

RCA

**Second Quarter &
Annual Meeting
Report 1984**



To Our Shareholders

We are pleased to report that RCA's earnings in the second quarter were the highest in the company's history. For the three months ended June 30, net income rose 75 percent to \$109.9 million, equal to \$1.13 per common share, compared with \$62.6 million, or 56 cents a share, in the second quarter of 1983. Sales increased to \$2.48 billion—also a second-quarter record—from \$2.20 billion in the prior year.

This performance is the outcome of hard work and a series of evolutionary steps that we began three years ago. We set new strategic directions for the company, recommitting it to its traditional businesses—electronics, communications, and entertainment. We strengthened our balance sheet and improved our management team. These steps, combined with a continuing recovery in the nation's economy, account for our success in the first half of 1984 and should make the remainder of the year an excellent one for RCA.

Across-the-Board Advances

Each of RCA's business segments reported sales and earnings increases for the quarter, with Electronics, Broadcasting (NBC), Communications, and Transportation Services (Hertz) all setting sales records.

Our electronics businesses also had record earnings as a result of strong performances from Consumer Electronics, Government Systems, and Solid State. Contributing factors to the record quarter were the significant reduction of losses in Broadcast Systems and the phase-out of VideoDisc player operations.

In Consumer Electronics, sales of color television sets and video cassette recorders continued at very high levels, with RCA maintaining a leading market share in each of the major video

product lines. RCA is building on its market position by introducing new video product features and enlarging its product line. During the quarter, RCA became the first company in the industry to ship color TV receivers with built-in broadcast stereo sound.

Sales and earnings of the Government Systems Division were also at record levels, and this division continued to add to its backlog of orders with a \$233-million contract for the design and construction of the AEGIS combat system for a new class of U.S. Navy destroyers. RCA also supplies AEGIS weapon systems for the Ticonderoga class of guided-missile cruisers. Two ships have been commissioned, and the company holds contracts for 11 more.

The Solid State Division had sharply higher sales and earnings as a result of continued strong demand for solid-state devices.

NBC achieved record sales and earnings, with all major operating units—both television and radio—posting substantial year-to-year gains. NBC's performance reflected improvement in the network's competitive position, particularly in prime-time demographics and daytime ratings.

RCA Communications had record revenues and higher earnings as a result of record volumes of international and domestic telex traffic and new orders for government and commercial leased facilities received by RCA Global Communications and RCA American Communications.

Hertz also achieved record revenues and higher earnings. The earnings improvement was primarily due to increased demand in car rentals and construction equipment operations as well as cost efficiencies and lower promotional costs.

The Other Products segment

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The Other Products segment

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During the second quarter, RCA completed the sale of C.I.T.'s financing operations to Manufacturers Hanover Corporation for \$1.51 billion in cash and securities (at their principal or stated amounts). This sale did not include C.I.T.'s two insurance companies, one of which was sold separately. The other insurance company is now up for sale. Accordingly, the operations of C.I.T. and these companies have been classified as discontinued operations, and previous years' results have been similarly reclassified. In aggregate, RCA does not expect that these sales will produce any material aftertax gain or loss.

First-Half Results Reviewed

For the six months ended June 30, 1984, net income rose to \$160.2 million, or \$1.53 per share, compared with \$91.6 million, or 70 cents a share, a year ago. Sales for the first half of this year increased to \$4.85 billion from \$4.23 billion a year earlier.

Earnings in the first quarter of 1984 included a \$175-million special provision (\$94.5 million, or \$1.15 per share, after tax) for restructuring VideoDisc player operations and a \$75.7-million benefit (92 cents per share) from the cumulative effect of a change in the method of accounting for investment tax credits. As we said at the time we made the change, the new method brings us into line with general corporate practice and, in particular, with the way most of our competitors report their earnings.

Excluding the VideoDisc provision and the benefit of the accounting change (but including losses from VideoDisc operations of \$17.1 million pretax), net income for the six months was \$179.0 million, 87 percent higher than in the comparable period of 1983.

Dividend Increased

As an indication of the company's growing optimism in its future, the Board of Directors increased the quarterly dividend on common stock from 22½ cents to 26 cents a share, payable August 1 to holders of record June 18, 1984. As profits increase, our intent is to increase the dividend within a range of approximately 35 to 40 percent of earnings.

Success, of course, should not be measured solely in terms of quarter-by-quarter results. Our objective is to sustain earnings at levels that will enable us to provide an attractive return to you, our shareholders, while continuing to invest in the human and technical resources of this company.

RCA moves into the last half of 1984 with renewed strength, vigor, and optimism about its prospects for growth. Our decision three years ago to concentrate on the company's traditional businesses—electronics, communications, and entertainment—has proven to be correct. We are proud of the record level of earnings that the company achieved in the second quarter, and we are confident that RCA will do even better in the future.



Thornton F. Bradshaw
Chairman and Chief Executive Officer



Robert R. Frederick
President and Chief Operating Officer

July 20, 1984

Consolidated Income Statement

In millions, except per share	Three months ended June 30		Six months ended June 30	
	1984	1983*	1984	1983*
Sales				
Electronic and other products	\$1,198.1	\$1,042.5	\$2,425.9	\$1,992.4
Broadcasting, communications, transportation, and other services	<u>1,284.8</u>	<u>1,156.4</u>	<u>2,420.7</u>	<u>2,235.5</u>
Total sales	<u>2,482.9</u>	<u>2,198.9</u>	<u>4,846.6</u>	<u>4,227.9</u>
Costs, expenses, and other				
Cost of products	957.2	849.1	1,954.7	1,634.2
Cost of services	924.6	834.3	1,778.3	1,644.7
Selling, general, and administrative expenses	416.4	394.2	830.3	761.9
Interest expense	59.4	50.3	106.0	98.8
Other (income) expense, net	(52.1)	(4.1)	(74.6)	(5.5)
Total costs, expenses, and other	<u>2,305.5</u>	<u>2,123.8</u>	<u>4,594.7</u>	<u>4,134.1</u>
Income before income taxes and special provision	177.4	75.1	251.9	93.8
Provision for VideoDisc restructure	—	—	(175.0)	—
Income before income taxes	177.4	75.1	76.9	93.8
Income taxes	69.4	30.9	11.3	39.6
Income from continuing operations	108.0	44.2	65.6	54.2
Income from discontinued operations	1.9	18.4	18.9	37.4
Cumulative effect of change in accounting principle	—	—	75.7	—
Net income	<u>\$ 109.9</u>	<u>\$ 62.6</u>	<u>\$ 160.2</u>	<u>\$ 91.6</u>
Earnings per share of common stock				
Continuing operations	\$ 1.10	\$.33	\$.38	\$.24
Discontinued operations	.03	.23	.23	.46
Cumulative effect of change in accounting principle	—	—	.92	—
	<u>\$ 1.13</u>	<u>\$.56</u>	<u>\$ 1.53</u>	<u>\$.70</u>
Pro forma net income				
As reported	\$ 109.9	\$ 62.6	\$ 160.2	\$ 91.6
Retrospective change in accounting for investment tax credits	—	1.5	—	4.3
Cumulative effect of change in accounting principle	—	—	(75.7)	—
VideoDisc special provision	—	—	94.5	—
	<u>\$ 109.9</u>	<u>\$ 64.1</u>	<u>\$ 179.0</u>	<u>\$ 95.9</u>

*Restated—see Note 2.

Consolidated Statement of Financial Position

In millions	June 30 1984	December 31 1983*
Assets		
Current assets		
Cash and equivalents	\$ 167.9	\$ 97.5
Receivables, net	1,573.2	1,287.9
Inventories	691.9	645.9
Rental automobiles of Hertz, net	1,232.6	990.6
Other	523.4	534.9
Total current assets	<u>4,189.0</u>	<u>3,556.8</u>
Other revenue-earning equipment of Hertz, net	372.3	376.5
Plant and equipment, net	1,871.5	1,862.4
Investments	1,227.4	1,405.0
Other assets	454.4	447.8
Total assets	<u>\$8,114.6</u>	<u>\$7,648.5</u>
Liabilities and shareholders' equity		
Current liabilities		
Notes payable, except Hertz	\$ 256.8	\$ 343.5
Notes payable of Hertz	440.7	260.2
Accounts payable	658.4	728.5
Other	1,797.2	1,586.7
Total current liabilities	<u>3,153.1</u>	<u>2,918.9</u>
Long-term debt, except Hertz	958.4	982.5
Long-term debt of Hertz	789.8	748.5
Deferred taxes and other noncurrent liabilities	665.3	534.5
Preference stock	560.5	558.6
Shareholders' equity	1,987.5	1,905.5
Total liabilities and shareholders' equity	<u>\$8,114.6</u>	<u>\$7,648.5</u>

*Restated—see Note 2.

Notes to Financial Statements

1. Significant Accounting Policies

RCA's regular accounting policies, with the exception of the changes in Note 2 below, have been followed in determining the unaudited financial information.

2. Accounting Changes

a. *Regulated Subsidiaries.* On January 1, 1984, the effective date of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," the accounting policies of RCA's communications companies were changed from those prescribed by the Federal Communications Commission to those in effect for the remainder of RCA. Previous years' financial statements have been restated for this change. The effect for the three and six months ended June 30, 1984, was to decrease net income approximately \$2.4 million (\$.03 per share) and \$4.9 million (\$.06 per share), respectively. Net income decreased \$3.6 million (\$.04 per share) and \$6.9 million (\$.08 per share) for comparable periods in 1983.

b. *Income Taxes.* Effective January 1, 1984, RCA changed its accounting for investment tax credits from the deferral method to the flow-through method in order to achieve greater comparability with the accounting policies of most other companies. As a result, net income for the three and six months ended June 30, 1984, before the cumulative effect of this change, increased \$2.3 million (\$.03 per share) and \$3.3 million (\$.04 per share). The cumulative effect of this change at December 31, 1983, increased net income in the first quarter of 1984 by \$75.7 million (\$.92 per share).

3. Nonrecurring Items

a. *Provision for VideoDisc Restructure.* A special provision of \$175 million (\$94.5 million, or \$1.15 per share, after tax) was recorded in the first quarter of 1984 for the restructure and phase-down of VideoDisc operations. The pretax losses from VideoDisc operations in the first six months of 1984 and 1983 totaled \$17.1 million (representing the first-quarter loss) and \$37.6 million, respectively.

b. *Stock Redemption.* Earnings for the first six months of 1984 include a nonrecurring gain of \$11.6 million (\$8.7 million after tax) from the redemption of stock received in connection with the sale of Banquet Foods Corporation in 1980.

4. C.I.T. Financial Corporation

During the quarter, RCA completed the sale of the financing operations of C.I.T. to Manufacturers Hanover Corporation for \$1.51 billion in cash and securities (at their principal or stated amounts) as follows: \$460 million in cash, \$800 million in 12% notes, and \$250 million of preferred stock. The sale did not include the insurance subsidiaries of C.I.T. RCA has sold one of the insurance companies, and the other is being offered for sale. In total, it is not expected that these sales will result in any material after-tax gain or loss.

The results of C.I.T. and its insurance subsidiaries have been classified as discontinued operations and include an allocation of interest on funds borrowed by RCA in connection with the acquisition of C.I.T. or needed to meet dividend requirements of preference stock issued in the acquisition. Previous years' financial statements have also been reclassified.

Dividends Paid to RCA Shareholders in 1984

Common stock

Declared	Record Date	Paid	Per Share
12/7/83	12/19/83	2/1/84	\$.225
3/7/84	3/19/84	5/1/84	.225
6/6/84	6/18/84	8/1/84	.26

The dividend paid on August 1 is the 144th consecutive dividend on the Corporation's common stock and represents a distribution of approximately \$21.3 million.

\$3.50 first preferred stock and \$4 convertible first preferred stock

Declared	Record Date	Paid	Per Share of \$3.50 Preferred	Per Share of \$4 Preferred
9/7/83	12/16/83	1/3/84	\$.875	\$1.00
12/7/83	3/16/84	4/2/84	.875	1.00
3/7/84	6/15/84	7/2/84	.875	1.00

\$3.65 preference stock and \$2.125 convertible preference stock

Declared	Record Date	Paid	Per Share of \$3.65 Preference	Per Share of \$2.125 Preference
9/7/83	12/16/83	1/3/84	\$.9125	\$.53125
12/7/83	3/16/84	4/2/84	.9125	.53125
3/7/84	6/15/84	7/2/84	.9125	.53125

RCA Securities Purchases

During the quarter ended June 30, 1984, RCA purchased a total of \$463,000 principal amount of RCA 9¼% Sinking Fund Debentures due June 1, 1990, \$250,000 principal amount of RCA 4½% Convertible

Subordinated Sinking Fund Debentures due August 1, 1992, and \$850,000 principal amount of RCA International Development Corporation 5% Guaranteed Sinking Fund Debentures due February 1, 1988.

Second-Quarter Highlights

An RCA Pioneer Retires in Deep Space

After eight-and-a-half years of highly reliable service and more than a half-billion miles of travel, the nation's first 24-channel domestic communications satellite, Satcom I, was given a well-deserved retirement on June 4.



RCA's Satcom I was largely responsible for sparking the growth of the cable-television industry into a multi-billion-dollar market. Starting with Home Box Office, Satcom I's roster of cable programmers grew, first slowly and then rapidly, as satellites were recognized as the only means by which cable-television programming could be transmitted to every location in the country at low cost. Today, Satcom III-R and IV serve an estimated 6,000 cable systems that reach more than 33 million subscribers.

Satellites such as Satcom I are maintained in their assigned position on the orbital arc by the firing of small on-board thrusters that coun-

teract the pull of gravity and the effect of solar winds. These thrusters are powered by hydrazine fuel. When this fuel is exhausted, the spacecraft can no longer be controlled. In the case of Satcom I, specifications called for an eight-year supply.

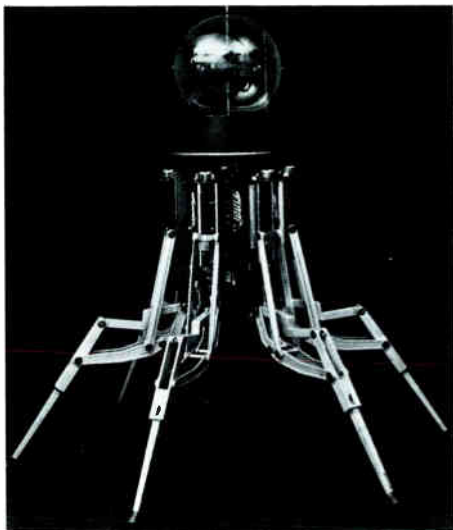
The retirement of Satcom I from service was planned and executed by RCA Americom's Space Systems team. The satellite was boosted out of the orbit used by active satellites. It will continue to move in a slow but ever-increasing altitude above the Earth and will not reenter the atmosphere.

RCA to Build Direct Broadcast Satellite System

RCA Astro-Electronics has signed a contract to design and build two high-powered, direct-to-home broadcast satellites (DBS) for the United States Satellite Broadcasting Co., Inc. The contract has the potential of producing revenues in excess of \$160 million.

The satellites will provide the highest-quality TV pictures and stereo sound for the 50 states, Puerto Rico, and the Virgin Islands.

The DBS system will include RCA's advanced technology for high reliability and will further strengthen RCA's leadership in the telecommunications industry. The first satellite is scheduled for launch in 1988.



Odex I Reporting for Duty

Standing on six legs and a little taller than a man, the Odex I mobile robotic system is designed to perform military tasks such as sentry duty, mine disposal, or exploration of hazardous areas. RCA Government Systems has signed an agreement with Odetics Inc. of Anaheim, Calif., to share technology in developing the system.

Second AEGIS Cruiser Commissioned

USS *Yorktown*, the second guided-missile cruiser equipped with the AEGIS combat system, was commissioned on July 4. AEGIS was developed by RCA and has been in production since 1978.

In addition, RCA was awarded a \$233-million contract for design and development of the AEGIS combat system for the DDG 51 class of guided-missile destroyers. The lead ship of the DDG 51 class, *Arleigh Burke*, was named for the former Chief of Naval Operations. The ship is scheduled for commissioning in 1989.

Service Company Offers Automated Office Systems

The RCA Service Company is offering a family of high-performance communications workstations for private-line communications networks in the transportation, health care, and financial services industries, with emphasis on medium-sized companies.

RCA's new system can also integrate communications and office-processing operations into a complete office system tailored to specific situations.

A comprehensive program will be offered to provide full single-source turnkey systems.

New RCA Credit Facility

On June 29, RCA executed a revolving-credit agreement with a group of domestic and foreign banks providing a standby credit of \$708 million through May 31, 1992, in place of a similar facility for \$980 million, reflecting RCA's reduced credit requirements. As a part of this arrangement, RCA also entered into a put agreement with the banks entitling RCA to sell to the banks at face value \$646 million of the \$800 million of 12 percent senior serial installment notes of Manufacturers Hanover Corporation that RCA received as part of the sale of C.I.T. Financial Corporation. This put is designed to provide RCA with added liquidity in the event that RCA elects to sell the notes before they mature.

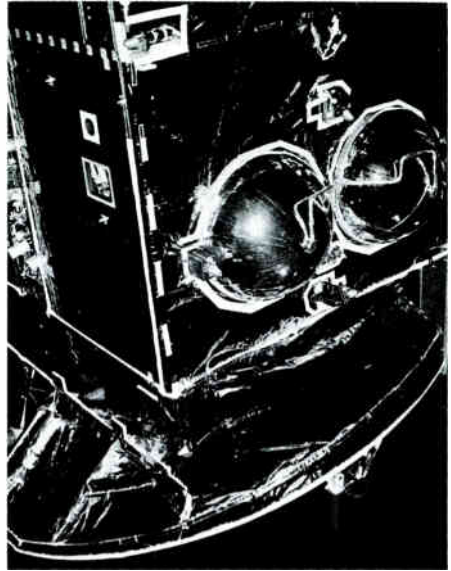
RCA's Portable Color TV Broadcast Camera Goes "Tubeless"

This highly advanced, solid-state portable color TV camera produces sharper pictures than conventional tube cameras. Its film-like quality is especially suitable for news gathering and sports coverage. The electronic "eyes" of the camera are three RCA-developed solid-state components called charge-coupled devices (CCDs), which replace the tubes shown below. First deliveries of the camera are expected at the end of 1984.

The camera's main advantages are the ability to see detail in rapidly



moving objects and to perform well in a wide range of lighting conditions. In fast-action scenes, for example, people in moving cars, signs on the sides of trucks or taxis, and spokes of a rotating wheel can now be distinguished. The new camera can practically see in the dark.



Spacenet Satellites In Construction

Spacenet-1, the first of four communications satellites being built by RCA Astro-Electronics for GTE Spacenet Corp., was launched in May. Each Spacenet satellite has four propellant tanks that provide fuel to the rocket thrusters, which are designed to keep the satellite properly positioned to relay signals to Earth for at least 10 years of operation. Spacenet is part of a worldwide network to control Earth-orbiting communications satellites. The Spacenet system will also provide communications for the 48 contiguous states and either Alaska and Hawaii or Puerto Rico and the Virgin Islands.

RCA's Video Line Spans Full Spectrum

A new line of RCA color TV receivers will for the first time process 100 percent of the transmitted broadcast signal, both video and audio. The "Full Spectrum" series is the industry's first line of TV receivers equipped to receive programs broadcast with stereo sound.

Following the success of its previous models, the company increased its line of color TV monitor/receivers to 25 models. The new line features six screen sizes from 15-inch to 45-inch (diagonal) receivers. Monitor/receivers combine two high-performance products in one: The TV receiver provides premium reception of normal broadcasts, while the monitor portion enhances the performance of video accessories and simplifies their attachment.

The company also introduced a 13-inch (diagonal) TV receiver that tunes in channels by scanning a horizontal dial much like stereo audio systems. The new model features the first COTY picture tube used in an RCA receiver. COTY, the advanced picture-tube system announced by RCA last year, is designed to maintain high picture performance at reduced high-voltage levels. The new receivers are tuned electronically by a "Signal Seek" that scans forward or reverse and stops with electronic precision on active channels.



RCA's 9-inch receiver with "Signal Seek" tuner. The deluxe 2/3-inch Saticon tube video camera.

The video cassette recorder (VCR) line was expanded to 10 models, 3 of which include both VHS Hi-Fi stereo sound and the capability of pre-programming as many as eight programs up to a year in advance. On-screen step-by-step instructions make programming easier. Six of the VCRs are compatible with RCA's Digital Command Center.

The "SelectaVision" color video camera line has been expanded to five models, each with features designed to appeal to a particular segment of the market. The line features the deluxe 2/3-inch Saticon tube camera with 8:1 power zoom lens, a 1½-inch color electronic viewfinder, and a device that produces titles in full color.

Report of Annual Meeting

Summary of

Action at the Meeting

The 65th Annual Meeting of shareholders was held May 1 at the Adam's Mark Hotel in Indianapolis, Ind. The Meeting began at 10:30 a.m. and ended at 3:10 p.m.

Thornton F. Bradshaw, Chairman of the Board and Chief Executive Officer, presided. The directors who were present at the Meeting were introduced to the shareholders by the Chairman.

Shareholders entitled to cast 74,791,149 votes, amounting to 82.6 percent of the total possible vote, cast their votes either in person or by proxy at the Meeting.

Business conducted at the Meeting pursuant to the Notice of Meeting included the election of the entire Board, approval of the appointment of independent public accountants, action on amendments to the Certificate of Incorporation concerning classification of the Board and related matters, action on the "fair price" amendment to the Certificate of Incorporation, and action on a shareholder resolution concerning cumulative voting. In addition, two other resolutions were presented by shareholders at the Meeting—one to lower the shareholder vote required by the "fair price" amendment to the Certificate of Incorporation for approval of certain business combinations from 80 to 66⅔ percent of the total possible vote, the other requesting the Board of Directors to investigate and report on whether the Soviet Union has succeeded in getting its propaganda disseminated by NBC.

All those named as nominees for director in the Proxy Statement were elected to serve for the following terms:

For a term expiring at the Annual Meeting in 1985:

Robert Cizik
I. Owen Funderburg
Thomas O. Paine

For a term expiring at the Annual Meeting in 1986:

John Brademas
Robert R. Frederick
David C. Jones
Peter G. Peterson

For a term expiring at the Annual Meeting in 1987:

Thornton F. Bradshaw
John R. Petty
Cecily C. Selby
Donald B. Smiley

Of the 74,780,424 votes entitled to be cast by shares represented by the Proxy Committee, approximately 97 percent were cast for all of the above nominees, .3 percent for some but not all of those nominees, and 2.7 percent for none of those nominees. Of the 120,014 proxies received by the Committee, 39,733, representing 33.1 percent of the proxies received and 19.6 percent of the votes cast by the Committee, were not specifically marked, signifying a vote in favor of all the nominees and all the recommendations of the Board of Directors.



Appointment of Touche Ross & Co. to serve as independent public accountants for the year ending December 31, 1984, was approved.

Results of the vote on resolutions introduced pursuant to the Notice of Meeting were as follows:

Resolution on amendments to the Certificate of Incorporation concerning classification of the Board and related matters:

For	51,592,952 110,433	votes proxies and ballots
Against	16,286,678 5,658	votes proxies and ballots
Abstain	6,911,519 3,960	votes proxies and ballots

Resolution on "fair price" amendment to the Certificate of Incorporation:

For	53,246,184 110,759	votes proxies and ballots
Against	14,495,763 5,202	votes proxies and ballots
Abstain	7,049,202 4,090	votes proxies and ballots

Shareholder resolution on cumulative voting:

For	10,329,545 18,781	votes proxies and ballots
Against	55,519,558 94,947	votes proxies and ballots
Abstain	8,942,046 6,323	votes proxies and ballots

The shareholder resolution to lower the shareholder vote required for approval of certain business combinations from 80 to 66 $\frac{2}{3}$ percent of the total possible vote was defeated by a vote of 74,649,451 to 11,025. The shareholder resolution requesting the Board of Directors to investigate and report on whether the Soviet Union has succeeded in getting its propaganda disseminated by NBC was defeated by a vote of 74,649,851 to 3.

Highlights of Mr. Bradshaw's Address to Shareholders

"When I joined RCA in July 1981, the company was facing one of the most difficult periods in its history. . . . Despite these difficulties, we moved to strengthen management and to establish strategic directions for the Corporation. As a result of these moves, RCA is a far different company today. Even before the sale of C.I.T., our debt-to-capital ratio had been reduced to 35 percent. Our short-term indebtedness was less than a quarter of RCA's total debt. Last month, Moody's restored us to an A-3 rating for our senior debt, and today Standard and Poor's upgraded our rating from BBB to A minus."

"With the \$1.51 billion in hand from the sale of C.I.T., our debt-to-capital ratio is now 32 percent. Short-term debt is down to 16 percent. Moreover, C.I.T.'s two insurance companies—with a book value of approximately \$250 million—will be sold separately. The overall proceeds from the three sales, in addition to strengthening the balance sheet, will provide us with new capital to invest internally and to make strategic acquisitions whenever appropriate."

"As you are aware, we announced last month our decision to phase out the video disc player. . . . Our decision is no reflection on either the basic 'CED' technology or the technical, manufacturing, and marketing people

involved. We plan to complete our transition out of active video disc player marketing over the balance of 1984. . . . We also plan to broaden our research efforts to include the study and development of other interactive video systems for both home and institutional markets."

"We have addressed the major problems that confronted RCA, but that still leaves us with the important question: Where is RCA going? We recognized from the start that we had to get back to basics. RCA's traditional strengths were in its core businesses—electronics, communications, and entertainment. . . . We now intend to exploit those strengths by focusing on three growth markets—home video, business information, and government systems."

Thornton F. Bradshaw



“The home video market centers on the video monitor and also includes software development, entertainment production, information systems, servicing, transmission, receiving equipment, and a host of other opportunities. As you know, RCA is already in many of these businesses. But how will they develop in the future? Will the television set evolve into a home computer? Or will the TV remain an adjunct to the computer? There’s no way to predict the future. But some form of home processing, storage, and communication system would be a rational addition to RCA’s marketing, manufacturing, and service experience.”

“The business information market incorporates hardware, distribution, and service elements involved in the electronic processing, transmission, and reception of information, voice, data, and video for business users. This market is rapidly evolving as deregulation in the telecommunications industry takes hold. But does this mean that RCA could be involved in the small business-computer market? And what about systems software or computer peripherals? Again, each would be a nice fit.”

“In the government market, RCA is thoroughly involved in providing technical systems and services for defense, information, and control.”

“Which particular segments of these markets will we fill out? That depends on the practical options available. What I can say with confidence is that our market approach will enable us to focus our vast and diverse expertise in a rational way on those products that consumers need and want.”

“What I’ve outlined today is not a step-by-step game plan for 1984. It is meant to give a general idea of where we are concentrating efforts and where we will be seeking options for the future. Now that we have returned to financial stability and have cleared out the major problem areas that depressed earnings, we’re fully prepared for the challenges ahead.”

Highlights of Mr. Frederick’s Address to Shareholders

“I’d like to outline some concrete examples of how our strategies are taking hold at RCA. . . . In television sets, the company’s higher-priced receivers are growing in popularity. These include our remote-control models, and the most advanced is the Digital Command Center, which uses microprocessor technology to integrate the functions of an RCA television receiver with a compatible video cassette recorder into a single, compact hand unit. Another RCA success is the company’s deluxe VCR that doubles as a portable model. This represents the single largest dollar-volume generator of any consumer product in the company’s history.”

“We intend to keep one step ahead in video technology through a new series of color picture tubes using RCA’s COTY-29 system. RCA’s innovations here will result in a larger viewing area with a screen that is both squarer and flatter in appearance. A deluxe 26-inch (diagonal) full-square picture tube will be available to TV manufacturers this July, followed a year later by a premium 27-inch square-planar color tube.”

“RCA’s Video Component and Display Division was established last year to expand RCA’s participation in the video monitor business, and it includes the company’s picture-tube operations. In a joint venture with RCA’s New Products Division, also established last year, Video Component and Display introduced a color monitor for the computer market.”

“The New Products Division holds a leading market position in the closed-circuit video-equipment business. Its charge-coupled devices (CCDs) were incorporated into a prototype broadcast camera developed by the Broadcast Systems Division.”

“The Solid State Division introduced a record number of new products in 1983. Increased demand for semiconductors continues into 1984, and RCA plans to do at least as well as the industry. RCA invented complementary metal oxide semiconductors (CMOS), a growth technology that continues to expand. And we intend to capitalize on this trend.”



Robert R. Frederick

“In the area of communications, RCA is poised to meet the challenges and breakthroughs that deregulation and new technology are bringing about. Last year, RCA Glöbcom formed a joint venture with the Page-America Group for a global service to deliver messages and data directly to subscribers by means of a pocket PageGram.”

“RCA Americom operates five communications satellites as well as 10 commercial and 32 government earth stations linked with them. RCA sees tremendous opportunities in private voice and data networks in the days ahead, and the company’s new high-powered Ku-band satellites will give us a competitive advantage in this market.”

“AEGIS, the U.S. Navy’s defense system, was developed by RCA Missile and Surface Radar. The USS *Ticonderoga*, the first in the series of AEGIS-equipped guided-missile cruisers, has been highly praised by fleet personnel.”

“RCA Astro-Electronics has designed, developed, and built all of the low-altitude meteorological satellites in the Free World. In the past 26 years, Astro produced more than 60 such spacecraft for both civilian and military uses.”

“A major dimension to RCA’s products and services is the company’s world-famous David Sarnoff Research Center in Princeton, N.J. The RCA Labs are the guiding forces behind the technology that we develop, making possible advances in broadcast cameras, video components, monitors, and communications satellite technology.”

“In the area of entertainment, RCA Records recently formed a new unit, RCA Video Productions, to take advantage of the rapidly growing music-video market. The new unit has more than a dozen projects in development for 1984.”

“RCA participates in the rapidly growing home video market through two joint ventures with Columbia Pictures that distribute prerecorded video cassettes in the United States and overseas. The ventures achieved strong worldwide sales and profits in 1983, and we expect another year of strong growth in 1984.”

“RCA’s best-known entertainment business is NBC. . . . Responding to the growing popularity of miniseries among television viewers, NBC broadcast ‘V: The Final Battle,’ the sequel to last year’s miniseries, and ‘The First Olympics—Athens, 1896.’ Work is also being completed on a new 12-hour miniseries, ‘A.D.’ This epic drama portrays the birth of Christianity and was filmed entirely on location in Tunisia.”

“While transportation is outside the focus of our core businesses, Hertz is and will continue to be an important player for RCA. Hertz is first in car rentals. With a worldwide network of computerized reservation services, Hertz competes effectively. And through RCA, Hertz enjoys access to state-of-the-art electronic information processing that will enable the company to retain its leadership position.”

“There’s a great history behind the RCA logo, a history that parallels the creation and development of the electronics industry as we know it. Today, RCA is in the mainstream of some of the nation’s fastest-growing businesses, with the talent, resources, and strategic vision to more than match our competitors’ best efforts.”

Shareholder Questions and Answers of General Interest

Q. Were there any changes in the By-laws since the last Annual Meeting?

A. There were two. A provision for indemnification of employees in accordance with Delaware law and a procedure for shareholder action by written consent were added. [The indemnification provision was that adopted by the shareholders at the 64th Annual Meeting. The provision establishing a procedure for shareholder action by written consent has now been deleted from the By-laws since the amendments to the Certificate of Incorporation approved by the shareholders at the 65th Annual Meeting prohibit shareholder action by written consent.]

Q. Why does this year's Proxy Statement omit the statement that the inspectors of election and all others who have access to proxies and ballots will be instructed that the vote of any shareholder will not be disclosed except as may be required for legal purposes?

A. As stated in the Proxy Statement, we engaged the services of a proxy soliciting firm this year to assist in the solicitation of proxies, and some employees communicated personally with shareholders to urge them to vote in favor of the Board of Directors' proposal relating to classification of the Board and the "fair price" amendment to the Corporation's Certificate of Incorporation. Soliciting votes in this manner might involve advising the proxy soliciting firm and employees not normally involved in examining

proxies how some shareholders have voted, and it might be argued that conveying such information to them constitutes a disclosure not required for legal purposes. Accordingly, we omitted the statement to which you refer. [From a letter read at the Meeting from Eugene E. Beyer, Jr., Executive Vice President and General Counsel, to a shareholder.]

Q. Does the Corporation intend to enter into any "golden parachute" contracts?

A. The Corporation has not had and doesn't intend to have any "golden parachute" contracts.

Q. How are the amounts of bonuses determined?

A. Compensation is determined by the Management Compensation, Incentive, and Stock Option Committee of the Board of Directors in the light of what is paid by companies in comparable industries so that we will remain competitive.

Q. How much are outside directors paid?

A. They receive an annual fee of \$20,000 for service on the RCA Board, \$2,000 for service on the NBC Board, and \$300 for each Board meeting attended.

Q. What did the Corporation's charitable contributions total in 1983, and how much of that amount was con-

tributed to organizations with which directors and officers were affiliated?

A. Charitable contributions totaled \$4.3 million, including \$1.9 million in aid to education. Of this, about \$170,000 was contributed to organizations with which directors or officers were affiliated, including \$50,000 to New York University.

Q. What were total legal fees in 1983, for both outside and in-house counsel?

A. Outside counsel fees were about \$16.6 million. In-house legal expense was about \$16 million.

Q. What was the total amount of consultant fees in 1983?

A. \$14.2 million.

Q. How much of Hertz' rental-car fleet is manufactured by the major American companies?

A. Hertz' fleet of rental cars in the United States includes about 80,000 Ford vehicles, 35,000 General Motors vehicles, 20,000 Chrysler vehicles, and 10,000 American Motors vehicles.

Q. What is the difference between auditing standards and accounting principles? [Asked of and answered by H. Lawrence Fuller of Touche Ross & Co.]

A. Auditing standards refer to the standards employed by the auditors in the auditing process. Accounting principles are the basic rules or principles that auditors follow in presenting a financial statement.

Q. If the Federal Communications Commission lifts the limit on the number of broadcast stations a company may own, what are our plans?

A. NBC might be interested in investing in additional television stations, but that would depend upon price.

Q. Are we pleased with NBC's achievements? [Asked of and answered by Grant A. Tinker, Chairman of NBC.]

A. We are not satisfied, but we are extremely optimistic as we look toward the fall. NBC's 1983-84 daytime rating is up by 22 percent over 1982-83, and two new programs will appear in July. In prime time, NBC will have more returning shows to work with this fall as building blocks for the new schedule than we have had at any time since I came back to NBC.

Q. What plant did the Corporation sell in Ontario, Canada, in 1983?

A. Our picture-tube plant [which was closed in 1982] was sold to Mitsubishi Electric Corporation for slightly better than its book value.

Q. Did advertising expenditures rise in 1983?

A. Yes. They rose from \$256 million in 1982 to \$298 million in 1983.

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