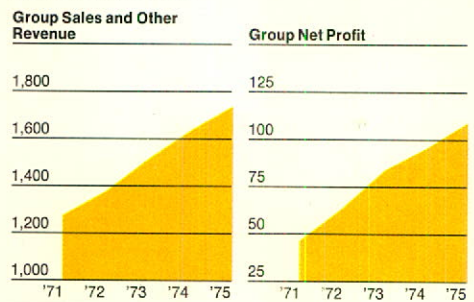
It was a year of record profit and sales by The Hertz Corporation, which reported the largest year-to-year earnings gain in its history. New highs in earnings and revenues were also reported by the National Broadcasting Company, Banquet Foods, and RCA Records. The RCA Service Company attained its highest earnings despite a dip in sales, Coronet Industries more than doubled its profit on a moderate sales gain, and Random House produced a higher profit on record sales.

Most significant from the standpoint of RCA's corporate recovery, however, was the remarkable comeback in our electronics operations, which had been lagging behind the rest of the company. The 1975 loss of \$48.3 million in the commercial electronics segment was transformed into a \$7.5-million profit. The 1975 profit in the consumer electronics category was increased by 65 percent. Together, the results in these two segments represent a swing of \$72.3 million.

That figure speaks for itself, but its significance in RCA's progress can be appreciated best in the perspective of how the

1. Least Affected by Business Environment, 1971-75

(Includes Broadcasting, Communications, Vehicle Renting and Related Services)



(Dollar amounts in millions)

company performed from 1971 through 1975. During this period, while sales rose steadily at a compound growth rate of 8 percent, the company's profit peaked in 1973, then fell sharply during the next two years of economic slump. Yet the economic downswing of 1974-75 affected different parts of RCA in quite different ways.

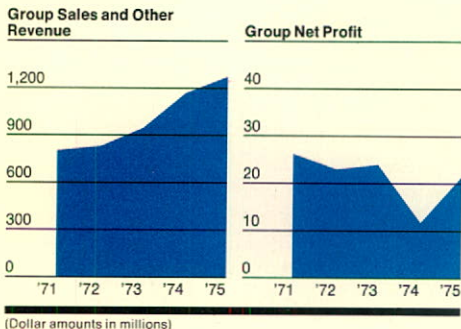
One group of businesses—Broadcasting, Vehicle Renting and Related Services, and Communications—appeared to defy the slump. A glance at the 1971-75 record of these operations (Chart 1) hardly suggests that this period included the worst recession in 30 years. Sales rose steadily at a compound rate of 8 percent a year, and earnings rose at a rate of 23 percent.

Throughout the period, this group represented a stable ratio of RCA's total sales—about 36 percent—but in terms of earnings it accounted for a steadily increasing part of the company's profit.

Another group of RCA operations showed average sensitivity to the business environment. These consisted of Government Business and Other Products and Services, which includes Banquet Foods, Coronet Industries, Random House, and the Oriel Foods Group. The five-year record (Chart 2) is a picture of modest sales growth, influenced in the last two years by

2. Average Sensitivity to Business Environment, 1971-75

(Includes Other Products and Services, Government Business)



the addition of the United Kingdom food companies and the effects of inflation. Earnings show relative stability except for 1974, when Banquet Foods was hit by fluctuating commodity prices and Coronet's carpeting business felt the effects of fewer housing starts.

Putting the first and second groups together would account for about 60 percent of the company's sales volume. In earnings, they would show a steady, substantial rise except for 1974, which would be flat.

The third group—which showed greater-than-average sensitivity to the business environment—is a heavy concentration of RCA's traditional electronics operations. It accounted for about 40 percent of the company's sales. As Chart 3 shows, these businesses have been capable of providing that much or more of the company's total profit, but during the slump their profit contribution fell to only 3 percent in 1974, and the following year they went heavily into the red.

Despite that performance, RCA was—and is—convinced of the essential vitality of the electronics businesses and their potential for the future. RCA research and development, representing a commitment of some \$110 million a year, is constantly at work on improving electronic products and innovating a variety of new ones, such as the "SelectaVision" VideoDisc System, which we are continuing to develop, and the highly successful ColorTrak television system. We fully intend to maintain our stake in electronics.

But the challenge posed by these charts was plain: we had to do whatever was possible to fortify our electronics operations against economic downswings. That meant improving our profit margins with a variety

of measures—cost controls, manufacturing efficiencies, the pruning or discontinuation of marginal activities, more aggressive marketing, and improved product lines.

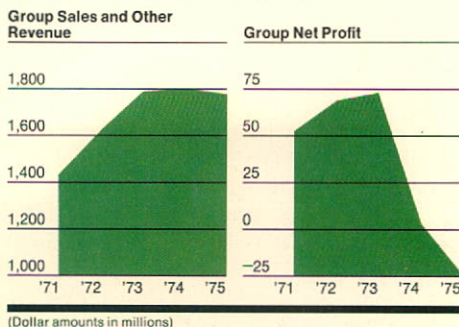
This highly disciplined program, much of which had its roots in earlier decisions, was pursued with special vigor in 1976. Moreover, it has been applied—and is still being pressed—across the board at RCA, not in electronics alone. The result so far in electronics, where the most intensive efforts took place in 1976, has been to add substantial momentum to the effects of the economic upswing, and, as Chart 4 shows, the company has been able to make unified progress. We believe these efforts will be effective in lean years as well.

The year brought problems as well as progress. Discussions about the possible sale of our United Kingdom food subsidiaries—the Oriel Foods Group—were dropped largely because of the impact of the weakened British economy and the erosion of the pound. We are retaining these subsidiaries, but we established a reserve of \$20 million in the third quarter to reflect their reduced value. RCA's 1976 profit reached \$2.30 per common share including a charge of 27 cents representing that reserve and of an additional 19 cents reflecting the adverse effects of foreign currency exchange adjustments.

On September 16, Anthony L. Conrad resigned as Chairman and Chief Executive Officer and a Director of the Corporation. Mr. Conrad said he had failed, until shortly before his resignation, to file personal income tax returns for the years 1971 through 1975, though substantial taxes had been withheld from his compensation. The findings of an independent investigation, authorized by the Audit Committee of the RCA Board and made public December 20, supported Mr. Conrad's assurances that his failure to file was not related to the business of RCA. Despite the circumstances of the transition, the company moved smoothly ahead, thanks largely to its basic strengths, its dedicated management team, and the skilled and loyal men and women who are its employees.

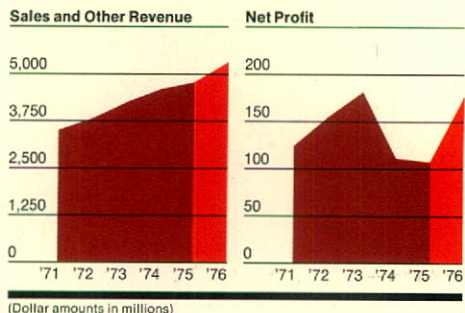
3. Greater-Than-Average Sensitivity to Business Environment, 1971-75

(Includes Electronics—Consumer Products and Services, Electronics—Commercial Products and Services)



Because of Securities and Exchange Commission considerations, Mr. Conrad's resignation prompted RCA to suspend a proposed public offering of 5 million

4. RCA Corporation Consolidated Results, 1971-76



shares of common stock that had been filed with the SEC on August 26. The purpose of the offering was to provide the company with a larger equity base, thereby improving its capital structure and providing greater strength and stability. In January 1977, with the consent of the SEC, RCA withdrew its proposed offering. The decision was influenced by the company's steadily improving operating results, its increased cash flow, and its enhanced prospects for future earnings.

That promising outlook is intact. As in other aspects of our operations, we have grown more efficient in the use of working capital. We have been able to lower our ratio of inventories and receivables to sales, making an improvement of about \$110 million in our operating capital performance in 1976. Through this development and other gains in cash flow, we expect to be able to fulfill our plans for 1977 capital expenditures—about \$320 million, mainly in communications—without weakening our corporate balance sheet.

The year 1977 has begun on a solid footing. The economy is strengthening and promises to outstrip the gains of 1976. For our part, we have identified our problems and our opportunities, and we are moving ahead. We know we have much more to do in fulfilling the profit potential of RCA—and in fulfilling our obligations to our shareholders. We welcome the challenge.

March 7, 1977

E. H. Snodgrass

President and Chief Executive Officer

Electronics—Consumer Products and Services

Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$1,371	25.6
	\$41.8	23.6
1975	\$1,171	24.3
	\$25.3	23.0
1974	\$1,130	24.4
	\$11.1	9.8

Sharply improved profit—65 percent over 1975 on a sales increase of 17 percent—signaled a comeback in this segment after two years of weakness. The recovery of the economy and a pickup in consumer interest during 1976 played a role in these gains. But the fact that earnings outpaced sales reflected RCA's own accomplishments—greater efficiency in manufacturing operations and improved marketing programs. The growing reputation of RCA's high-quality television products—notably the ColorTrak line—also bolstered the year's performance. The RCA Service Company reported record sales and increased earnings in consumer services. It was the best year ever for RCA Records, which contributed significantly to this segment's results.

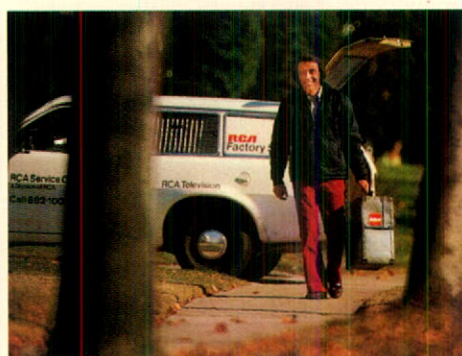
Television Products. In its first full year as a complete line, ColorTrak won strong acceptance by consumers. It accounted for 42 percent of RCA's total dollar sales in color television. Because its new features commanded higher prices, the line contributed to the year's increase of some \$40 in the average retail price paid for an RCA console receiver and a \$20 increase for the average portable and table model.

The growing importance of the replacement market for color sets—estimated at 35 percent of the industry's 1976 sales of 7.7 million units—gave added stimulus to RCA's color sales. Many previous RCA

in the second half, which helped its sales momentum in this category.

RCA essentially maintained its share of the U.S. color television market despite sharply increased imports from Japan. The company did not join in efforts by others in the television industry to seek import quotas or other restrictions on the imported sets. Support of free trade is a long-standing RCA policy, reinforced through the years by the company's stake in international business. Moreover, the company believes it can compete effectively with all manufacturers.

Further progress was made in 1976 in the program to develop the "SelectaVision" VideoDisc System. The project is continuing, with efforts concentrated on lowering the system's prospective price further,



The RCA Service Company provides prompt and reliable home servicing of RCA TV sets and home entertainment equipment as well as certain other appliances through a nationwide network of service centers.

extending its playing time, and broadening its software program. A decision on whether to market the system will be based on a favorable convergence of technical, marketing, and economic factors.

Phonograph Records and Tapes. RCA Records celebrated its 75th anniversary with an all-time high in sales and a doubling of earnings for a second consecutive record year. The gains were achieved in every major area of operation. At the same time, RCA Records improved its market share at home and abroad. Among the contributing factors, which are expected to exert an influence through 1977, were strong acceptance of RCA's new and established artists, a 14-percent increase in mail-order club sales, economies achieved through consolidation of all domestic manufacturing facilities in Indianapolis, and a significant strengthening of sales and promotion operations throughout the world.

Best-selling albums and singles featured such popular artists and groups as David Bowie, Jefferson Starship, John Denver, Starland Vocal Band, Silver Convention, Waylon Jennings, Savannah Band, and Daryl Hall and John Oates. RCA also enjoyed the best year in its history in the classical field, with sales up 43 percent and profit substantially improved over 1975. Its preeminence in country music continued to grow, with the strongest

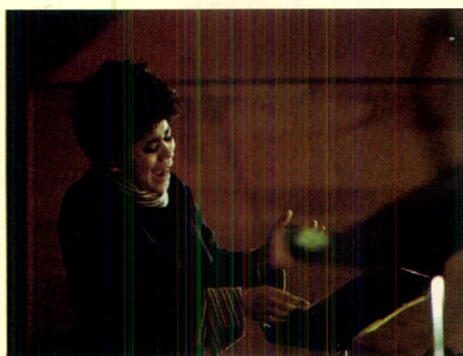
artist roster and largest sales volume in this segment of the industry.

For the first time, more than 50 percent of revenues came from abroad as 5 of RCA Records' 10 foreign operations achieved their highest sales. Brazil reported a 39-percent sales increase and became RCA Records' largest overseas operation. The French operation enjoyed a 51-percent sales increase, and Australia's sales were up 41 percent.

Consumer Services. Sales increased to a record level for the 22nd consecutive year, and profit rose slightly. However, the business of servicing TV receivers was adversely affected by the improved quality of RCA sets, requiring fewer service calls, and by increased multiple-set ownership, making for less urgency in ordering repairs. Nevertheless, RCA maintained a level of more than 1 million home-service contracts for TV sets and appliances through sustained marketing efforts. Within the home-service business, appliance service sales reached a record level, thanks to innovative marketing programs.

The RCA Service Company continued as the leading supplier of television receivers to hotels, motels, schools, and hospitals in the face of increasing competition, especially in the important lodging market. Sales of instructional TV monitors rose slightly despite generally restricted school funding. RCA Telephone Systems stepped up its sales 40 percent. This activity markets, installs, and services private telephone systems in hotels, motels, and general business firms. Intensified marketing efforts resulted in increased sales to the business segment, and added emphasis will be given to this growth area in 1977.

Distributor and Special Products. A strongly improved performance resulted from the first full year of this merger of the parts and accessories business and the distribution of electronic components. Replacement parts and TV accessories increased in both sales and profitability. The fastest growth was in the marketing of sound products, notably citizens band radio—a field RCA reentered early in 1976—and automobile radio and tape equipment. The result was a greater-than-three-fold sales increase for these products over 1975 and the establishment of a potentially strong profit base. RCA also announced its entry into the new TV game field—a potential profit area for 1977 and beyond. The RCA "Studio II," a home TV programmer introduced early in 1977, provides a variety of games and instructional programs using a microprocessor with the TV screen as a display.



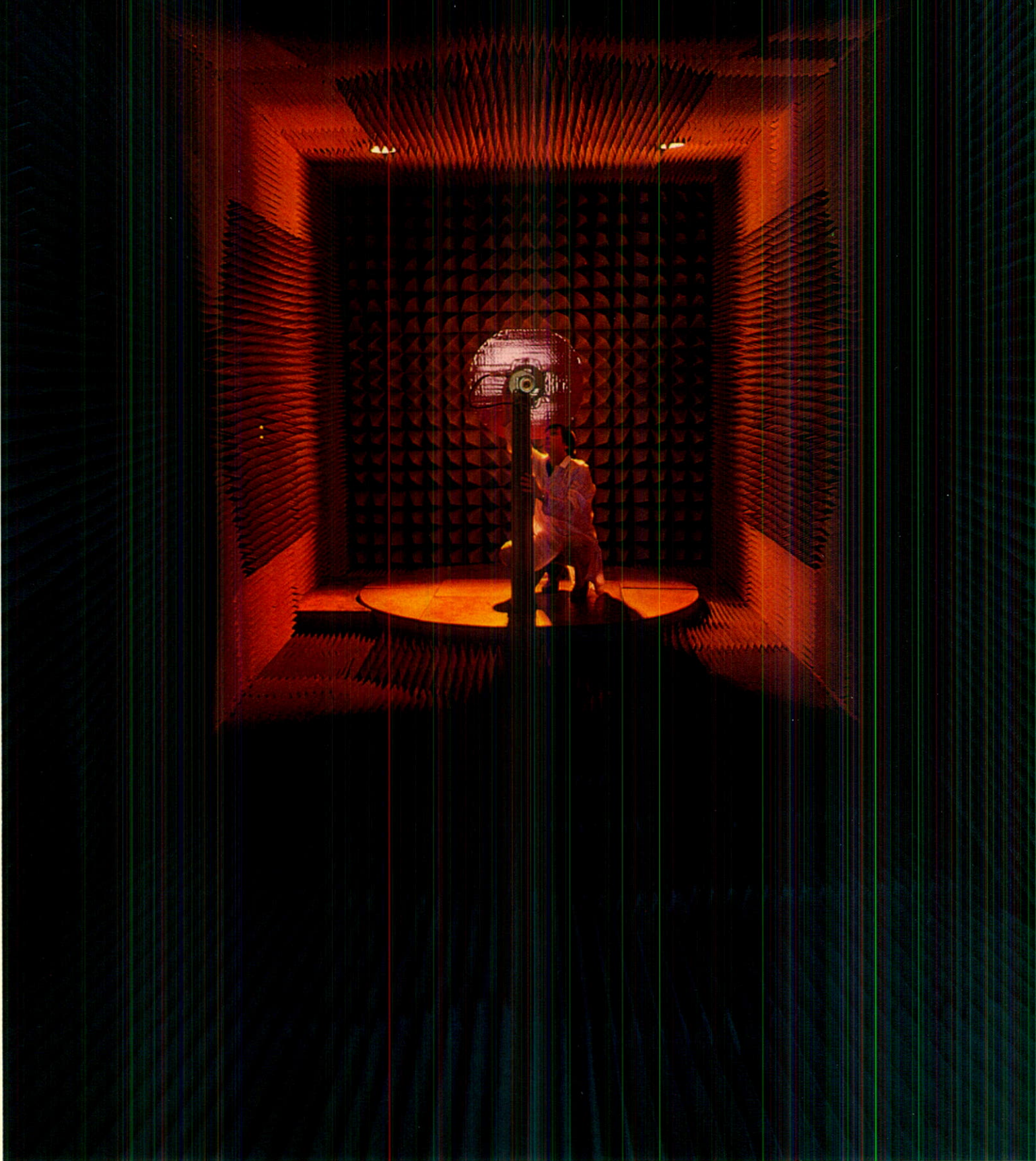
The highly praised Houston Opera Company production of the uncut version of George Gershwin's *Porgy and Bess* was recorded in its entirety by RCA Records.

owners showed a buying preference for both the brand and large-screen console models. In color portables and table models, imports made greater inroads into the U.S. market, but RCA was able to respond to the increased competition by reducing prices on its 19-inch models early

XL-100
100% solid state
RCA

100
state

Production models of RCA color TV sets endure stiff tests for reliability at the Bloomington, Ind., manufacturing facility.



An antenna in RCA's PRIMUS airborne weather radar system undergoes testing at the Avionics Systems facility in Van Nuys, Calif.

Electronics—Commercial Products and Services

Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$689	12.8
	\$7.5	4.2
1975	\$609	12.6
(\$48.3 loss)		(43.9)
1974	\$671	14.5
(\$7.4 loss)		(6.5)

The year's rebound in RCA's commercial electronics businesses—a swing of \$55.8 million from loss to profit—was spurred by stringent efficiencies, energetic sales efforts, and improving markets. Leading in the gains were color picture tubes and solid-state operations. A combination of cost reductions and new products produced earnings increases in commercial communications systems, and commercial services showed record sales and profit. The segment's performance benefited from the 1975 decisions to end a drain on earnings by phasing out domestic production of receiving tubes and to shut down a joint venture in picture-tube manufacturing in the United Kingdom.

Picture Tubes. With strong sales gains from a growing overseas market and rigorous cost reductions, the RCA picture-tube operation moved from a loss to a strong profit position. Substantial savings were achieved by reducing overhead costs, changing product design to increase product yields, and increasing tube-making and glass-manufacturing capabilities by improving equipment. The expansion of the international market was reflected in the fact that fully half of RCA's picture-tube production—including the output of its foreign subsidiaries and affiliates—went into sets manufactured abroad. New plant expansions are planned for 1977 in Mexico and Brazil. In 1976, the growing world market played a major part in achieving the high degree of plant utilization required for profitable operation.

During the year, RCA also entered into a \$71-million long-term technology-transfer contract with the Government of Poland that includes the installation of color television picture-tube manufacturing facilities in that country. The plant built under this contract will be able to produce up to 600,000 color TV picture tubes a year. Production is expected to start in the first half of 1979.

In 1976, RCA introduced into the European market the 21-inch, 110-degree, precision in-line self-converging picture tube. This type, along with the 25-inch tube introduced in 1975, was well received and helped increase RCA's market share in Europe.

Solid State. RCA's worldwide sales—including electro-optic devices—rose 25 percent over 1975, and these operations moved into the profit column. Fresh technological advances were made in microprocessor products. These devices are becoming the electronics workhorses of

an increasing range of products and systems from communications equipment to machine controls, medical devices, and electronic games.

During the year, RCA introduced an expanded line of hermetically sealed integrated circuits in low-cost plastic to control mechanical and electronic functions in such difficult and corrosive environments as the engine area of an automobile. RCA is the only company to produce this line of devices, which are far more economical than competing ceramic types. Early in 1976, RCA also introduced its single-chip microprocessor—essentially a general-purpose computer on a silicon sliver about 1/25 of a square inch in size. This new device has unique operating capabilities.

To expand production of these and other semiconductor devices, RCA assembled an ultramodern manufacturing operation at Palm Beach Gardens, Fla. It began manufacturing semiconductor products in Brazil to provide a local base for its sales growth in Latin America. Sales in Europe also increased by 34 percent over the previous year.

A cost-reduction program in solid-state operations—achieved through improved manufacturing techniques and efficiencies in fabrication and distribution—resulted in substantial savings.

Commercial Systems. Improvement in the avionics business and higher earnings in broadcast equipment were largely responsible for the strengthened position of commercial electronics systems.

Avionics attained a moderate sales advance and significantly reduced its 1975 loss. At the same time, overhead costs in this area were sharply cut, and three new weather radars were introduced for the

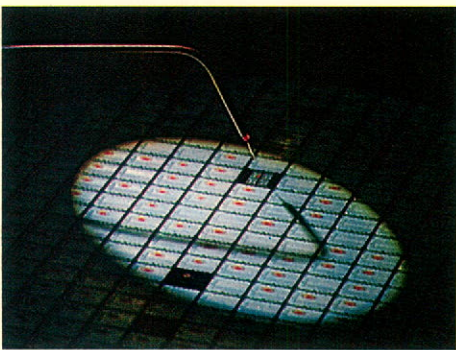
leading TV-equipment supplier in Latin America and the Caribbean.

In common with the industry, RCA's mobile-communications business reflected a leveling off in budgets of state and local governments. However, RCA's international business continued to grow, and the introduction of a new moderately priced mobile-radio line called VEETAC, which incorporates advanced features, is expected to strengthen its worldwide competitive position.



The glass funnel of a TV picture tube is inspected at Circleville, Ohio.

Commercial Services. The most significant continuing growth was in the data-communications area, in which the RCA Service Company leases, installs, and maintains teleprinter units. By the end of the year, the number of data-communications terminals under contract exceeded 34,000—a 13-percent increase over 1975—and a new higher-speed solid-state terminal was added to the lease equipment line to bolster sales. RCA's commercial-services sales have nearly doubled during the past five years, and a strong performance is indicated for 1977.



An electronic probe automatically examines each chip on a wafer of RCA solid-state devices.

general aviation and airlines markets, laying the groundwork for further growth in 1977.

With broadcasters increasing their capital investment in station facilities, RCA maintained its leadership in this market. Cameras and video tape recorders for electronic news gathering and TV production were the high-priority products. Orders for the lightweight portable TV camera introduced for news gathering tripled to 350 during the year, putting RCA ahead of any competitor. Abroad, RCA became the

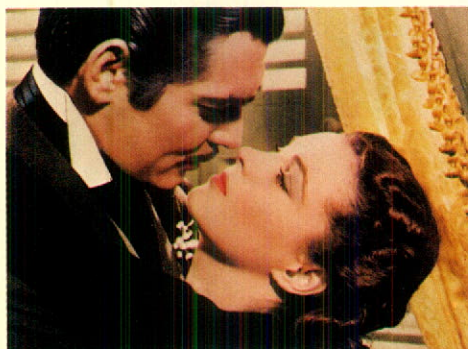
Broadcasting

	Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$955	\$57.5	17.8
			32.4
1975	\$796	\$52.1	16.6
			47.3
1974	\$725	\$48.3	15.7
			42.6

The National Broadcasting Company marked its 50th anniversary with record sales and profit. It was the fifth year of continued gains, achieved despite the mounting costs of prime-time programming and the added expenses of news coverage in a Presidential election year.

The NBC Television Network attained peak sales levels in all program areas, with the greatest increases in prime time, daytime, and news. The five NBC-owned television stations achieved record revenue performances. NBC's radio music stations achieved record sales for the second year, and the NBC Radio Network also posted gains. The year-and-a-half-old syndicated radio News and Information Service, which incurred a substantial loss, will be phased out by mid-1977.

In the intensive competition among the three television networks for prime-time audiences, NBC fluctuated between second and third place most of the year and occupied first place for periods totaling two months. The NBC management, which has buttressed its programming staff, has set itself the challenge of developing regular weekly series programs to match the 1976 success of such special efforts as "NBC Best Sellers"—serialized versions of popular novels broadcast in as many weekly episodes as needed—and "The Big Event," designed to present a broad variety of special programs. Taylor Caldwell's *Captains and the Kings* and Anton



NBC's world-premiere telecast of *Gone With the Wind* had a larger audience for an entertainment program than any previous presentation in television history.

Myrer's *Once an Eagle* were the first two books serialized for "NBC Best Sellers." *Gone With the Wind*, shown in November on "The Big Event," attracted a larger audience for an entertainment program than any previous presentation in television history—an estimated 98 million

viewers. An audience of 75 million helped NBC commemorate its half-century in broadcasting by watching "The First Fifty Years," a four-and-a-half-hour "Big Event" review of NBC's history. "NBC's Saturday Night" drew increasingly larger audiences and higher ratings in its second year. The "Today" program and "The Tonight Show Starring Johnny Carson" outranked all competing programs in their time periods. Through the year, the network attracted 48 new advertisers.

NBC News drew the biggest share of the television audience on Election Night and ranked first overall in its coverage of the primaries. NBC News' Election Day poll of 16,000 voters to analyze elements of the national vote is believed to be the



Richard Jordan, Harvey Jason, and Henry Fonda star in a scene from Taylor Caldwell's *Captains and the Kings*, the first novel serialized in the new "NBC Best Sellers" series.

largest public opinion poll ever taken in a single day. During the year, NBC also presented a steady flow of special entertainment, religious, and documentary programming dealing with the nation's bi-centennial celebration. The climax was a 10-hour live telecast on July 4, using 250 cameras coast to coast and in 13 foreign countries.

NBC Sports continued to win large audiences for major events. It produced 6 of the 10 top-rated sports programs of 1976, including the Muhammad Ali-Richard Dunn prizefight, the Rose Bowl, two American Football Conference championship games, and two World Series baseball games.

NBC personalities and news programs won 113 national awards, including 24 Emmy Awards and 2 George Foster Peabody Awards. In addition, the NBC television stations received 39 local Emmy Awards, and in three major cities they won more honors than any competitor. The International Radio and Television Society presented its 1976 Gold Medal to NBC "for 50 years of innovative leadership in broadcasting."

Early in 1977, NBC announced three major programming developments. It won exclusive U.S. television and radio rights to the 1980 Olympic Games to be held in Moscow, and it signed long-term agreements with Gerald R. Ford and Henry Kissinger. The former President will appear in programs on the U.S. Presidency. Former Secretary of State Kissinger's

contract calls for him to appear in a major annual documentary, to make special appearances on foreign-policy issues, and to serve as a consultant to NBC News. The agreement also gives NBC exclusive television rights to the forthcoming Kissinger memoirs.



At Hertz locations serving snow resort areas—such as this one in Stowe, Vt.—rental cars are available equipped with racks for skis.

Vehicle Renting and Related Services

Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$780	14.5
	\$41.4	23.3
1975	\$715	14.8
	\$27.4	24.9
1974	\$722	15.6
	\$23.2	20.5

The Hertz Corporation achieved its fifth consecutive year of record earnings, this time with an increase of more than 50 percent on growth of 9 percent in revenues. It was the largest year-to-year dollar gain in profit in the company's history. Operations in both the United States and Europe reached all-time performance highs resulting from a combination of market leadership and effective cost controls.

In the nine years since RCA acquired The Hertz Corporation, profit has risen 227 percent on an increase in revenues of 95 percent. A striking measure of Hertz' efficiency in achieving this success is the fact that it has been accomplished with only a 26-percent increase in the average number of vehicles operated by the company.

During the period of RCA's ownership, Hertz leadership in the automobile rental industry has been marked by a series of innovations. Among these are a centralized nationwide toll-free reservation center; the Hertz #1 Club, which stores rental information about regular customers in the Hertz computer, thus minimizing time spent at the counter; express check-in car returns; the sale of Hertz cars at retail; and the Standards of Performance Program to assure quality of service and vehicles.

RCA's ownership began in the heyday of the rental-car boom, which closely paralleled the rise in jet air travel. In 1971, as the industry grew increasingly competitive, a major reorganization led to an accent on efficient management as well as imaginative marketing. Since then, more than 20 operations in the United States or overseas have been divested, liquidated, or sold for operation by licensees. Loss operations in the United States and abroad were turned into profitable businesses, auditing systems were overhauled, and an efficient planning function was established.

In 1976, the Rent A Car Division outpaced its competition as it increased rentals and revenues. This operation was the largest single contributor to Hertz' record performance. Enrollment in the Hertz #1 Club rose to more than 2 million—25 percent greater than in the previous year. While rental volume increased, economies were achieved in gasoline and other costs. Of the used vehicles marketed by Hertz Rent A Car as it made room for new models in the fleet, approximately 60 percent were sold at retail through more than

100 sales locations across the country.

Hertz Europe, which operated at a loss in 1974, built upon the 1975 turnaround by posting the best results in its history. This was accomplished in the face of generally unstable economic conditions, soaring fuel prices, and government control of rates in certain European countries. The company concentrated on the markets with the highest return, a restructured vehicle mix to emphasize the more profitable models, and an aggressive marketing and advertising program. Further efficiencies were achieved by converting a number of company rental stations to licensing arrangements and expanding the licensee network into new areas. Hertz Europe now has approximately 1,000 rental locations operated by the company and its licensees. Retailing of used Hertz cars was expanded to 30 outlets in 10 European countries.

The Truck Division's record performance resulted partly from its long-term leasing operations, where the growth rate outpaced the industry average. Careful fleet management also improved utilization of short-term rental units by 32 percent, a significant factor in the increased efficiency of Hertz' truck operations. The Hertz Truck Division has been an industry leader in developing fuel-saving specifications that reduce both fuel consumption and the cost of vehicle maintenance. The Division is continuing to develop further ways of conserving energy and reducing costs for customers.

Hertz Car Leasing registered a record performance, accomplished by the largest fleet of long-term leased cars in the Division's history. To handle the growing number of individuals (as distinct from corporations) who lease cars, the Division increased from three to seven the key cities where this service is offered. Regional office consolidation, controls on maintenance expenses, and further administrative efficiencies improved cost savings over 1975.



Regular preventive maintenance keeps Hertz trucks on the road.

Hertz Equipment Rental Corporation (HERC) substantially improved its profit despite the continued depressed state of the heavy-construction industry. By tight control of operations and the restructuring of product lines, HERC management has succeeded in compensating for the cyclical nature of equipment rentals. These controls will remain in place during 1977

to enable HERC to capitalize on the modest improvement anticipated in the construction industry.

Hertz Commercial Leasing Corporation, which is engaged primarily in leasing office equipment, expanded its sales activity as orders mounted and also effected economies in accounting and administrative systems.

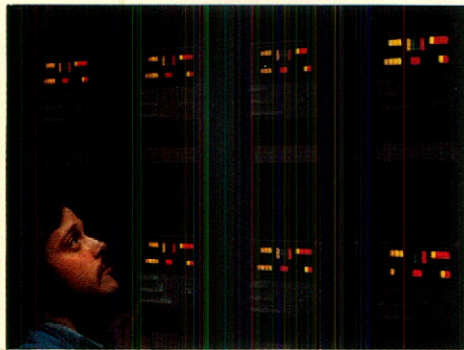


In London and throughout Europe, Hertz is serving a rapidly increasing number of customers.

Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$259	4.8
1975	\$234	4.9
1974	\$195	4.2
	\$25.0	14.7
	\$31.2	28.4
	\$25.7	22.7

RCA's diversified communications activities were reshaped into three separate subsidiaries of the Corporation—RCA Global Communications (RCA Glöbcom), which still performs the basic international function that was the genesis of RCA as a company; RCA Alaska Communications (RCA Alascom), which serves that pioneer state's expanding needs; and RCA American Communications (RCA Americom), which owns and operates a domestic satellite-communications system. Individually and as a group, the three increased revenues over the previous year to a new record, but total earnings declined as a result of heavy start-up costs for RCA Americom and charges associated with staff reductions to streamline operations at RCA Glöbcom. RCA Alascom continued to show strong growth in revenues and earnings while carrying forward its capital investment in Alaska. RCA Americom, although still short of attaining profitability in its first year of operation, rapidly expanded its solid base of customers for satellite-communications services.

RCA Global Communications. RCA Glöbcom continued to provide more kinds of services to more countries than any other U.S. international voice/record carrier.



Panel lights display the status of overseas circuit conditions at RCA Glöbcom's Kingsbridge Communications Center in Piscataway, N.J.

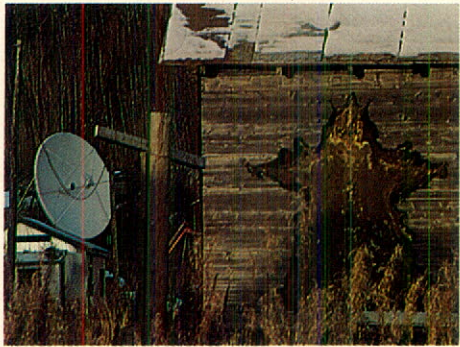
With telex setting the pace for the industry, RCA Glöbcom showed a 13-percent sales increase in this service over 1975. In cooperation with its overseas communications counterparts, telex service was enhanced by extending advanced features such as single-digit dialing to foreign users. It maintained its industry lead in leased private-line channels, with an increase of 6 percent.

Responding to the demands for overseas data transmission, Glöbcom introduced

a new high-speed data service—Datel II—which makes possible high-speed interconnection between computers or terminals in the United States and overseas.

One of the major users of RCA's Datel services is the Society for Worldwide Interbank Financial Telecommunications (SWIFT), a network linking more than 350 banking institutions in Europe and North America, including 100 U.S. banks. RCA Glöbcom provides overseas high-speed data transmission as well as network management support and consulting service for SWIFT.

RCA Glöbcom inaugurated its worldwide marine-communications satellite service via the Marisat satellites. Glöbcom is also continuing to acquire capacity in new



RCA Alascom is providing satellite-communications services to remote villages through earth stations such as this one in Holy Cross, Alaska.

cable systems to meet projected communications growth with Europe, the Caribbean, Latin America, and the Far East. Along with other U.S. carriers, it began providing Mailgram service between the mainland and Hawaii.

RCA Alaska Communications. RCA Alascom continued to support the rapid growth of the northernmost state with virtually every major form of communications, from long-distance telephone to television via satellite. Long-distance telephone revenues, the mainstay of Alascom's business, increased by 20 percent over the previous year's record. The greatest growth, a 67-percent gain over 1975, came in direct private-line revenues, primarily from the military and large companies. Telex revenues increased by 17 percent essentially because of the installation of an advanced new computer telex exchange in Anchorage that eliminated a shortage in central switching facilities. At the same time, Alascom continued to make major investments in the state, basically for satellite earth stations, telephone switching equipment, and microwave facilities. Since RCA Alascom was established in 1969, a total of about \$200 million has been invested to bring the most advanced communications facilities to the state.

During the year, Alascom began to provide communications for oil-exploration drilling platforms in the Gulf of Alaska. Using transportable earth stations, it provided satellite communications to remote interior locations for petroleum exploration.

tion. Alascom also established a service for automatic stock quotation information and orders via satellite for a major stockbroker, and other companies have placed orders for similar services.

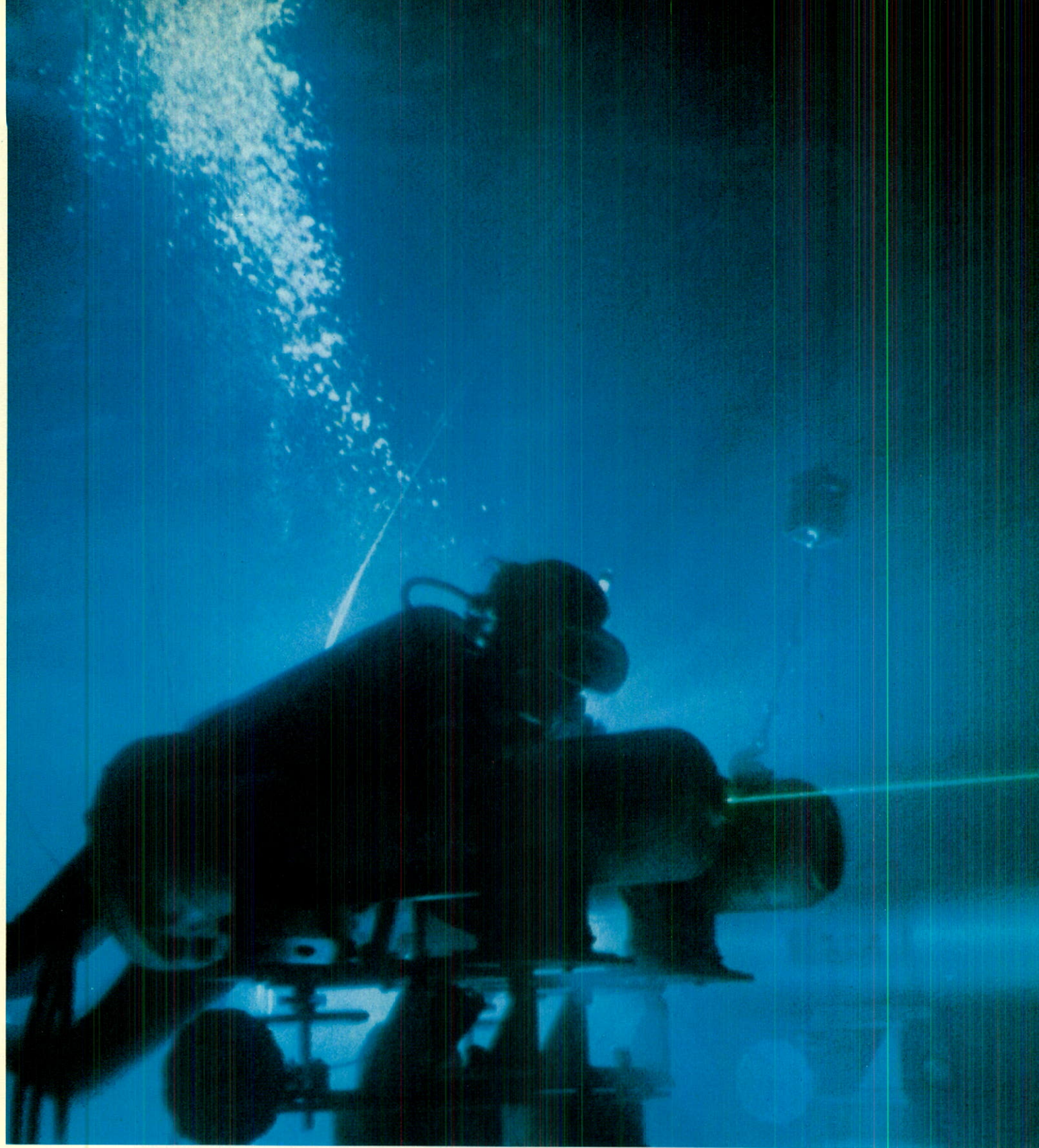
Through a joint program undertaken with the state of Alaska, Alascom provided telephone service for the first time to 20 remote rural villages. By the end of 1977, 80 more villages are scheduled to receive telephone service via satellite. Another joint project, which got under way in early 1977, is a demonstration program to bring television via satellite to remote bush villages and to expand live TV coverage in key urban areas.

RCA American Communications. In February 1976, RCA Americom shifted its domestic satellite-communications service from leased facilities to its own RCA Satcom I satellite. Four months later, Satcom II went into operation, nearly doubling the capacity of the RCA system. Together, these satellites account for more than one-third of the total U.S. domestic satellite capacity available to meet the expanding demand for voice, high-speed data, and television services. At year-end, major Americom earth stations were situated near seven key U.S. cities, with Chicago, Atlanta, and Houston joining the network in 1976. In all, including government and specialized users, more than 115 earth stations were transmitting and/or receiving space communications via RCA satellite. Almost all areas of Americom's business showed significant revenue increases. Leased private-line revenues more than tripled over 1975. Television services started generating revenues in 1976, and this business is expected to grow rapidly.

In 1976, RCA Americom signed a \$2.8-million three-year agreement with the Hughes Television Network for transmission of its growing roster of sports events and other programs via domestic satellite. And through RCA's satellite system, more than 135 cable-TV systems in 36 states were receiving daily programming in 1976 from Home Box Office, the nation's largest pay-TV program packager. During the year, Americom also began providing earth stations and high-speed data transmission for NASA in support of its Viking Explorer Mission on Mars and the Space Shuttle program.



Communications traffic and spacecraft tracking are monitored by this control console at RCA Americom's Vernon Valley, N.J., earth station.



A diver in "Deep Look," one of several research projects that the RCA Service Company performs for government agencies, adjusts a laser transmitter used to evaluate long-range underwater TV systems.

Government Business

	Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$2.0	\$368	6.9
			1.1
1975		\$355	7.4
	\$3.3		3.0
1974		\$356	7.7
	\$3.7		3.2

RCA's government business, which had been essentially flat for the past four years, showed a modest sales increase in 1976 and a decline in profit. But the year proved the best for new orders since 1961, 42 percent above the 1975 level. These gains resulted from additional government defense and space requirements and from RCA's marketing efforts and expertise in advanced technology areas of particular interest to the government.

Government Systems. The total value of RCA's contracts with the U.S. Navy for AEGIS, the advanced fleet air defense system, rose above \$400 million. The AEGIS program's second phase was begun during the year with a \$159-million contract for development of a complete shipboard defense system, including the integration of auxiliary systems.

The company also won U.S. Army contracts in advanced communications and automated test equipment. One contract calls for the initial production of transportable ground stations for satellite communications. The stations, which can be operational within 20 minutes after arriving at a site, will give tactical military forces the capability of swift worldwide communications. The Army is also acquiring transportable RCA air-traffic control towers. Positioned at an unattended airfield, the towers can handle air-traffic volume comparable to that at medium-sized municipal airports. In 1976, RCA delivered to the Army five EQUATE systems for automated multipurpose testing of all types of military electronics, and two more systems are being built. The company also received a new Army contract to complete the engineering development of its automotive test system, which performs more than 45 types of tests and maintenance checks on a wide range of engines and accessory systems. Other defense contracts included several classified government programs valued in excess of \$50 million.

RCA's front-ranking position in meteorological satellites was bolstered by a contract for the assembly, integration, testing, and storage of a new generation of the TIROS satellites it has built for NASA since 1958. The company will also provide launch and postlaunch support services. The RCA Space Center delivered two new types of environmental earth stations to NASA in 1976.

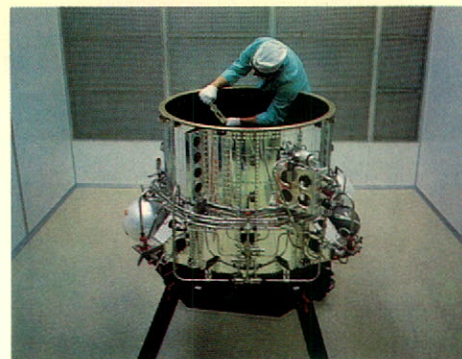
The year's most celebrated space achievement involved RCA technological skills and equipment. The two Viking Lander probes that began examining the

surface of Mars in 1976 carried RCA-built communications systems. The color and black-and-white pictures and all the data beamed back to Earth—the first effective communications from the Martian surface—were transmitted by these RCA systems.

Government Services. The RCA Service Company continued its leadership role in providing technical services and operational and management support for the U.S. armed forces; NASA; and federal, state, and local educational programs. Sales declined because the contracts for operation of the Ballistic Missile Early Warning and Distant Early Warning systems were not renewed.

The company retained other major contracts for which there were competitive bids in 1976 and won several new contracts in important business areas. The U.S. Navy renewed contracts for RCA to perform range-support services for test, evaluation, and weapons-training facilities in the Bahamas and the Caribbean. The Navy awarded contracts to RCA to develop computer software for a test operation and to perform technical services for a systems engineering center. RCA also received a new contract from the Army to provide specialized maintenance on fire-control and other systems. In addition, the company assumed responsibility for installing and maintaining systems for the approach and landing test facility of the Space Shuttle program.

RCA continued to expand its educational activities. It received a new Department of Labor contract to operate the Maryland Job Corps Center and a renewal of its contract for the Blue Ridge Center in Virginia. RCA now operates five Job Corps Centers. The state of Pennsylvania and the city of Los Angeles expanded their manpower development and planning contracts



TIROS-N, an advanced environmental satellite, is designed and constructed by RCA at its Space Center in Princeton, N.J.



The RCA Service Company operates Job Corps Centers to train young people in such vocational skills as welding.

with RCA. A new Educational Services contract was signed with the Army for development of a course to train soldiers to repair tanks and trucks. In new areas, the RCA Service Company was engaged by the Bureau of the Mint to design, engineer, and install closed-circuit TV security systems in Mint facilities in four cities and by the Department of the Interior to operate and maintain an Office of Water Research and Technology test facility.

Other Products and Services

Sales and Other Revenue (Dollar amounts in millions)	Net Profit	Percent of Total
1976	\$942	17.6
\$1.2		.7
1975	\$936	19.4
\$19.0		17.3
1974	\$828	17.9
\$8.7		7.7

This group of diversified businesses reported a moderate increase in sales despite the divestment of Cushman & Wakefield, the real-estate subsidiary, and lower revenues from the Oriel Foods Group because of the weakened British pound. Profit, however, was lower as a result of a \$20-million reserve established in the third quarter to reflect the reduced value of Oriel. Without this nonrecurring writedown, earnings for this segment would have improved 12 percent, chiefly because of a sharp gain by Coronet Industries. Banquet Foods



New uniform packaging has been adopted for the wide selection of frozen prepared specialties produced and distributed by Banquet Foods.

achieved the highest sales and earnings in its history. Random House attained record sales and higher profit.

Banquet Foods. The frozen prepared food industry staged a solid recovery in 1976, ending a two-year recession. As the industry leader in unit sales in the United States, Banquet Foods benefited from expanded marketing efforts—especially in the eastern part of the nation—coupled with greater manufacturing efficiencies.

During the year, Banquet added four new, larger-portioned dinners and three new 16-ounce pot pies to its popular "Man-Pleaser" line. A new package design provided all Banquet's food products with a uniform identity, encouraging easier identification and selection of the Banquet brand over competing items. In manufacturing, the company expanded production capacity in key plants to meet increasing demand for its fried chicken and other popular products. Tighter quality control and production efficiencies enabled the company to improve its performance despite a cost-price squeeze in the second half.

Banquet Foods entered the quick-frozen

bread (dough and rolls) market and the food-service field—providing frozen food in volume to institutions and restaurants. This market is expected to become a major area of future operations.

Coronet Industries. Although the year was disappointing in housing starts, Coronet's sales went up in 1976 and reached a record high for the company's major product, floor coverings. Profit for the company as a whole more than doubled over 1975. To enable Coronet to concentrate on its more profitable and faster-growing carpet business, the company acquired full ownership of Coronet Carpets, Limited, of Canada and sold both its furniture and wall-covering operations in 1976.

The improvement in Coronet's sales and profit was also a result of new carpeting technology, a strengthened marketing organization, and stringent economies. New equipment and techniques enabled Coronet to achieve more efficient dyeing methods and new styling effects. Strong cost controls plus improved scheduling and engineering significantly improved productivity. The carpet operation also expanded its participation in the growing mobile-homes market, almost tripling its sales to manufacturers of mobile homes over 1975. A multimillion-dollar expansion of the Canadian facilities is scheduled for completion in 1977. At present, Coronet Carpets, Limited, is Canada's fourth largest manufacturer in this field.

Oriel Foods Group. The Oriel Foods Group was affected by depressed economic conditions in the United Kingdom, especially the effect of other rising costs on the food share of the household budget. Nevertheless, sales in 1976 grew moderately in local currency terms. But Oriel attained a smaller profit than in 1975 and showed a loss after translation to dollars because of the sharp drop in the value of the pound. In the third quarter, discussions were held with interested buyers on the possible sale of these companies. At that time, a reserve of \$20 million was

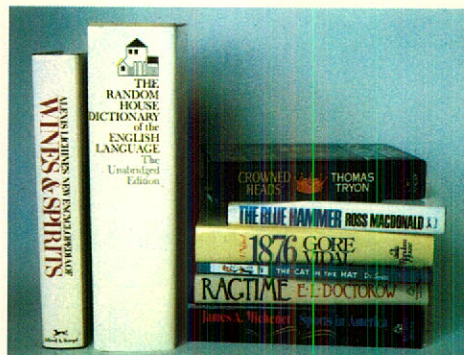


An employee in the United Kingdom grades tea, one of a variety of products marketed by the Oriel Foods Group.

established to reflect the estimated net realizable value of the Oriel Foods Group. However, the difficulties imposed on any sale by the weakening British economy and the sharp drop in the value of the

pound contributed to RCA's decision to withdraw these companies from the market.

Random House. Random House's higher sales and earnings were achieved despite sluggishness in the segments of the book publishing industry in which it



This selection from the widely diversified list of Random House books includes best sellers and well-known reference works.

participates. While sales of the company's leading adult trade imprints—Random House and Alfred A. Knopf—declined slightly from the 1975 record, the mass-market paperback division—Ballantine Books—increased its volume by 16 percent to attain a new record. The Juvenile Division made new highs in both sales and profit. Charles Schulz's *Charlie Brown's Superbook of Questions and Answers*, *The Cat's Quizzier* by Dr. Seuss, and Richard Scarry's *Busiest People Ever* were three of the Juvenile Division's outstanding titles. College Division sales declined slightly from last year's record, and School Division sales also were lower as a result of continued limitations on federal funding. The volume of Random House Enterprises showed continued improvement, paced by direct mail orders and supermarket sales of *McCall's Great American Recipe Card Collection* and *Weight Watchers Recipe Card Collection*. Customers of Random House Enterprises increased more than 50 percent over the previous year to more than 2 million in 1976.

As the Annual Report went to press, RCA and The Times Mirror Company were in negotiations for the possible purchase of Random House by Times Mirror.



Swatches of Coronet's tufted carpeting are displayed in showrooms in New York City and other locations throughout the United States.



Sapphire ribbons, which are used in the manufacture of solid-state devices, are grown in an experimental project at RCA Laboratories in Princeton, N.J.

Research and Development

RCA spent \$288 million for research, development, and engineering activities, including basic research and development of new products and services and improvement of existing ones. Of this amount, \$112 million was funded by RCA and the remainder by government and private customers. This wide-ranging program was carried out by some 4,700 scientists and engineers in divisions and laboratories throughout the country and abroad.

The Corporation's central research organization, RCA Laboratories—in Princeton, N.J.; Zurich; and Tokyo—placed



The improvement of phosphors used in color TV picture tubes is a continuing project in research and development.

emphasis on direct support of major operating units to speed up the marketable results of new developments and to create the technical basis for future products and services.

Television Products. Spurred by the success of the ColorTrak TV line, Laboratories research specialists joined consumer-electronics and picture-tube engineers in seeking further improvements in receiver technology for a future generation of sets. As part of this effort, a major research area was set aside at the David Sarnoff Research Center in Princeton, N.J., for advanced work on picture tubes, including phosphors and electron guns. In the commercial electronics field, RCA demonstrated at the 1976 convention of the National Association of Broadcasters an experimental method of high-density video recording that can store as many as 10,000 TV pictures on a single 12-inch disc—an information-packing density 300 times greater than the standard magnetic tape. Ultimately, with such a system a TV station could broadcast a full day of programming from discs.

Solid State and Electro-Optics. In addition to working with Solid State Division engineers to produce the single-chip high-speed COS/MOS microprocessor, scientists at the Laboratories' Solid State Technology Center helped produce a number of silicon-on-sapphire memory devices with the advantages of high speed and low power not generally available with silicon devices alone. Technology teams from the two organizations also made significant

advances in producing lower-cost sapphire in ribbon form. RCA electro-optics scientists and engineers teamed up to devise techniques that minimize the degradation of lasers providing the light waves in optical communications. This development has made it possible for RCA to offer commercial solid-state lasers that operate stably for far longer periods than comparable devices.

Microwave Technology. Under government contracts, the Laboratories' Microwave Technology Center developed gallium arsenide transistors to replace bulky, high-powered tube types in spaceborne radar, communications, and military electronic systems. Since they require only one-tenth the power and weight of the tubes they replace, the new RCA solid-state devices make it possible to increase the reliability of the spaceborne units by adding redundant devices and associated circuitry. Also under government contracts, Laboratories scientists developed high-speed logic circuits that process about 5 billion bits of information per second under test conditions, functioning about 10 times faster than logic circuits used in conventional information processing. The new devices are expected to find applications in military systems requiring unusually high speeds. In another development, researchers at New York's Montefiore Hospital, employing microwave equipment designed by the Laboratories, reported encouraging results in the treatment of laboratory-induced cancer in mice. These suggest that eradication of the tumors can be related to the concentrated local heat provided by the RCA equipment. Experiments in this approach to cancer control are continuing at Montefiore.



RCA scientists conduct experiments with lasers for optical communications systems.

Communications and Broadcasting. In cooperation with the Alaska Office of Telecommunications, RCA engineers developed frequency-modulation techniques to permit the transmission of satellite-borne television signals requiring minimum power and bandwidth to small earth stations in the Alaskan bush. A related project resulted in the development of technologies that permit the simultaneous transmission of two TV channels by a single satellite transponder, thus doubling the transmission capacity for TV programs from the lower 48 states to Alaska.

RCA People and Corporate Responsibility

The People of RCA. The company's phase-out of domestic receiving-tube production, the sale of Coronet Industries' furniture business, and improved productivity in consumer electronics were the prime reasons for a reduction of RCA's worldwide employment in 1976 from 113,000 to 110,000. Wages and salaries paid to RCA employees totaled \$1.41 billion. Group-insurance contributions by the company in 1976 totaled \$79.4 million, compared with \$75.8 million in 1975. Employer contributions to retirement plans amounted to \$74.6 million, compared with \$58.4 million the previous year. Social Security payments and other employee-benefit payments were \$103.5 million in 1976, compared with \$93.9 million the year before. Total employment costs were \$1.67 billion, compared with \$1.56 billion in 1975.

RCA maintained good relationships with its labor unions in 1976, successfully negotiating more than 150 labor agreements in the United States and Canada.



An NBC guide in Burbank, Calif., conducts a tour of the grounds and studios.

The year was highlighted by the conclusion of important contract negotiations, including the settlement of national agreements with the International Union of Electrical, Radio and Machine Workers and the International Brotherhood of Electrical Workers covering more than 20,000 employees at 18 plant locations. The settlements were in line with industry patterns and, in most cases, covered a three-year period. Work stoppages, which had no serious adverse effects upon the operations involved, included an eight-day wildcat strike by approximately 500 employees at the Meadow Lands, Pa., plant and a seven-week contract-termination dispute with the National Association of Broadcast Engineers and Technicians at NBC affecting some 1,500 employees. Minor work stoppages occurred at some Hertz locations.

A steady flow of ideas for improvements in production, administration, and services was generated by RCA men and women through the Employee Suggestion System. More than 20,000 suggestions were sub-

mitted in 1976, resulting in savings in excess of \$4.1 million. Employees received \$571,000 in awards for these ideas.

RCA continued its active corporate-wide implementation of Affirmative Action Programs to assure that minorities and women are provided opportunities to compete on an equal basis for employment openings and advancement. At year-end, approximately 12.5 percent of RCA's employees in the United States were members of minority groups, representing 14 percent of the hourly work force and 11 percent of the salaried employees. About 39 percent of RCA employees were women, and they held 12 percent of the managerial and professional positions.

During the year, the Management Talent Inventory, a sophisticated appraisal system designed to enhance the continued development of RCA managers, was extended to assess the performance levels of some 8,000 management personnel throughout the company.

To promote education among children of employees, RCA awarded 121 Merit and Achievement Scholarships for four-year college programs and 45 Career Scholarships for two-year college-level programs in vocational and technical training.

Community Relations. As community problems grew throughout the country, so did demands on business and industry for assistance. The private sector instituted innovative new programs to help provide both support and solutions.

In New York City, hardest hit by the municipal crisis, RCA joined with a number of major corporations and the Greater New York Fund in developing a special training institute for the executive directors of thousands of nonprofit agencies with headquarters in the city. The course of study will be offered by Columbia University, and the program will be made available to other cities throughout the country to assist agency executives in need of greater professional management skills.

RCA management was represented on the National Industrial Advisory Council of the Opportunities Industrialization Centers of America (OIC), the nation's largest privately supported manpower training

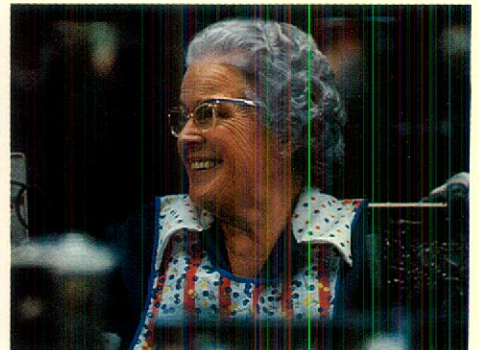


An electrostatic precipitator to reduce particle discharge into the environment was installed at RCA's glass plant in Circleville, Ohio.

program. In increasing numbers, RCA personnel participated in the work of the OIC in a number of plant communities, and

others continued to volunteer their services to scores of community-based groups.

The company's support of the Minority Introduction to Engineering (MITE) program, aimed at encouraging minorities and women to enter the engineering field, expanded in 1976 from three to five universities. The company's own Minorities in



An employee at RCA's color TV plant in Bloomington, Ind., assists in the assembly of television chassis.

Engineering Program (MEP), which seeks to identify and encourage high school youngsters with aptitudes in this area, went forward with participation by 200 minority students at 12 RCA locations.

RCA continued to enlarge its support of minority vendors by developing new opportunities for them to do business with the company. During the year, the volume of RCA business with minority vendors surpassed the goal set for 1976, expanding from approximately \$3 million in 1975 to more than \$6 million.

In celebration of the bicentennial year, RCA employees participated in locally initiated activities wherever the company has a facility. The company contributed to several bicentennial events, including "Operation Sail" on the Fourth of July in New York City. It also sponsored an advertising campaign focusing on the contributions of minority members to American crafts and industry. Subsequently, 50,000 copies of a booklet based on these advertisements were distributed to schools, organizations, church groups, and individuals.



RCA Alascom uses a puppet show to help educate schoolchildren in modern telecommunications.

Sales and Net Profit by Line of Business

(In millions)

	1976	1975	1974	1973	1972
Sales and Other Revenue					
Electronics—Consumer Products and Services	\$1,371	\$1,171	\$1,130	\$1,149	\$1,098
Electronics—Commercial Products and Services....	689	609	671	644	531
Broadcasting	955	796	725	684	611
Vehicle Renting and Related Services.....	780	715	722	677	636
Communications	259	234	195	165	137
Government Business	368	355	356	381	396
Other Products and Services.....	942	936	828	581	454
Total	\$5,364	\$4,816	\$4,627	\$4,281	\$3,863

Net Profit

Electronics—Consumer Products and Services	\$ 41.8	\$ 25.3	\$ 11.1	\$ 48.0	\$ 57.7
Electronics—Commercial Products and Services....	7.5	(48.3)	(7.4)	25.8	11.7
Broadcasting	57.5	52.1	48.3	47.7	36.0
Vehicle Renting and Related Services.....	41.4	27.4	23.2	19.3	15.4
Communications	26.0	31.2	25.7	18.2	13.6
Government Business.....	2.0	3.3	3.7	3.3	3.4
Other Products and Services.....	1.2	19.0	8.7	21.4	20.3
Total	\$177.4	\$110.0	\$113.3	\$183.7	\$158.1

Profit information in the above table is after deduction of allocations to the respective lines of business of corporate administrative, marketing, research, interest, and other expenses not charged directly to any of the reported lines of business.

See Note 1 to the Consolidated Financial Statements for a summary of accounting policies.

Information concerning the above results by line of business is contained in Management's Discussion and Analysis of the Summary of Operations on page 32.

Consolidated Earnings and Reinvested Earnings

(In millions)

Years ended
December 31, 1976 and 1975

Sales and other revenue

	1976	1975
Product sales	\$2,980.3	\$2,672.6
Broadcasting, product services, communications, and other services	2,348.2	2,116.9
Interest and other income	35.1	26.3
Total sales and other revenue	5,363.6	4,815.8

Cost of operations

Cost of product sales (Note 11)	2,300.2	2,090.9
Cost of broadcasting, product services, communications, and other services	1,466.6	1,356.2
Selling, general, and administrative expenses	791.8	741.1
Depreciation	300.2	271.7
Rent	80.9	83.1
Interest	93.8	97.5
Less interest during construction capitalized by communications companies	(13.0)	(13.3)
Total cost of operations	5,020.5	4,627.2

Profit before taxes on income 343.1 188.6

Provision for taxes on income (Note 3) 165.7 78.6

Net profit for year 177.4 110.0

Per share of common stock (Note 17)	1976	1975
Primary	\$2.30	\$1.40
Fully diluted	2.24	1.40

Reinvested earnings—beginning of year 670.9 640.8

Cash dividends declared	1976	1975
\$3.50 cumulative first preferred stock (\$.875 per quarter) \$.6	\$.6	\$.6
\$4 cumulative convertible first preferred stock (\$1 per quarter)	4.8	4.8
Common stock (\$.25 per quarter)	74.5	74.5

..... (79.9) (79.9)

Reinvested earnings—end of year (Note 6) \$ 768.4 \$ 670.9

See accompanying notes

Consolidated Financial Position

		(In millions)	
Assets		1976	1975
December 31, 1976 and 1975	Current assets		
	Cash.....	\$ 99.0	\$ 106.0
	Short-term investments, at cost (approximate market)	79.2	173.8
	Receivables (less reserve: 1976, \$32,220,000; 1975, \$29,403,000)	762.9	749.6
	Inventories (Note 2)		
	Plant inventories and government contracts (less progress payments: 1976, \$60,440,000; 1975, \$46,320,000)	247.2	266.5
	Finished goods	273.6	238.4
	Rental automobiles of Hertz, at cost less accumulated depreciation of \$49,292,000 in 1976; \$42,250,000 in 1975	277.5	224.1
	Prepaid expenses	298.9	288.5
	Total current assets	2,038.3	2,046.9
	 Other revenue-earning equipment of Hertz, at cost less accumulated depreciation of \$165,911,000 in 1976; \$162,889,000 in 1975	333.4	312.1
	 Investments and other assets		
	Receivables due after one year (less reserve: 1976, \$4,798,000; 1975, \$3,119,000)	114.8	86.7
	Investments and other assets, including excess of cost over equity in net assets of acquired subsidiaries, less amortization (Notes 10, 11, and 14)	70.3	77.0
		185.1	163.7
	 Plant and equipment		
	Land and buildings	586.0	574.7
	Machinery and equipment	1,600.0	1,486.5
	Total, at cost	2,186.0	2,061.2
	Less accumulated depreciation	905.1	855.5
		1,280.9	1,205.7
	 Total assets	\$3,837.7	\$3,728.4

See accompanying notes

	(In millions)	
Liabilities and Shareholders' Equity	1976	1975
Current liabilities		
Notes payable (Note 4)	\$ 48.4	\$ 148.2
Hertz debt payable within one year (Note 5)	153.8	148.3
Accounts payable and accruals	918.1	874.5
Taxes on income	119.3	94.8
Dividends payable	21.3	21.3
Total current liabilities	<u>1,260.9</u>	<u>1,287.1</u>
Long-term debt of Hertz (Note 5)	289.7	274.0
Other noncurrent liabilities (Note 10)	355.1	304.0
Other long-term debt (Note 6)	654.3	683.6
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 7);		
authorized: 1976, 1,221,168 shares; 1975, 1,221,268 shares		
outstanding: 1976, 1,193,915 shares; 1975, 1,194,015 shares		
(preference on liquidation \$100 per share: 1976, \$119,391,500)	9.6	9.6
Common stock (Notes 6, 7, and 8); authorized: 100,000,000 shares;		
issued: 1976, 74,735,275 shares; 1975, 74,664,175 shares	49.8	49.8
Capital surplus (Note 16)	447.3	446.8
Reinvested earnings (Note 6)	768.4	670.9
	<u>1,277.7</u>	<u>1,179.7</u>
Total liabilities and shareholders' equity	<u>\$3,837.7</u>	<u>\$3,728.4</u>

Consolidated Changes in Financial Position

(In millions)

Years ended
December 31, 1976 and 1975

Sources of funds

	1976	1975
Net profit for the year.....	\$177.4	\$110.0
Other charges (credits) not requiring outlay of funds		
Depreciation.....	300.2	271.7
Reduction in value of the investment in United Kingdom food companies.....	20.0	—
Deferred tax expense	39.4	.1
Interest during construction capitalized by communications companies	(13.0)	(13.3)
Total from operations	524.0	368.5
Dispositions of plant and equipment	45.2	14.5
Increase in accounts payable and accruals	43.6	54.6
Increase in taxes on income	24.5	43.0
Increase (decrease) in debt of Hertz	21.2	(21.0)
Increase in other noncurrent liabilities, excluding deferred taxes	7.0	8.6
Increase in other long-term debt.....	4.5	99.7
Total	670.0	567.9

Uses of funds

Cash dividends on preferred and common stock	79.9	79.9
Increase in accounts receivable	13.3	19.8
Increase (decrease) in inventories	15.9	(92.6)
Increase in prepaid expenses, excluding deferred taxes	5.2	21.6
Additions to revenue-earning equipment of Hertz, less net value of vehicles replaced: 1976, \$284,800,000; 1975, \$229,400,000	219.9	149.3
Increase (decrease) in investments and other assets	41.4	(8.7)
Additions to plant and equipment (net of interest capitalized)	262.4	288.9
Decrease in notes payable, excluding current portion of long-term debt	102.0	52.6
Payments of other long-term debt.....	31.6	95.0
Total	771.6	605.8

Decrease in funds	101.6	37.9
Cash and equivalents—beginning of year	279.8	317.7
Cash and equivalents—end of year	\$178.2	\$279.8

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 subsidiaries, except for RCA Credit Corporation, a finance subsidiary. RCA's investment in RCA Credit Corporation and in companies in which RCA has a 20- to 50-percent interest are stated at equity.

Translation of Foreign Currencies. The translation of balances denominated in foreign currencies and the accounting for transactions in foreign currencies are in accordance with Statement No. 8 of the Financial Accounting Standards Board.

Inventories. Inventories are stated at the lower of cost or market. For most of the domestic inventories of RCA, cost has been determined on a last-in, first-out (LIFO) basis. With respect to the remaining inventories, cost was determined on a first-in, first-out (FIFO) basis.

Revenue-Earning Equipment. Depreciation of revenue-earning equipment of The Hertz Corporation (Hertz) is intended to reduce book value of equipment over the period of use by Hertz to an amount that approximates market value at the date of sale. Upon disposal, the difference between the remaining book value and the net proceeds from sale because of variances from the original market value estimate is reflected as an adjustment of depreciation. Hertz rental automobiles, which are expected to be replaced within approximately one year, are classified as current assets.

Plant and Equipment. Plant and equipment additions are recorded in 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 realized. Depreciation of plant and equipment is, in general, based upon straight-line amortization of cost over estimated useful lives of the respective assets, which are 30 years for land improvements, 10 to 60 years for buildings, 4 to 28 years for machinery and equipment, 4 to 20 years for office furniture and machines, and 2 to 17 years for equipment leased or rented to customers. Supplemental depreciation is provided when assets become subject to abnormal economic conditions or obsolescence.

Public-Liability/Property-Damage Risks. Noncurrent liabilities include a provision by Hertz for public-liability and property-damage risks in connection with vehicles and equipment used by customers to a maximum of \$1 million per accident. Supplemental coverage is purchased for amounts beyond \$1 million per accident. Provision for losses that are incurred but not reported 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., which have separate pension or profit-sharing plans.

Employees contribute a part of the cost of current-service benefits under the RCA Retirement Plan. RCA contributes the remaining cost of current-service benefits and the entire cost of prior-service and other benefits under the accrued-benefit cost method.

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

Regulated Subsidiaries. RCA Global Communications (RCA Glöbcom), RCA Alaska Communications (RCA Alascom), and RCA American Communications (RCA Americom) are required to maintain their accounts in accordance with the accounting principles and practices prescribed by the Federal Communications Commission. Certain accounting policies followed by these companies differ from those of RCA's nonregulated businesses. These companies capitalize certain research and development costs and interest on construction and recognize in income currently the tax effect of capitalized interest. In addition, RCA Glöbcom recognizes in income currently investment tax credits and tax effects of depreciation deductions accelerated for tax purposes and other timing differences.

Research and Development Costs. For RCA's nonregulated businesses, the 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. Subsequent revenue therefrom is included in income of the activity to which it relates.

2. Inventories: Inventories for which cost has been determined on a LIFO basis aggregated \$265.2 million and \$266.3 million at December 31, 1976 and 1975, respectively. The current replacement cost of such inventories exceeded carrying value by approximately \$28.4 million and \$32.6 million at December 31, 1976 and 1975, respectively.

3. Taxes on Income: RCA's provision for taxes on income consists of the following:

	(In millions)	
	1976	1975
Federal		
Current	\$ 82.3	\$47.6
Deferred	42.4	(3.1)
Foreign		
Current	17.8	11.1
Deferred	(3.0)	3.2
State	26.2	19.8
Total	<u>\$165.7</u>	<u>\$78.6</u>

Deferred taxes result from the differences in timing of income, expenses, and investment tax credits for financial reporting and tax purposes. The principal items in the federal and foreign deferred tax provision are as follows:

	(In millions)	
	1976	1975
Excess of tax over book depreciation	\$18.0	\$12.0
Deferred investment tax credits	23.0	7.5
Other	(1.6)	(19.4)
Total	<u>\$39.4</u>	<u>\$.1</u>

Other tax effects of timing differences in 1975 principally included prepaid taxes related to provision for losses, including plant closings, which are not deducted for tax purposes until realized.

RCA's effective tax rates were 48.3 percent in 1976 and 41.7 percent in 1975. A reconciliation between RCA's effective tax rates and the statutory U.S. federal income tax rate of 48 percent is as follows:

	(In millions)			
	1976		1975	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Provision for taxes on income at statutory rate	\$164.7	48.0	\$90.5	48.0
Increase (decrease) in provision for:				
State taxes net of federal tax benefit	13.6	4.0	10.3	5.5
Nondeductible loss in value of investment in U.K. food companies	9.6	2.8	—	—
Flow-through of tax effects in regulated subsidiaries	(7.8)	(2.3)	(8.5)	(4.5)
Adjustment of prior accruals	1.3	.4	(4.8)	(2.5)
Other	(15.7)	(4.6)	(8.9)	(4.8)
Provision for taxes on income at effective rate	<u>\$165.7</u>	<u>48.3</u>	<u>\$78.6</u>	<u>41.7</u>

Other items affecting the effective tax rate consist principally of amortization of investment tax credits, earnings of Domestic International Sales Corporations, lower effective tax rates on foreign earnings not planned for repatriation, and offshore earnings planned for repatriation in a tax-free liquidation. Income taxes are provided to the extent foreign earnings are expected to be transferred to the parent company.

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

	(In millions)	
	1976	1975
Bank borrowings		
Demand notes, 5.9%	\$ —	\$ 97.8
Term notes, 1976, 11.6%; 1975, 10.6%	25.1	29.3
Current portion of long-term debt	23.3	21.1
Total	<u>\$48.4</u>	<u>\$148.2</u>

Bank borrowings and commercial paper averaged \$113.6 million and \$182.7 million during 1976 and 1975 with a weighted average interest rate of 6.9 percent and 7.6 percent, respectively. The maximum amounts of such borrowings during 1976 and 1975 were \$140.8 million and \$203.4 million, respectively.

RCA and consolidated subsidiaries other than Hertz had available unused lines of credit aggregating approximately \$433 million and \$485 million at December 31, 1976 and 1975, respectively. Included in the 1975 amount is a \$150-million revolving credit that was terminated in 1976. RCA maintains compensating balances equal to approximately 10 percent of the lines of credit. Additional amounts would be required should borrowings be made.

5. Debt of Hertz: Debt of Hertz has not been assumed or guaranteed by RCA.

Short-term debt of Hertz included the following at December 31:

	(In millions)	
	1976	1975
Bank borrowings		
Demand notes, 1976, 8.5%; 1975, 7.6%	\$ 43.0	\$ 57.1
Term notes, 7.8%	—	12.3
Commercial paper, 1976, 5.2%; 1975, 5.8%	81.3	49.9
Current portion of long-term debt	29.5	29.0
Total	<u>\$153.8</u>	<u>\$148.3</u>

Bank borrowings and commercial paper averaged \$96.5 million and \$123.0 million during 1976 and 1975 with a weighted average interest rate of 7.1 percent and 8.6 percent, respectively. The maximum amounts of such borrowings during 1976 and 1975 were \$131.7 million and \$134.4 million, respectively. Hertz had available unused lines of credit aggregating approximately \$200 million and \$127 million at December 31, 1976 and 1975, respectively.

Long-term debt of Hertz included the following at December 31:

	(In millions)	
	1976	1975
Revolving credit notes, 6% in 1976 (7¼ % in 1975)	\$ 31.5	\$ 75.2
Promissory notes payable in increasing annual amounts		
5½ %, due 1977 to 1981	24.5	28.0
5¼ %, due 1978 to 1985	17.9	20.0
5½ %, due 1978 to 1985	40.0	40.0
Promissory notes payable in increasing annual amounts to 1985, decreasing thereafter		
10½ %, due 1977 to 1990	24.8	26.5
11¼ %, due 1977 to 1990	40.0	40.0
Sinking fund debentures, 8½ %, due 1982 to 2001 (\$2,400,000 per year to 2000)	50.0	—
Subordinated promissory notes		
Senior 5½ %, due 1978 to 1980 (\$1,500,000 per year)	4.5	6.0
Junior 5½ %, due 1978 to 1983 (\$750,000 per year to 1982)	6.7	7.5
Debt of Hertz subsidiaries, average 9.1% in 1976 (9.6% in 1975)	79.3	59.8
	<u>319.2</u>	<u>303.0</u>
Less amounts due within one year included in current liabilities	29.5	29.0
Total	<u>\$289.7</u>	<u>\$274.0</u>

The aggregate amounts of maturities in millions for five years following December 31, 1976, are: 1977, \$29.5; 1978, \$33.7; 1979, \$30.1; 1980, \$20.2; 1981, \$22.4. Under the terms of the Revolving Credit Agreement, Hertz may borrow up to \$175 million through December 31, 1979, subject to cancellation at any time. Any amount outstanding at cancellation would be converted into five-year notes payable in monthly installments.

In connection with certain borrowings at December 31, 1976, Hertz is required to maintain compensating balances to a maximum of \$24 million.

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

	(In millions)	
	1976	1975
Promissory notes		
3¼ %, due \$10,000,000 per year to 1977	\$ 10.0	\$ 20.0
5½ %, due 1977 to 1986 (\$10,000,000 per year)	100.0	100.0
9%, due 1979 to 1991 (\$7,700,000 per year)	100.0	100.0
Term bank loans of RCA		
International Finance, Ltd., variable interest rate (6.9% in 1976, 9.0% in 1975), due 1979 to 1981	64.0	64.0
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	100.0	100.0
Debt of foreign subsidiaries, average 7.1% in 1976 (7.6% in 1975)	7.2	16.4
Purchase money mortgages, facilities financing, and other debt, payable in installments to 1989	11.5	19.4
	<u>677.6</u>	<u>704.7</u>
Less amounts due within one year included in current liabilities	23.3	21.1
Total	<u>\$654.3</u>	<u>\$683.6</u>

The aggregate amounts of maturities in millions for five years following December 31, 1976, are: 1977, \$23.3; 1978, \$19.4; 1979, \$52.3; 1980, \$77.3; 1981, \$44.1.

The subordinated debentures are convertible into RCA common stock at \$59 per share, and 2,710,962 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 \$243.9 million at December 31, 1976, were free of such limitations.

7. \$4 Cumulative Convertible First Preferred Stock: Each outstanding share of \$4 cumulative convertible first preferred stock at December 31, 1976, may be converted at the option of the holder into 2.13 shares of RCA common stock, and 2,543,038 shares are reserved for this purpose. RCA may currently redeem \$4 cumulative convertible first preferred stock at a price of \$103.00 per share.

8. Stock Options: Under a 1971 nonqualified stock option plan, 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 of common stock at a price not less than fair market value at the date of grant. Under a 1957 qualified stock option plan, no additional shares may be authorized for the granting of options in accordance with the Federal Tax Reform Act of 1976. Options that have been granted under both plans become exercisable in cumulative annual installments of 20 percent, beginning with 20 percent at date of grant.

A summary of changes in stock options for the two years ended December 31, 1976, is as follows:

	Number of Shares	Price Range
Outstanding at January 1, 1975.....	986,730	\$11.00 to \$41.63
Granted	66,000	13.88 to 17.75
Exercised	(3,120)	11.75 to 16.75
Canceled or expired	(65,000)	16.75 to 39.13
Outstanding at December 31, 1975	984,610	11.00 to 41.63
Granted	359,650	25.00 to 29.13
Exercised	(70,875)	11.75 to 29.38
Canceled or expired	(222,780)	11.75 to 39.13
Outstanding at December 31, 1976	<u>1,050,605</u>	11.00 to 41.63

At December 31, 1976 and 1975, options on 607,695 shares and 586,110 shares were exercisable and 217,713 shares and 354,583 shares were available for future grants, respectively. In January 1977, the Board of Directors authorized, subject to approval by shareholders at the May 1977 Annual Meeting, use of 750,000 additional shares for grants under the 1971 plan.

9. Lease Commitments: Under noncancellable leases in effect at December 31, 1976 (principally for plant and office space), minimum rental commitments in millions are: 1977, \$71; 1978, \$63; 1979, \$55; 1980, \$46; 1981, \$40. Aggregate minimum rental commitments in millions for the subsequent five-year periods ended December 31 are: 1986, \$93; 1991, \$65; 1996, \$32. After 1996, minimum rental commitments aggregate \$14 million. RCA had no material noncapitalized financing leases at December 31, 1976.

10. 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 1976, at 25 percent of dividends paid, was \$20.0 million.

For 1976, the Incentive Committee ordered a credit of \$11.1 million to the reserve, and the same amount was awarded to employees from the available Incentive Reserve of \$11.6 million. For 1975, the Committee ordered a credit of \$8.7 million, and \$9.9 million was awarded from the available reserve of \$10.4 million.

At December 31, 1976, 78,331 shares of treasury stock, included in Investments and Other Assets at cost to RCA of \$1.9 million, were available to cover undistributed awards payable in RCA common stock. At December 31, 1975, there were 117,264 shares of treasury stock at cost to RCA of \$2.6 million. Distribution of 1976 awards will be made in annual installments through January 1979, subject to the earning-out provisions of the Plan. Awards payable after December 31, 1977, of \$10 million are included in Other Noncurrent Liabilities.

11. Foreign Operations: Consolidated sales and net loss of foreign companies, excluding those foreign subsidiaries engaged in supplying RCA's domestic operations, were \$885 million and \$6 million, respectively, in 1976 as compared to \$856 million in sales and \$2 million net profit in 1975. The net loss in 1976 includes a charge against income of \$20 million, without tax benefit, to reflect the estimated net realizable value of the investment in the United Kingdom food companies. The net profit in 1975 is after a provision for plant closings on which U.S., but not foreign, income tax benefits were recognized. Exchange losses in 1976 were approximately \$14 million and in 1975 were insignificant.

Consolidated assets and equity of foreign companies, including those foreign subsidiaries engaged in supplying RCA's domestic operations, amounted to \$576 million and \$262 million, respectively, at December 31, 1976, as compared to \$554 million and \$223 million at December 31, 1975.

12. Pension Plans: Company contributions, principally for current-service benefits, under the RCA Retirement Plan and separate plans of subsidiary companies were \$74.6 million for 1976 and \$58.4 million for 1975. Unfunded prior-service cost, adjusted for actuarial gains and losses, amounted to approximately \$83 million at December 31, 1975, the date of the most recent actuarial determination.

13. Research and Development Costs: During 1976 and 1975, research and development expense aggregated \$111.9 million and \$113.6 million, respectively, net of reimbursements from the U.S. Government and other customers totaling \$175.6 million in 1976 and \$146.5 million in 1975.

14. RCA Credit Corporation: During 1975, RCA reactivated its wholly owned finance subsidiary, RCA Credit Corporation (Credit Corp.), which purchases certain receivables from RCA. The debt of Credit Corp. is not guaranteed by RCA; however, under an operating agreement RCA has agreed to repurchase receivables that are in default and agrees to maintain net earnings of Credit Corp. at an established multiple of fixed charges.

The investment in Credit Corp. is stated at equity in the accompanying Consolidated Financial Statements. Summarized financial information for Credit Corp. is as follows:

	(In millions)	
	1976	1975
Assets (principally receivables purchased from RCA)	\$96.5	\$33.3
Short-term debt, due banks	(36.0)	(25.0)
Long-term debt, due banks in 1982	(27.5)	—
Other liabilities	(1.3)	(.1)
RCA's investment in and advances to Credit Corp.	<u>\$31.7</u>	<u>\$ 8.2</u>

15. Litigation: Hertz is a defendant in private antitrust actions seeking recovery of substantial damages based on allegations of conspiracy to monopolize certain automobile rental markets. These actions are at an early stage of discovery, and it is therefore impossible at this time to predict with any degree of certainty the outcome of such litigation. Hertz has, however, denied the material allegations in these actions and in the opinion of counsel has meritorious defenses against such allegations. Counsel does not believe that it is likely that the claimants' positions in these actions will prevail to any material extent.

Subsequent to the acquisition by NBC of the U.S. rights to televise the 1980 Olympic Games, a corporation instituted an action in New York state court against NBC and others seeking substantial monetary damages, asserting in substance interference by NBC with rights allegedly granted to the plaintiff to so televise the Games. Although no complaint has as yet been served in the action specifically setting forth the nature of the claim against NBC, counsel does not believe that such claim is meritorious or that the claimant's position is likely to prevail to any material extent.

16. Capital Surplus: A summary of changes in capital surplus for the two years ended December 31, 1976, is as follows:

	(In millions)	
	1976	1975
Balance at beginning of year	\$446.8	\$447.5
Excess of amounts received over stated value of shares issued upon the exercise of stock options	1.1	—
Excess of cost over award value of treasury shares of common stock distributed under the RCA Incentive Plan	(.6)	(.7)
Balance at end of year	<u>\$447.3</u>	<u>\$446.8</u>

17. Earnings Per Share: Primary net profit per share is based on the weighted average number of common shares outstanding assuming the exercise of stock options where the option price was at or below market during each year (74,753,000 in 1976 and 74,550,000 in 1975) and after deducting dividends on outstanding preferred shares.

Fully diluted net profit per share for 1976 assumes conversion of outstanding convertible securities and exercise of stock options where the option price was at or below market at the end of the period. For 1975, the assumed conversion would not have resulted in a dilutive effect, and therefore primary net profit per share has been presented.

18. Replacement Cost (Unaudited): In compliance with recently adopted rules of the Securities and Exchange Commission, RCA's annual report on SEC Form 10-K (a copy of which is available upon request) contains more specific information with respect to year-end 1976 replacement cost of inventories and productive capacity (buildings, machinery, and equipment) and the approximate effect that replacement cost would have had on the computation of cost of sales and depreciation expense for 1976.

If annual depreciation of all assets utilized and other costs of goods sold were based on current replacement cost, the annual costs would be greater than those reflected under historical or conventional methods used to report the overall result of operations. Principally, this reflects the cumulative impact of inflation on long-lived assets. To a great extent, over the years RCA has been able to compensate for cost increases resulting from the impact of inflation through the realization of productivity improvements, normal cost reductions resulting from replacing plant and equipment with more modern facilities, and, to some extent, by increasing sales prices.

The amounts disclosed in the unaudited replacement cost note in the Form 10-K are based on hypothetical assumptions and substantial subjective judgments and may be affected by errors inherent in estimations. As discussed more completely in the Form 10-K, the replacement cost information should not be interpreted as indicative of the actual cost to be incurred in the future to replace RCA's productive capacity, nor should it be interpreted as indicative of the manner in which such capacity will actually be replaced. In addition, these data give no consideration to possible cost reductions that would result from assumed fixed asset replacement. For the foregoing reasons, RCA makes no representation that the replacement cost information is useful.

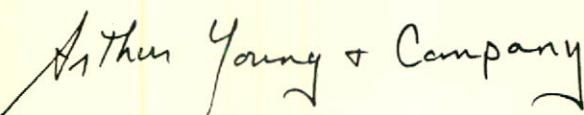
19. Results of Operations by Quarter (Unaudited): Summarized operating results of RCA by quarter for 1976 are presented on page 1.

Report of Independent Public Accountants

To the Shareholders of RCA Corporation

We have examined the accompanying statement of consolidated financial position of RCA Corporation at December 31, 1976 and 1975, and the related statements of consolidated earnings and reinvested earnings and consolidated 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 financial statements mentioned above present fairly the consolidated financial position of RCA Corporation at December 31, 1976 and 1975, and the consolidated results of operations and the consolidated changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



277 Park Avenue, New York, N.Y. 10017
February 17, 1977

Management's Discussion and Analysis of the Summary of Operations

In the five-year period covered in the Summary of Operations on page 34, RCA's revenues set a new record each year, surpassing \$5 billion for the first time in 1976. The major portion of the increase in sales in 1976 was concentrated in Broadcasting and in both Electronics segments. This reflected the general economic recovery during the year with the attendant increase in advertiser and consumer demand, increased market share for RCA records and tapes, and good acceptance in the marketplace of RCA's new ColorTrak TV line. The net profit of \$177.4 million in 1976 represented a substantial increase from the earnings level in the preceding two recession years and was close to the all-time-high profit of \$183.7 million in 1973. The 1976 results included a \$20-million charge against income to reflect the estimated net realizable value of the Corporation's investment in the United Kingdom food companies.

Sales and net profit for each of the seven lines of RCA's total business are presented on page 22 and should be referred to in conjunction with the Summary of Operations.

Sales volume in Electronics—Consumer Products and Services increased by \$200 million or 17 percent, and earnings were up \$16.5 million. This improvement primarily reflected the 18.7-percent increase over 1975 in unit sales for the domestic color television industry. Consumer acceptance of RCA's new ColorTrak line and improved operating efficiencies enabled RCA to maximize the benefit of the increased industry volume. RCA Records' increased market share in the United States and abroad for phonograph records and tapes was also a factor in the improved profitability of this segment.

In Electronics—Commercial Products and Services, sales were 13 percent higher than in 1975, and a profit of \$7.5 million was realized in 1976 compared with losses of \$48.3 million in 1975 and \$7.4 million in 1974. The 1975 results included a charge against income of approximately \$10 million, after tax effects, covering the costs associated with the discontinuance of the domestic production of receiving tubes and the shutdown of a color picture-tube joint venture in the United Kingdom. A significant reason for the increased profitability of this segment was the improved operating results of RCA's Solid State business, reflecting a general strengthening in the U.S. market and increased operating efficiencies. In addition, increased demand for color television sets in the European market resulted in a sharp increase in export sales of color picture tubes.

In Broadcasting, a strong advertiser demand for television time was reflected in a 20-percent sales increase, and record earnings of \$57.5 million were realized despite the increasing cost of programming and the added expense associated with coverage of a Presidential election.

Earnings were up 51 percent over 1975 levels in Vehicle Renting and Related Services on a 9-percent sales increase, reflecting improved operating efficiencies in Hertz' domestic Rent A Car business and its European operations.

The Communications revenues increased 11 percent in 1976, primarily as a result of increased telephone traffic in Alaska. Profit declined in this segment in 1976 because of start-up costs associated with RCA's domestic satellite-communications system and charges to income related to staff reductions to improve operating efficiencies at RCA Globcom.

In RCA's Government Business, sales and earnings were essentially flat over the five-year period with the exception of 1976 earnings, which were lower.

In Other Products and Services, the sharply reduced earnings include a \$20-million charge against income—on which no tax benefit was recognized—to reflect the estimated net realizable value of the United Kingdom food companies. This charge offsets the improved operating results of Coronet Industries, Banquet Foods, and Random House. The 1974 profit in this line of business was adversely affected by reduced consumer

demand for home furnishings and frozen prepared foods, reflecting the impact of the deepening recession and domestic inflation.

Apart from developments within particular segments, operations in 1976 and the prior four years warrant the following additional comments:

—In 1974, RCA adopted the last-in, first-out (LIFO) method of accounting for most of its domestic inventories in the belief that LIFO provides a better matching of current costs and current revenues than does the first-in, first-out method previously employed. Adoption of LIFO reduced 1974 net income by \$16.5 million (\$.22 per share).

—Selling, general, and administrative expenses increased 6.8 percent in 1976, which is lower than the rate of increase in sales volume and somewhat higher than the 6.1-percent increase in 1975. This generally reflects the results of a continuing expense-control program throughout the company during the past two years.

—Significant investment in telecommunications equipment and additions to the revenue-earning equipment of Hertz resulted in a sizable increase in annual depreciation expense over the last three years—from \$232.4 million in 1973 to \$300.2 million in 1976.

—Interest charges reached a high of \$97.5 million in 1975 and decreased slightly to \$93.8 million in 1976, reflecting reduced short-term borrowings and generally lower current interest rates. A 40-percent increase in interest expense in 1974 compared with 1973 reflected substantially higher interest rates in 1974 and expanded borrowings to finance additions to fixed assets and working capital.

—Interest capitalized in accordance with Federal Communications Commission regulations increased sharply to \$13.3 million in 1975 and was \$13 million in 1976, principally as the result of continuing investment in equipment for the RCA domestic satellite system and for modernization and expansion of the Alaska communications system.

—RCA's effective tax rate was 48.3 percent in 1976, 41.7 percent in 1975, 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.

(In millions, except per share)

Five-Year Financial Data have been compiled from the Consolidated Financial Statements of RCA Corporation that were reported upon by Arthur Young & Company.

Summary of Operations

	1976	1975	1974	1973	1972
Product sales	\$2,980.3	\$2,672.6	\$2,583.5	\$2,359.8	\$2,088.2
Broadcasting, product services, communications, and other services	2,348.2	2,116.9	2,010.8	1,887.0	1,750.0
Interest and other income	35.1	26.3	32.6	33.9	24.4
Total sales and other revenue	5,363.6	4,815.8	4,626.9	4,280.7	3,862.6
Cost of product sales	2,300.2	2,090.9	2,025.0	1,781.2	1,541.8
Cost of broadcasting, product services, communications, and other services	1,466.6	1,356.2	1,274.6	1,168.0	1,094.9
Selling, general, and administrative expenses	791.8	741.1	698.2	628.5	583.9
Depreciation	300.2	271.7	259.8	232.4	229.9
Rent	80.9	83.1	76.3	68.3	70.8
Interest	93.8	97.5	96.0	68.6	57.5
Less interest capitalized	(13.0)	(13.3)	(4.7)	(1.5)	(1.2)
Total cost of operations	5,020.5	4,627.2	4,425.2	3,945.5	3,577.6
Profit before taxes on income	343.1	188.6	201.7	335.2	285.0
Provision for taxes on income	165.7	78.6	88.4	151.5	126.9
Net profit for year	177.4	110.0	113.3	183.7	158.1
Less dividends on preferred stocks	5.4	5.4	5.4	5.4	5.5
Net profit applicable to common stock	\$ 172.0	\$ 104.6	\$ 107.9	\$ 178.3	\$ 152.6
Per share of common stock					
Primary	\$ 2.30	\$ 1.40	\$ 1.45	\$ 2.39	\$ 2.05
Fully diluted	2.24	1.40	1.45	2.33	2.01
Cash dividends per share of common stock	1.00	1.00	1.00	1.00	1.00

Market Prices of RCA Stock by Quarter

	Common Stock		\$3.50 Cumulative First Preferred Stock		\$4 Cumulative Convertible First Preferred Stock	
	High	Low	High	Low	High	Low
1976						
Fourth Quarter	27½	23½	45	42	70¼	62½
Third Quarter	30½	26	47	42	71¼	67
Second Quarter	29½	24¾	45	42	70	62½
First Quarter	29	18¾	43	38¼	68¾	52
1975						
Fourth Quarter	20¼	16½	40	37½	53¾	48½
Third Quarter	21¾	16	39½	37½	55½	48¼
Second Quarter	20¾	15	41½	38½	55	47¼
First Quarter	19	10¾	42½	33½	52½	39

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

(In millions, except as indicated)

	1976	1975	1974	1973	1972
Financial Position					
Assets					
Cash	\$ 99.0	\$ 106.0	\$ 150.0	\$ 139.0	\$ 141.6
Short-term investments	79.2	173.8	167.7	147.9	252.2
Receivables, less reserve	762.9	749.6	729.8	758.4	666.8
Inventories, net	520.8	504.9	597.5	529.0	435.7
Rental automobiles of Hertz, net	277.5	224.1	200.8	186.8	180.0
Prepaid expenses	298.9	288.5	252.6	260.3	310.6
Total current assets	<u>2,038.3</u>	<u>2,046.9</u>	<u>2,098.4</u>	<u>2,021.4</u>	<u>1,986.9</u>
Other revenue-earning equipment of Hertz, net	333.4	312.1	329.3	253.2	204.0
Investments and other assets	185.1	163.7	172.4	158.2	175.2
Plant and equipment, net	1,280.9	1,205.7	1,046.5	868.0	771.2
Total assets	<u>\$3,837.7</u>	<u>\$3,728.4</u>	<u>\$3,646.6</u>	<u>\$3,300.8</u>	<u>\$3,137.3</u>
Liabilities					
Current liabilities	\$1,260.9	\$1,287.1	\$1,313.5	\$1,152.7	\$1,140.8
Long-term debt of Hertz	289.7	274.0	292.0	266.7	211.0
Other noncurrent liabilities	355.1	304.0	280.3	233.4	186.9
Other long-term debt	654.3	683.6	610.5	531.1	582.8
Total liabilities	<u>2,560.0</u>	<u>2,548.7</u>	<u>2,496.3</u>	<u>2,183.9</u>	<u>2,121.5</u>
Shareholders' equity					
\$3.50 cumulative first preferred stock	2.6	2.6	2.6	2.6	2.6
\$4 cumulative convertible first preferred stock	9.6	9.6	9.6	9.6	9.9
Common stock	49.8	49.8	49.8	49.8	49.8
Capital surplus	447.3	446.8	447.5	447.6	449.9
Reinvested earnings	768.4	670.9	640.8	607.3	503.6
Total shareholders' equity	<u>1,277.7</u>	<u>1,179.7</u>	<u>1,150.3</u>	<u>1,116.9</u>	<u>1,015.8</u>
Total liabilities and shareholders' equity	<u>\$3,837.7</u>	<u>\$3,728.4</u>	<u>\$3,646.6</u>	<u>\$3,300.8</u>	<u>\$3,137.3</u>
Other Financial Data					
Current ratio	1.6	1.6	1.6	1.8	1.7
Additions to plant and equipment	\$ 275.4	\$ 302.2	\$ 286.4	\$ 212.8	\$ 144.8
Net additions to revenue-earning equipment of Hertz	\$ 219.9	\$ 149.3	\$ 230.2	\$ 184.4	\$ 114.0
Shares of common stock (in thousands)					
Outstanding at year-end	74,657	74,547	74,484	74,407	74,472
Weighted average for the year	74,753	74,550	74,468	74,483	74,440
Net book value, per common share	\$ 15.30	\$ 14.01	\$ 13.63	\$ 13.19	\$ 11.76
Number of shareholders (in thousands)	273	297	301	295	292
Number of employees (in thousands)	110	113	116	126	122

RCA, itself a household word, embraces companies whose names and trademarks are among the most familiar in U.S. business. Among them are The Hertz Corporation, Banquet Foods, the National Broadcasting Company, Coronet Industries, and "Nipper," one of America's most famous symbols for consumer products.



The RCA logo consists of the letters "RCA" in a bold, red, sans-serif font.



Board of Directors

Thornton F. Bradshaw	President, Atlantic Richfield Company, integrated energy company
Lawrence E. Fouraker	Dean, Harvard Business School
George H. Fuchs	Executive Vice President, Industrial Relations
Julian B. Goodman	Chairman of the Board, National Broadcasting Company, Inc.
Edgar H. Griffiths	President and Chief Executive Officer
Howard R. Hawkins	President, RCA Communications, and Executive Vice President
William C. Hittinger	Executive Vice President, Research and Engineering
William J. Kennedy III	President, North Carolina Mutual Life Insurance Company
John R. Petty	President and Chairman of Executive Committees, Marine Midland Banks, Inc., and Marine Midland Bank
Cecily C. Selby	Consultant and Lecturer
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	William J. Kennedy III John R. Petty
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Director and Officer Changes

In September 1976, Edgar H. Griffiths, President, RCA Electronics and Diversified Businesses, and an Executive Vice President, became President and Chief Executive Officer, and Anthony L. Conrad resigned as a Director and as Chairman of the Board and President.

In March 1976, J. Thomas Kennedy, Vice President and Controller, resigned as Controller and was appointed Vice President, Finance, RCA Communications, and Robert C. Butler, a Vice President, was elected Controller.

In May 1976, Laurence J. Farley resigned as Vice President and Treasurer, and Melvin Cornfield, former Staff Vice President, Tax Affairs, was elected Vice President and Treasurer.

George C. Evanoff resigned as Vice President, Corporate Development, in June 1976.

In September 1976, Julius Koppelman, who had served as President, RCA Service Company, was elected a Vice President and was also appointed a Group Vice President, and Irving K. Kessler, an Executive Vice President, was appointed a Group Vice President.

Officers

Edgar H. Griffiths	President and Chief Executive Officer
Howard R. Hawkins	President, RCA Communications, and Executive Vice President
Kenneth W. Bilby	Executive Vice President, Corporate Affairs
George H. Fuchs	Executive Vice President, Industrial Relations
James Hillier	Executive Vice President and Senior Scientist
William C. Hittinger	Executive Vice President, Research and Engineering
Robert L. Werner	Executive Vice President and General Counsel
Irving K. Kessler	Group Vice President
Julius Koppelman	Group Vice President
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 and Controller
Melvin Cornfield	Vice President and Treasurer
Joseph W. Curran	Vice President, Marketing
George A. Fadler	Vice President, Corporate Services
J. Thomas Kennedy	Vice President, Finance, RCA Communications
Roy H. Pollack	Vice President and General Manager, Consumer Electronics Division
Raymond L. Scherer	Vice President, Washington
Eugene A. Sekulow	Vice President, Corporate and International Relations
Bernard V. Vonderschmitt	Vice President and General Manager, Solid State Division
William M. Webster	Vice President, Laboratories
George E. Morris	Secretary

Corporate Offices

30 Rockefeller Plaza, New York, N.Y. 10020
(212) 598-5900

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. 60693

\$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. 60693

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. 60693

Domestic Subsidiary Executives

National Broadcasting Company, Inc.

Julian B. Goodman
Herbert S. Schlosser
Chairman of the Board
President

Random House, Inc.

Robert L. Bernstein
Chairman of the Board
and President

The Hertz Corporation

Robert L. Stone
Chairman of the Board
and President

Banquet Foods Corporation

Kenneth E. Guebert
Floyd F. Smiley
Chairman of the Board
President

Coronet Industries, Inc.

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

RCA Alaska Communications, Inc.

Ben W. Agee
President

RCA American Communications, Inc.

Andrew F. Inglis
President

RCA Global Communications, Inc.

Eugene F. Murphy
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 3, 1977, at 10:30 a.m.
NBC Studio 8-H
RCA Building
30 Rockefeller Plaza
New York, N.Y.

Agents and Trustees for Debentures:

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
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:
Citibank, N.A., 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: Citibank, N.A.
55 Wall Street, New York, N.Y. 10015

Shareholders Agent for Common Stock Dividend Reinvestment Plan:

Manufacturers Hanover Trust Company
4 New York Plaza, New York, N.Y. 10015

