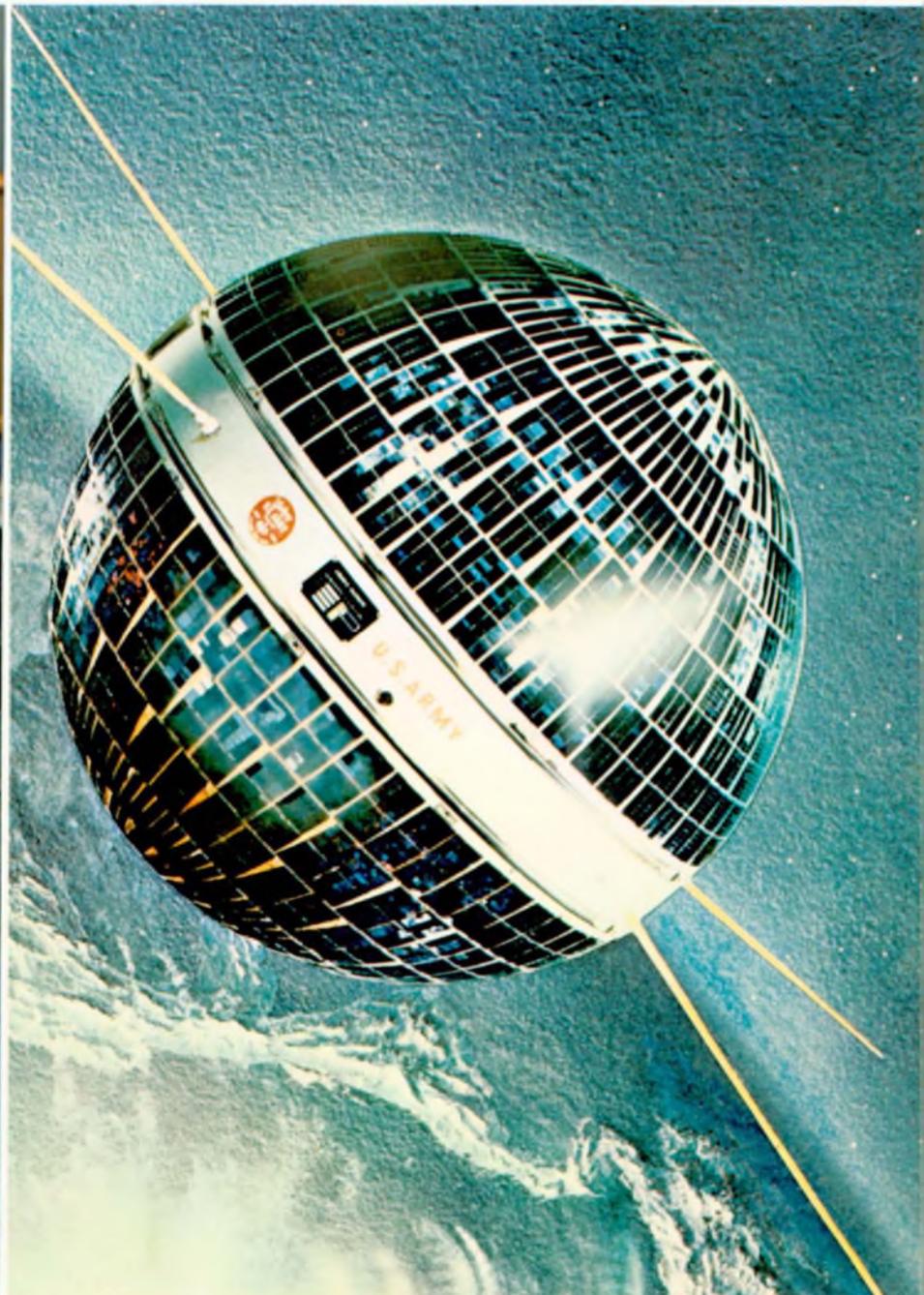


PHILCO[®]

CORPORATION



1960

ANNUAL REPORT



That redheaded boy on Summit Ave. just got a transistor radio... and a Courier satellite!

Both were excellent buys — good values because of Philco quality.

Butty's Dad picked a Philco transistor radio because he wanted to have the best quality and value. And they chose Philco — because of their reputation for quality and value. And they chose Philco — because of their reputation for quality and value. And they chose Philco — because of their reputation for quality and value.

Remark and development programs for example in variety of electronic types and applications. Philco is the recognized leader in the industry.

There are 24,000 of us who are proud to make the name Philco synonymous with high quality and value, whether you buy a transistor radio, a space satellite or any Philco product. So you know the difference.



Philco transistor radio. The world's first commercial portable radio with built-in speaker and earphone. It's the only one with a built-in speaker and earphone. It's the only one with a built-in speaker and earphone.



Philco Courier satellite. The world's first commercial satellite with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna.



Philco transistor radio. The world's first commercial portable radio with built-in speaker and earphone. It's the only one with a built-in speaker and earphone. It's the only one with a built-in speaker and earphone.



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PHILCO
Reason for Quality the World Over

Transistor Radio by Philco. Philco transistor radio. The world's first commercial portable radio with built-in speaker and earphone. It's the only one with a built-in speaker and earphone. It's the only one with a built-in speaker and earphone.

Satellite by Philco. The world's first commercial satellite with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna.

Reproductions in miniature of two double page advertisements of a series appearing in full color during 1961 in The Saturday Evening Post, depicting the wide scope of Philco's engineering and manufacturing activities and fostering the image of the Company as one of the nation's leaders in electronic research.



The folks on Elm St. just bought a new washer-dryer... and a satellite-tracking antenna!

Both were excellent buys — good values because of Philco quality.

The folks on Elm Street are delighted with their Philco-Dynasty Domestic washer-dryer. But here's something they may not have thought of — the good value they and all America get in the scientific service Philco makes for national defense.

Remark and development programs for example in variety of electronic types and applications. Philco is the recognized leader in the industry. There are 24,000 of us who are proud to make the name Philco synonymous with high quality and value, whether you buy a transistor radio, a space satellite or any Philco product. So you know the difference.



Philco-Dynasty Domestic washer-dryer. The world's first commercial washer-dryer with built-in speaker and earphone. It's the only one with a built-in speaker and earphone. It's the only one with a built-in speaker and earphone.



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PHILCO
Reason for Quality the World Over

Philco-Dynasty Domestic washer-dryer. The world's first commercial washer-dryer with built-in speaker and earphone. It's the only one with a built-in speaker and earphone. It's the only one with a built-in speaker and earphone.

Satellite-tracking antenna by Philco. The world's first commercial satellite-tracking antenna with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna. It's the only one with built-in solar panels and antenna.

**PHILCO
CORPORATION
SIXTY-NINTH ANNUAL REPORT**

1960

TO OUR STOCKHOLDERS:

On sales of \$400,587,000, income amounted to \$2,287,000, equivalent to 47c per common share after preferred dividends. Sales in 1959 were \$397,792,000, and earnings were \$7,176,000, or \$1.67 a share. Included in 1960 income was a special credit of \$700,000 for tax provisions no longer required.

Capital expenditures for 1960 were \$14,291,000, and depreciation charges amounted to \$6,545,000, reflecting further use of the new funds raised in 1959 through the sale of \$22,000,000 4¼% Convertible Subordinated Debentures, primarily for additional facilities for the Company's expanding transistor, computer and space technology activities. This planned use of these funds naturally reduced working capital, which showed a net decline of \$6,783,000. Stockholders' equity increased \$2,217,000 to \$110,274,000.

As evident from the earnings figures above, 1960 was a disappointing and difficult year. It was not, however, a year without accomplishment or encouragement for the future. The following review of your Company's operations will convey a fuller understanding of the year's results, the forces which shaped them, and the prospects ahead.

While no significant increase had been anticipated in the demand for consumer goods during 1960, the substantial decline which developed as the year progressed was most unexpected. The resultant cost-price squeeze in the face of reduced volume had the inevitable effect on margins, and your Company's experience was no exception to that of the industry. To counteract the cyclical forces now adversely affecting consumer durables, every effort is being made to increase volume and improve costs without compromising our standards of quality. For the longer view, we believe that economic developments by the mid-1960's will be more favorable for the *Consumer Products Division*.

Operations of the *Computer Division* again proved a substantial drain on total earnings. The costs of moving into our new plant, coupled with unsparing effort to insure the timely and successful delivery of our first computers, far exceeded our forecasts. In addition, as a matter of conservative policy, substantial development costs of improved devices were absorbed currently.

It is good to report that the Philco S2000 computers delivered to date and now being used by the most competent and critical customers on some

of the most important defense programs are establishing excellent performance records. Our entry into the computer field is necessarily a long-time program and we remain confident of its ultimate value to the Company.

Perhaps the most newsworthy activity was the work of *Western Development Laboratories* in space technology through which Philco supplied the tracking, communications and control equipment for the "Discoverer" satellites and developed, designed and built the Army's "Courier," the world's first active communications satellite. These laboratories are being tripled in size to keep pace with our growing space and satellite assignments. The *Communications Systems Division* made marked progress in 1960 through important contracts for the Air Force and Defense Communications Agency. While the *Communications and Weapons Systems Division* reported increased volume, margins were subnormal due to excess costs on contracts secured on a highly competitive basis. Emphasis on improved cost performance and anticipated increased volume should contribute to better future results in this Division.

In the *Lansdale Division*, tube sales and margins were adversely affected by the unexpected decline in the television market. Transistor operations, however, presented a much better sales and profit picture. Despite some major curtailments in military programs, sales increased substantially and a high percentage of market penetration was maintained. Earnings were satisfactory, even after absorption of substantial research and development expenses in the ever-advancing art of solid-state devices. The volume lost through changes in the military requirements is being rapidly replaced by new business. The outlook for this Division continues to be favorable.

The *TechRep Division* was again a dependable source of increased volume and earnings and during the year further expanded its activities into the newer fields of space technology.

We expect to occupy our new Research Center

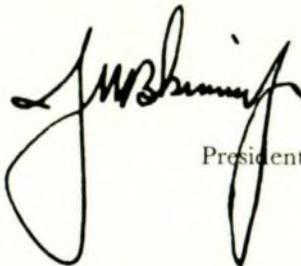
at Blue Bell, Pennsylvania, early in 1961. Our research activity was increased last year and higher budgets were maintained despite reduced earnings. We consider the work of our *Research Division* an important investment in the Company's future.

We are continuing the expansion of our international operations with a view to active participation in the European Common Market and the European Free Trade Area, as well as Latin America. Our wholly-owned subsidiaries in Switzerland, Brazil and Mexico again reported worthwhile profits.

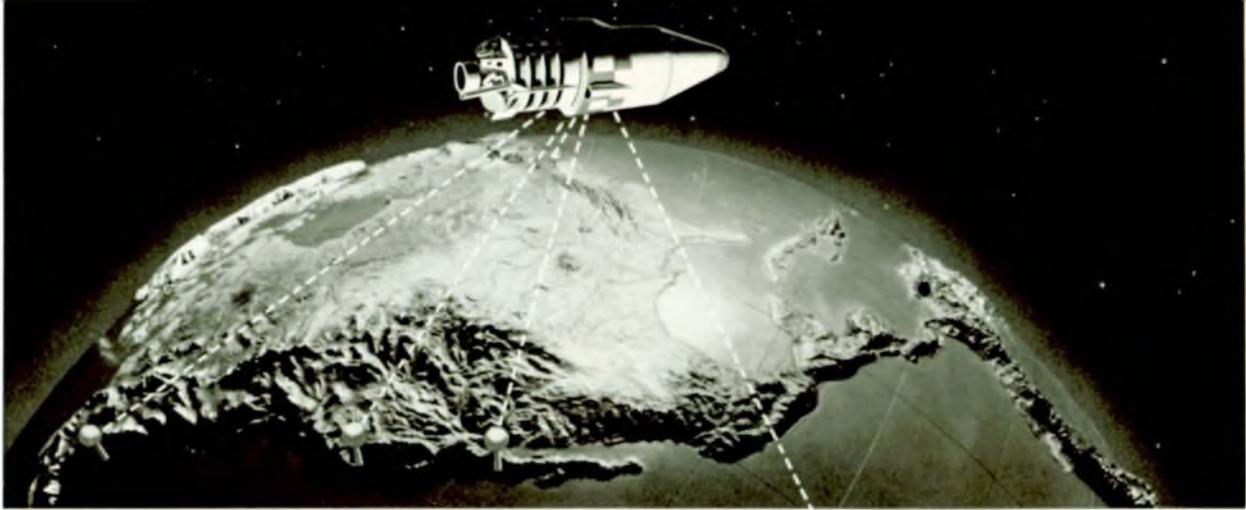
We look forward to an improved though not exceptional year for 1961, and are reasonably optimistic for the balance of the '60's. We have experienced a number of cyclical periods during our 70 year history and are well aware of the difficult problems which must be solved currently to insure the future. We are taking and shall continue to take the necessary steps to attain our objectives. In this endeavor, we are counting on the alert and loyal support of the entire Philco organization.

We are fortunate that, despite their retirement at the close of the year, we shall continue to have the advice and counsel of Leslie J. Woods and Harold W. Butler, formerly Vice Presidents of Engineering and Industrial Relations, respectively. Their long years of service have made lasting contributions to your Company's future.

February 14, 1961



President



Philco designed, built and manned the tracking, command and communications equipment for the Discoverer satellite.

A REVIEW OF DIVISIONAL ACTIVITIES

RESEARCH DIVISION

During 1960, Philco made important strides in extending its program of basic and applied research in the fields of science related to the products and services which Philco supplies to commercial, industrial and government markets. The organization of its research activities as a separate Division and the establishment of the new Philco Research Center near Blue Bell, Pa. in suburban Philadelphia (See Page 8.) were events of major significance in the long-range research program of the Corporation.

The work of the Research Division is geared to the technical needs of the Company at or near the frontier of man's knowledge. The studies and experiments first conducted in the Research Division have led to such important Philco achievements as the electronics of the *Courier* satellite, sophisticated high frequency transistor uses in critical industrial and military devices, the highly advanced Philco 2000 digital computer and many other of the recent technical successes and products of the Company, some of which remain in classified and secret areas.

As an example, the Research Division during the past year has done extensive work in "Pattern Recognition," a new and rapidly expanding field.

This involves a method of transforming visual information, such as printing, into an electronic signal suitable for direct use in a computer, thus greatly increasing its utility. As a result of this research, the Company recently secured an award from the U. S. Post Office to design and build a machine based on this principle for automatic sorting of mail. After the Research Division completes the basic studies, prototype equipment will be built by the Philco Government and Industrial Group. The many opportunities for Pattern Recognition devices in industry offer an important product field for the future.

Present Research Division projects are deeply involved with problems of space and satellite communications, with microminiature electronic systems, with sophisticated radar systems, with computers that make decisions with the speed of light, with unique television and radar screens, with machines that make "human" decisions, with communications equipment many times more immune to interference. These concern the future of Philco and with continued study and experimentation will help to advance the competitive position of the Corporation.

GOVERNMENT AND INDUSTRIAL GROUP

Sales of the Government and Industrial Group showed a marked increase during 1960, indicating the growth of the Company's position in global and space communications, satellite tracking and control systems, guided missiles, data processing and other important areas serving the industrial community.

Western Development Laboratories

One of the most spectacular and highly publicized events of 1960 was the launching into orbit of the *Courier* satellite. Philco's Western Development Laboratories designed and built the *Courier* as prime contractor for the Army Signal Corps. This advanced global communications satellite was designed to receive and transmit messages from and to all parts of the world at the rate of 68,000 words a minute while whirling in orbit. It was the forerunner of a space age system of world-wide communication in the development of which Philco, through this initial project, is prepared to play a major role.

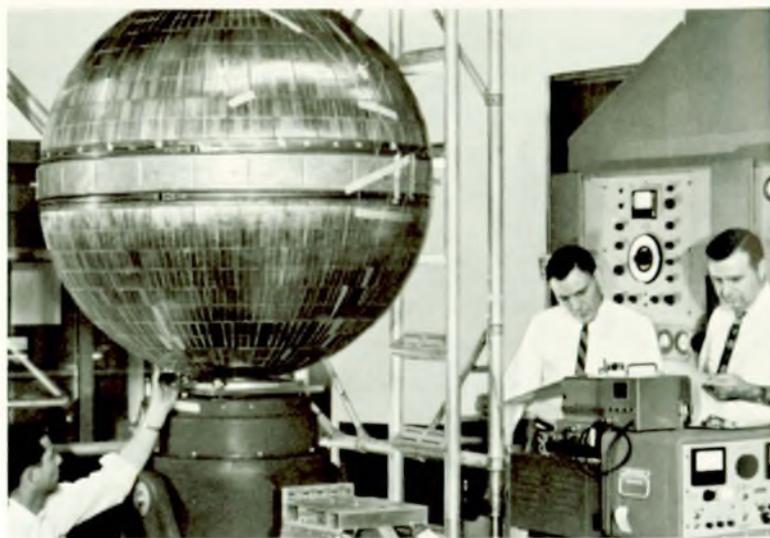
W.D.L. also designed, built and manned tracking, command and communications equipment for the *Discoverer* satellite and is similarly involved with the *Midas* and other satellite projects. Its rapidly expanding activities in space technology have required the erection of an additional laboratory which will be ready for occupancy in 1961. (See Page 8.)

The Courier global communications satellite was designed and built by Philco as prime contractor for the Army Signal Corps.

Communications Systems Division

This newest member of the G & I Group began its activities with the design and installation of a global communications system for the Air Force, linking together every base, outpost and aircraft. Recently it was chosen by the Defense Communications Agency as prime contractor for the initial phase of a world-wide military communications control system.

Status board, below, designed and built by Philco for the Defense Communications Agency.





The "seek-and-destroy" Sidewinder air-to-air missile, developed and being produced for the Navy by Philco.

Communications and Weapons Systems Division

Significant military contracts for design and development were awarded to this Division during the year. Among them was the guidance system for the ground-to-air missile *Redeye* for the Army; an advanced version of the highly successful air-to-air *Sidewinder* missile and an important phase of the undersea warfare project *Trident* for the Navy; new, ultra-portable microwave radio communications equipment and sub-contracts for long-range airborne search radar for the Air Force.

Sierra Electronic Division

This Division specializes in the design and production of electronic test equipment, high power transmitters and remote monitoring systems. Through an aggressive new product program it increased its commercial sales substantially in 1960 and to accommodate its growing needs more than doubled its floor area. (See Page 9.)

Computer Division

Significant progress was made during 1960 toward the objectives of the Company in the computer field. Early in 1960, a new ultra-modern plant in Willow Grove, Pa., was equipped and occupied by 1200 scientists, engineers and technicians and is now devoted exclusively to Philco's computer engineering, production and marketing. (See Page 8.) After a long period of preparation in research and development and heavy investments in facilities, initial deliveries of Philco 2000 large-scale data processing systems were made during the past year to leaders in industry and government. Among them are Westinghouse, General Electric, United Aircraft, Avco, the U. S. Army, the U. S. Navy and the Defense Communications Agency.

During the year, important developments were announced in the Philco 2000 series which further increase the speed, capacity and flexibility of the computer.

"Basicpac," a rugged, mobile data processing system developed by Philco for use in tactical situations under severe conditions of field operation.



LANSDALE DIVISION

Philco's continued growth and importance in the transistor industry during the past year was reflected in increased sales for its Lansdale Division. While Philco produces a complete line covering all commercial, entertainment and industrial uses, its emphasis lies in the specialized and critical types used in sophisticated military equipment, space vehicles and computers. Philco continues to be a major supplier to the military in this field.

Philco pioneered in developing automatic equipment for precise and economical production of transistors. Its Fast Automatic Semiconductor Transfer Line, the first in the industry, has proven so successful that eight additional lines are now in operation to take care of Philco's rapidly growing needs.

Unfailing reliability is so vital in the critical transistor types used in computers, missiles and space exploration that Philco is investing sums run-

ning into the millions for an extensive system of life-testing equipment. Philco transistors have achieved an outstanding record and reputation in military and industrial circles for utmost dependability and performance in those critical uses where the stakes are high.

Semiconductor research into advanced areas of solid state science continues at an accelerated pace in the Division promising important developments in electronic consumer products as well as industrial and government uses.

As a result of the original techniques in production processes and machinery which were developed by Lansdale engineers, the Division has established departments for the sale of Manufacturing Equipment and Special Products and is now in the business of supplying equipment and engineering counsel in communications, industrial processing and space technology.

TECHREP DIVISION

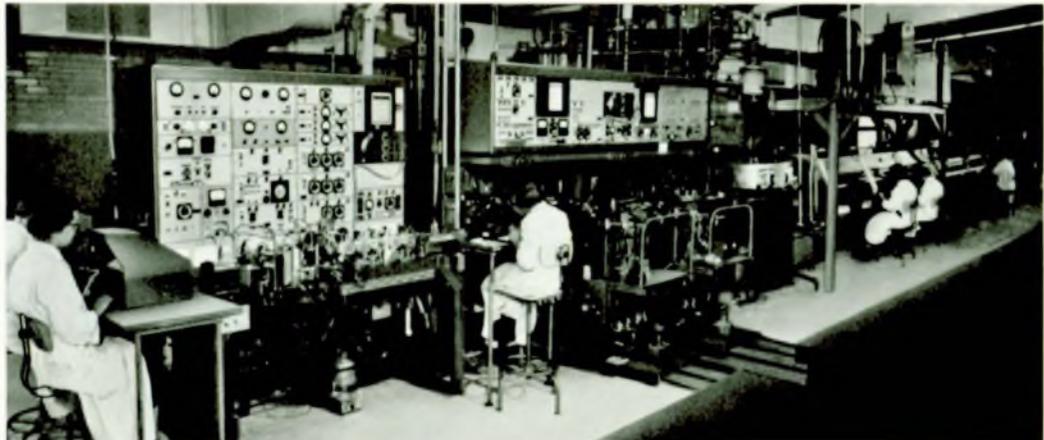
Now in its twentieth year, the TechRep Division is today one of the world's largest field-engineering organizations. At the close of the year more than 3000 TechRep Field Engineers were on assignment throughout the U.S., as well as 25 countries of the free world. Early in 1961, the Division was named by the National Aeronautics and Space Administration (NASA) to provide 16 men for Project Mercury as an important segment of the team

which will monitor the first U.S. space craft carrying a man in orbit. Philco's TechRep engineers will sit with NASA personnel at tracking stations throughout the world to monitor the complex electronic and mechanical systems aboard the Project Mercury space craft.

The year 1960 was marked by a wide variety of TechRep assignments in almost every corner of the globe. In Alaska, TechReps manned the track-



Philco's FAST (Fast Automatic Semiconductor Transfer) line pioneered automatic production of transistors.



How Philco facilities are expanding



Research Division, Blue Bell, Pa.
Research Center for occupancy in April, 1961



Western Development Laboratories, Palo Alto, Calif.
Laboratory being erected for occupancy late in 1961



Computer Division, Willow Grove, Pa.
Building completed and occupied February, 1960

The Many Worlds of Philco

Philco occupies a major role in the rapidly expanding importance of electronic research and production in world affairs. These pages present a partial view of the facilities with which Philco is equipping itself to meet the demands of the future for defense, for industry and for the home.

anding to meet new and broader horizons



Menlo Park, Calif.

Building enlarged and occupied November, 1960



Sao Paulo, Brazil

Producing for the Brazilian market



Mexico City

Producing for the Mexican market



Don Mills, Ontario, Canada

Producing for the Canadian market



Philadelphia

Television Receivers



Connersville, Ind.

Refrigerators and Air Conditioners



Philadelphia

Government & Industrial Group



Lansdale, Pa.

Transistors, Cathode Ray and Receiving Tubes

The Philco T-66 transistor radio was the constant companion of Miss America 1961, Nancy Anne Fleming, in her nationwide travels for Philco.

Television (continued)

announced an exclusive nationwide 90-day Television Service Warranty covering both parts and labor. This is made possible both by Philco's record of low service cost and its nationwide organization of 30,000 service technicians which permits convenient service anywhere in the United States. This program is part of an engineering and manufacturing philosophy which seeks constantly to extend the reliability and trouble-free performance of Philco products so that they will merit the confidence of the trade and public.

Philco consoles, particularly in the Mastercraft and Miss America series, give the public an opportunity to exercise their preference in furniture styles and finish and are indicative of Philco's effort to match the public taste in the appearance of its sets. Philco television portables continue to influence industry design which has universally copied the "Briefcase" style originally introduced by Philco in 1958. Philco continues to secure a substantial share of the portable market with its 17 and 19-inch models.

Radio and Phonographs

While unit sales in radio increased in 1960, the industry felt the effect of foreign price competition which captured a significant share of the U.S. market. Philco succeeded in holding its own in this situation when it introduced its Model T66, a six-transistor pocket radio at \$29.95, which proved to



be one of the fastest selling radios in Philco history. Transistor radios make up approximately 50% of the radio business and Philco is in a particularly favorable position because of the advantages derived from its Lansdale Division, a leader in the design and manufacture of transistors.

Philco is increasing its line of AM-FM sets in recognition of the increased number of FM stations and programming. In stereo-high fidelity, Philco last year was the first to introduce the Reverberation feature which was later adopted by many others in the industry.

Refrigerators

The year of 1960 was marked chiefly by gains in consolidating the features of design, quality and manufacturing efficiency in Philco refrigerators. As part of the over-all Philco program to concentrate on quality rather than "gadgets," refrigerator manufacturing facilities have been improved, advanced automated processes for cabinet manufacture have been installed, production procedures have been standardized, quality control methods have been further improved, all with a view to enhance the Philco reputation for superior service and

Mass magazines carried the announcement of Philco's exclusive parts-and-labor television guarantee.

Some TV makers guarantee tubes, others guarantee parts, and others guarantee just higher priced sets, but only Philco offers a nationwide

PHILCO TV TOTAL GUARANTEE

covering all tubes, parts and service labor!

When a Philco moves in, your TV troubles move out!

The reduction of noise, first accomplished in the Philco "Noiseless" Air Conditioners, proved a highly acceptable feature.

reliability. "Air-Wrap," which was introduced last year as a fundamental advance in the principles of food keeping, has amply proved itself in users' homes to be even better than laboratory tests promised for long-time preservation of fresh foods. As a result, this feature has been introduced in lower priced models for 1961.

Home Laundry

While Philco laundry sales followed the downward trend of the industry in 1960, important strides were made in refinement of product. The Philco-Bendix Duomatic combination washer-dryer, available in gas and electric, continued to hold a commanding sales lead despite the entrance of several competitors into this field. The "Automagic" Washer has conclusively demonstrated that its exclusive washing action, which permits active washing movement with as many as seven sheets at once, is the highest capacity washer on the market *in actual use*, regardless of competitive claims. The "Automagic" Dryer increased its drying efficiency by 25% with exclusive design features which also reduced noise to the lowest on the market. The Commercial Laundry Division equipped many additional stores with its coin-operated washers and dryers and, toward the year end, announced a new coin-operated dry cleaning machine that will be available in 1961. Market tests have revealed an active public demand for this new service and indicate an attractive field for substantial equipment sales.

Air Conditioners

Increased sales and market penetration were the result, in 1960, of Philco's concentration on efficiency of operation and quality manufacture of air conditioners. Philco pioneered in revealing and guaranteeing to the customer accurate B.T.U. ratings of cooling capacity. Today industry pressure



"Air-Wrap," Philco's exclusive advance in food keeping, is now available in lower priced refrigerators.

has caused most manufacturers to follow this practice. Philco has also pioneered in the reduction of noise with its "Noiseless" models. This has proven a highly acceptable feature and is still unmatched in the field. The Ionitron, available with Philco Air Conditioners, is an achievement of extensive original Philco research. It is concerned with the effect of negative ions on air-borne allergies and the general feeling of health and well being which has had extensive recent notice in the press. Philco is the first to have put such a device on the market and is now engaged in further research to take full advantage of this market.



Unique use of a Philco Duomatic washer-dryer combination in a bathroom was pictured in the January 1961 Better Homes and Gardens.

Electric Ranges

Philco continued in 1960 to make original contributions to the design and utility of electric ranges. The chief innovation this year was the "Tilt Top" construction which enables the user to lift the entire top of the range for cleaning and thus alleviates one of the major kitchen chores. This was added to such previous exclusive features as the "Quick Chef" auxiliary oven, the "Roastmeter," "Broil-Under-Glass," the "Quick-Set" Timer and others. Philco is also keeping abreast of the built-in market with a complete line of ranges and appliances which have been installed during the past year in several large housing developments.



An important contribution to ease of cleaning is the exclusive "Tilt Top" in the Philco Electric Range.

PHILCO INTERNATIONAL

Despite disturbed political and economic conditions in certain of our overseas markets, sales of Philco and Bendix products in Western Europe, the Middle East and other areas set a new over-all sales record in 1960. A global promotional program, "Success in the Sixties," which united Philco's world-wide family of distributors, licensees and subsidiaries in a common sales objective, contributed much to this result.

Philco is increasing its ownership interest in Bendix Home Appliances France, our appliance licensee in France. This company's unit sales increased by more than 50% and it shipped over 75% of the total French exports of washing machines last year. Philco Italiana, S.p.A., also a partially owned Philco licensee, which began operations late in 1959, made notable progress. It introduced a full line of Philco appliances and consumer electronic products to the Italian market. It has established two factories and 14 sales branches, through which it serves over 2500 retail dealers throughout Italy.

Through our licensee, Thorn Electrical Prod-

ucts, Ltd., Philco continued its strong representation in the British market. Philco International, Ltd., our wholly owned subsidiary in the United Kingdom, nearly doubled its exports of electronic products in 1960 to Philco's world-wide distributor network. Our licensee, Bendix Home Appliances, Ltd., continues a leader in automatic washers and has sponsored over 1000 self-service laundries. Through these companies and its distributors in neighboring countries, Philco plans to be an important factor in the European Common Market and the European Free Trade Area.

In addition to Philco S.A. de C.V., the Philco subsidiary in Mexico which markets television, radio and appliances (*See Page 9.*), Philco acquired an interest in Cia. Mercantil Internacional, S.A. de C.V., manufacturer of Bendix laundry appliances, which enjoys a dominating share of the Mexican automatic washer market. Satisfactory progress with our electronic and appliance programs was also made in Chile, and in the Argentine our licensee, Philco Argentina S.A., increased its sales by over 30%.

In Brazil, sales of Philco Radio and Televisao, a Philco subsidiary, were particularly successful. Television unit sales more than doubled, radio and high fidelity sales increased by more than half and an air conditioner line was successfully launched. Manufacturing was moved to a new and larger plant. (See Page 9.) Transistor production will begin in 1961 in these new facilities. Philco's partly owned licensee, Bendix Home Appliances do

Brazil, S.A. increased its sales and continues to lead the automatic washer market.

Philco Corporation S.A., our Swiss subsidiary, completed new technical assistance contracts in 1960 which will add Iran and Uruguay to the countries in which Philco products are manufactured. At the year end, the company had licenses with 18 companies in 12 countries for the manufacture and sale of Philco products.



The Philco distributor in Hong Kong is typical of the far-flung markets in which Philco products are sold.

Modern sales idea in Ancient Rome. Specially designed truck being used to demonstrate Philco products to dealers.



SALES FINANCE AND LEASING SERVICE

Philco Finance Corporation had another year of profitable growth, following a carefully planned expansion policy while reporting earnings on a conservative basis. Plans are currently under way to increase its capital base and place a portion of its current borrowing on a longer term basis. Twenty-one new offices were established and volume, other than intercompany, increased by 86%. This company now finances the sale and lease of Philco

products, from computers to consumer goods, at all levels of distribution.

Independence Acceptance Corporation, another subsidiary, and its associated finance companies reported growth in volume and earnings for 1960. This company also increased its investment in Tele-Sound, Inc., a national leasing organization, which increased its business substantially during the year.

PHILCO CORPORATION AND CONSOLIDATED SUBSIDIARIES
BALANCE SHEET

ASSETS

	<u>January 1, 1961</u>	<u>January 3, 1960</u>
Current		
Cash	\$ 18,608,000	\$ 26,227,000
Notes and Accounts Receivable	70,432,000	57,065,000
Inventories	77,229,000	64,868,000
Prepaid Expenses and Advances	1,892,000	1,687,000
Total Current Assets	<u>\$168,161,000</u>	<u>\$149,847,000</u>
Investments and Advances	11,416,000	8,723,000
Property, Plant and Equipment	51,646,000	45,395,000
Other Assets	704,000	794,000
Total Assets	<u><u>\$231,927,000</u></u>	<u><u>\$204,759,000</u></u>

LIABILITIES

Current		
V Loan	\$ 30,000,000	\$ —
Notes Payable, Banks	7,000,000	—
Accounts Payable	15,348,000	17,666,000
Accrued Payrolls and Other Expenses	14,170,000	16,829,000
Accrued Taxes	7,865,000	14,791,000
Total Current Liabilities	<u>\$ 74,383,000</u>	<u>\$ 49,286,000</u>
Long Term Debt	44,342,000	45,134,000
Minority Interest in Subsidiaries	137,000	333,000
Deferred Income Taxes	2,791,000	1,949,000
Total Liabilities	<u><u>\$121,653,000</u></u>	<u><u>\$ 96,702,000</u></u>

STOCKHOLDERS' EQUITY

Preferred Stock, Cumulative, Par Value \$100 per Share		
Authorized 250,000 Shares; Outstanding 100,000 Shares 3¾%	\$ 10,000,000	\$ 10,000,000
Common Stock, Par Value \$3 per Share		
Authorized 10,000,000 Shares; Outstanding 1960—4,090,207 Shares	12,271,000	12,225,000
Capital in Excess of Par Value	23,339,000	23,080,000
Retained Earnings	64,664,000	62,752,000
Total Stockholders' Equity	<u>\$110,274,000</u>	<u>\$108,057,000</u>
Total Liabilities and Stockholders' Equity	<u><u>\$231,927,000</u></u>	<u><u>\$204,759,000</u></u>

STATEMENT OF INCOME AND RETAINED EARNINGS

	<u>Year 1960</u>	<u>Year 1959</u>
Net Sales and Other Revenues	\$400,587,000	\$397,792,000
Costs and Expenses:		
Cost of Goods Sold	\$340,272,000	\$325,466,000
Administrative, Selling and General	48,939,000	49,557,000
Depreciation	6,545,000	5,267,000
Interest	2,558,000	1,968,000
Income Taxes	686,000	8,358,000
Total Costs and Expenses	<u>\$399,000,000</u>	<u>\$390,616,000</u>
Income for the Year	\$ 1,587,000	\$ 7,176,000
Provision for Income Taxes of Prior Years no longer required	700,000	—
Income and Special Credit	\$ 2,287,000	\$ 7,176,000
Retained Earnings at the Beginning of the Period	62,752,000	56,970,000
Dividends paid on Preferred Stock—\$3.75 per share	375,000	375,000
on Common Stock— .25 per share in 1959	—	1,019,000
Retained Earnings at the End of the Period	<u><u>\$ 64,664,000</u></u>	<u><u>\$ 62,752,000</u></u>

The Notes on Page 15 are an integral part of these Statements

Notes to 1960 Financial Statements

Principles of Consolidation

The Financial Statements include the accounts of all majority owned United States and Canadian subsidiaries which are engaged in the manufacture and wholesale distribution of the Company's products. Unrealized profits on inter-company transactions have been eliminated.

Notes and Accounts Receivable

Civilian Customers.....	\$15,933,000
U. S. Government.....	30,140,000
Philco Finance Corporation.....	22,009,000
Other Unconsolidated Subsidiaries.....	2,603,000
	<u>\$70,685,000</u>
Allowance for Doubtful Accounts.....	253,000
	<u>\$70,432,000</u>

As of August 28, 1960, the Company arranged to factor notes and accounts receivable from distributors and dealers for consumer products with Philco Finance Corporation. Under the terms of this arrangement, payments are made to the Company as collections are made by Philco Finance Corporation.

Inventories—Stated at lower of current cost or market

Civilian.....	\$67,838,000
U. S. Government Contracts net of \$6,573,000 of progress payments.....	9,391,000
	<u>\$77,229,000</u>

Investments and Advances

Equity in wholly owned Philco Finance Corporation.....	\$ 6,654,000
Equity in wholly owned Independence Acceptance Corporation and its partially owned financing subsidiaries.....	501,000
Advances to and investments in unconsolidated foreign subsidiaries, at cost.....	2,557,000
Other Investments and Advances, at cost.....	1,704,000
	<u>\$11,416,000</u>

The Company's aggregate equity in the net assets of its foreign subsidiaries exceeded the cost of the capital investment by approximately \$4,840,000, based on current rates of exchange and on unaudited statements at November 30, 1960. Income of Philco Corporation includes \$755,000 of dividends from its unconsolidated foreign subsidiaries.

Philco Finance Corporation Balance Sheet at December 31, 1960

Assets

Cash.....	\$ 861,000
Notes and accounts receivable, net of unearned income of \$5,297,000.....	49,582,000
Receivables factored for Philco Corporation, net of allowance for doubtful accounts of \$801,000.....	20,528,000
Other Assets.....	370,000
	<u>\$71,341,000</u>

Liabilities and Capital Funds

Notes Payable to Banks and Others.....	\$36,321,000
Accounts Payable and Accrued Expenses.....	459,000
Accounts Payable to Philco Corporation.....	22,009,000
Amounts withheld from dealers.....	1,746,000
Estimated Taxes on Income.....	552,000
	<u>\$61,087,000</u>
Capital Funds	
Subordinated Debt 5½% due 1966-1970.....	\$ 3,600,000
Capital.....	5,611,000
Retained Earnings.....	1,043,000
	<u>\$10,254,000</u>
	<u>\$71,341,000</u>

Property, Plant and Equipment

Property, Plant and Equipment at Cost.....	\$78,445,000
Accumulated Depreciation.....	26,799,000
	<u>\$51,646,000</u>

Long-Term Debt

3½% Sinking Fund Notes of Philco Corporation, due \$767,000 annually from 1962 through 1979 and the remainder in 1980.....	\$21,467,000
4¼% Convertible Subordinated Debentures of Philco Corporation due \$880,000 annually from 1969 through 1983 and the remainder in 1984.....	22,000,000
4¾% Debentures of Philco Corporation of Canada, Ltd., due \$25,000 annually from 1962 through 1977 and the remainder in 1978.....	675,000
4% Debentures of Philco Corporation of Canada, Ltd. due \$16,000 in 1978 and 1979 and the remainder in 1980.....	200,000
	<u>\$44,342,000</u>

Under the terms of the Sinking Fund Notes and Convertible Subordinated Debentures there are certain restrictions relative to the payment of cash dividends on common stock and the purchase of the Company's common stock. At January 1, 1961, \$18,164,000 of the consolidated retained earnings was free of such restriction.

The 4¼% Convertible Subordinated Debentures are convertible into shares of common stock at prices equal to \$33½ per share through April 15, 1969 and at \$40 per share thereafter. At January 1, 1961, 660,000 shares have been reserved therefor.

Capital in Excess of Par Value

The change during 1960 represents the excess over par value of the market value of common shares issued under the Stock Ownership Plan and the option price of common shares issued under the Stock Option Plan.

Other Matters

The Company is contingently liable in respect to sundry tax claims, lawsuits, renegotiation proceedings, repurchase agreements and other matters incident to the ordinary course of business. The eventual liability, if any, is not readily determinable, but, in the opinion of management, is not material.

At January 1, 1961 the Company was guarantor for approximately \$1,300,000 on borrowings of its unconsolidated subsidiaries.

The Company is lessee under long term leases, existing or under negotiation, with aggregate annual rentals of approximately \$1,221,000.

Stockholder Approved Option Plans

Under the terms of the Philco Stock Ownership Plan, options to purchase a total of 47,962 shares of Common Stock are outstanding at January 1, 1961 and a like number of shares have been reserved. In addition, participants who have elected to take reserved shares will receive delivery of 44,186 shares in the future, provided they continue to observe their obligations under the Plan. During 1960, a total of 5,460 reserved shares were delivered to such participants. No additional shares will be optioned and reserved under the Philco Stock Ownership Plan.

Under the provisions of the Philco Stock Option Plan, options to purchase a total of 82,500 shares of Common Stock were granted during the year at market value on the date of the grant. At January 1, 1961, there were options outstanding to purchase a total of 264,243 shares of Common Stock at a weighted average price of \$21.11. Options to purchase 9,881 shares were exercised during the year. No options expired or were cancelled during the year. The total number of shares for which options may be granted is limited to 412,160.

Retirement Plans

In 1960 the actuarial assumptions with respect to the salaried employees' retirement plan were revised with the result that there were excess assets in the retirement fund and no payment was required for the year 1960. The 1960 contributions to the wage retirement plans were in amounts which in the opinion of the Company's actuary were sufficient to satisfy the actuarial requirements of these plans. If provision for retirement costs had been made in 1960 on the same bases as in 1959, the additional charge against income for 1960 would have been approximately \$750,000, after taxes.

TO THE BOARD OF DIRECTORS
AND STOCKHOLDERS OF PHILCO CORPORATION

In our opinion, the statements appearing on pages 14 and 15 of this report present fairly the financial position of Philco Corporation and its consolidated subsidiaries at January 1, 1961 and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles. These principles have been applied on a basis consistent with that of the preceding year, except for the change, to which we take no exception, explained in the note "Retirement Plans." Our examination of these statements was 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.

PRICE WATERHOUSE & CO.

Philadelphia
February 14, 1961

PHILCO CORPORATION
TEN YEAR REVIEW

	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951
<i>(In thousands of dollars)</i>										
NET SALES AND OTHER REVENUES	\$400,587	397,792	351,093	372,629	356,933	375,157	350,471	431,538	368,418	305,820
EARNINGS BEFORE INCOME TAXES	2,273	15,534	5,800	6,939	811	17,286	10,618	35,316	25,627	22,008
INCOME TAXES	686	8,358	2,926	2,858	559	9,098	5,420	17,102	13,784	10,540
EARNINGS FOR THE YEAR	2,287*	7,176	2,874	4,081	252	8,188	5,198	18,214	11,843	11,468
TOTAL DIVIDENDS PAID	375	1,394	375 and 2% in stock	375 and 4% in stock	3,393 and 1% in stock	6,410	6,409	6,016 and 5% in stock	6,015	6,014
WORKING CAPITAL	93,778	100,561	78,775	79,359	80,633	70,062	54,305	57,341	48,296	46,305
PROPERTY, PLANT AND EQUIPMENT	51,646	45,395	41,390	40,129	41,883	38,600	38,148	36,062	32,800	28,934
STOCKHOLDERS' EQUITY	110,274	108,057	102,109	99,529	95,787	97,170	95,377	94,526	82,328	76,500
<i>(In dollars per share of Common Stock adjusted for stock dividends)</i>										
EARNINGS	.47*	1.67	.61	.91	(.03)**	1.93	1.19	4.50	2.89	2.80
DIVIDENDS	—	.25	2% in stock	4% in stock	.75 and 1% in stock	1.49	1.49	1.49 and 5% in stock	1.42	1.42
BOOK VALUE	24.48	24.03	22.60	21.99	21.09	21.53	21.09	21.28	18.17	16.70

Data for all years prior to 1958 has been restated to apply certain current accounting and tax policies to prior years.

*Includes special credit.

**Loss.

PHILCO CORPORATION

Tioga and C Streets, Philadelphia 34, Pennsylvania

BOARD OF DIRECTORS

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William L. Day.....*Chairman of the Board,*
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Joseph H. Gillies.....*Vice President*
Larry F. Hardy.....*Vice President*
Gaylord P. Harnwell.....*President, University of Pennsylvania*
Robert F. Herr.....*Vice President*
Wm. Fulton Kurtz.....*Chairman of Executive Committee,*
The First Pennsylvania Banking & Trust Co.
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James M. Skinner, Jr.....*President*
William R. Wilson.....*Vice President—Finance and Treasurer*
Leslie J. Woods.....*Vice President*

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William R. Wilson.....*Vice President—Finance and Treasurer*

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Henry E. Bowes	James E. Leeper
Harold W. Butler	Wilson H. Oelkers
Joseph H. Gillies	David B. Smith
Larry F. Hardy	Leslie J. Woods

Philip Dechert, *General Counsel*
Ernst E. Bareuther, *Controller*
Charles F. Steinruck, Jr., *Secretary*

LANSDALE DIVISION
William J. Peltz
Vice President and General Manager

PHILCO INTERNATIONAL
Harvey Williams
President

PHILCO FINANCE CORPORATION
Frederick G. Reiter
President and Treasurer

TRANSFER AGENTS PREFERRED STOCK
The First Pennsylvania Banking and
Trust Company, Philadelphia
The First National City Bank of New York

REGISTRARS OF PREFERRED STOCK
Girard Trust Corn Exchange Bank, Philadelphia
The Chase Manhattan Bank, New York

TRUSTEE CONVERTIBLE SUBORDINATED
DEBENTURES
Bankers Trust Company, New York

TRANSFER AGENTS COMMON STOCK
The First Pennsylvania Banking and
Trust Company, Philadelphia
Morgan Guaranty Trust Company of New York

REGISTRARS OF COMMON STOCK
The Philadelphia National Bank, Philadelphia
The Hanover Bank, New York

The Annual Meeting of Stockholders of the Corporation will be held April 6, 1961 at 3:00 P.M., E.S.T. at the Corporation's offices, Tioga & C Streets, Philadelphia. A notice of that meeting, together with a form of proxy and a proxy statement, will be mailed to Stockholders shortly, at which time the management will request proxies.



PHILCO

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