

ANNUAL REPORT 1962



4178 - 001

FAIRCHILD

CAMERA AND INSTRUMENT
CORPORATION

FAIRCHILD

AERIAL SURVEYS

FAIRCHILD

CABLE

FAIRCHILD

CONTROLS

FAIRCHILD

DAVIDSON PRODUCTS

FAIRCHILD

DU MONT LABORATORIES

FAIRCHILD

GRAPHIC EQUIPMENT

FAIRCHILD

INDUSTRIAL PRODUCTS

FAIRCHILD

INTERNATIONAL

FAIRCHILD

PRECISION METAL PRODUCTS

FAIRCHILD

SEMICONDUCTOR

FAIRCHILD

SPACE AND DEFENSE SYSTEMS

FAIRCHILD

WINSTON RESEARCH
CORPORATION

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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1962

FAIRCHILD

CAMERA AND INSTRUMENT CORPORATION

EXECUTIVE OFFICES:

300 ROBBINS LANE, SYOSSET, L. I., NEW YORK

DIVISIONS:

AERIAL SURVEYS	224 E. Eleventh St., Los Angeles, Calif.
CABLE	Junge Blvd. and Maiden Lane, Joplin, Mo.
CONTROLS	225 Park Ave., Hicksville, L. I., N. Y.
DAVIDSON PRODUCTS	5004 E. Jericho Turnpike, Commack, L. I., N. Y.
DU MONT LABORATORIES	750 Bloomfield Ave., Clifton, N. J.
GRAPHIC EQUIPMENT	221 Fairchild Ave., Plainview, L. I., N. Y.
INDUSTRIAL PRODUCTS	580 Midland Ave., Yonkers, N. Y.
INTERNATIONAL	515 Madison Ave., New York, N. Y.
PRECISION METAL PRODUCTS	1700 North Johnson Ave., El Cajon, Calif.
SEMICONDUCTOR	545 Whisman Rd., Mountain View, Calif.
SPACE AND DEFENSE SYSTEMS	300 Robbins Lane, Syosset, L. I., N. Y.

SUBSIDIARY:

WINSTON RESEARCH CORPORATION	11162 LaGrange Ave., West Los Angeles, Calif.
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BOARD OF DIRECTORS



John Carter
Chairman of the Board
and Chief Executive Officer
of Fairchild Camera and
Instrument Corporation



Sherman M. Fairchild
Founder and Chairman
of the Executive Committee
of Fairchild Camera and
Instrument Corporation



Richard Hodgson
President of Fairchild
Camera and Instrument
Corporation



Walter F. Burke, Jr.
President of the Fairchild
Foundation, Inc.



Charles H. Colvin
President of Colvin
Laboratories, Inc.



William C. Franklin
President of Royal Crown
Bottling Co.



William B. Scarborough
Consultant; Director of
Metropolitan Fire
Assurance Co.



Joseph B. Wharton, Jr.
President of the
Wealden Company

OFFICERS

JOHN CARTER
*Chairman of the Board and
Chief Executive Officer*

RICHARD HODGSON
President

E. S. HILL
Vice President and Comptroller

K. P. McNAUGHTON
Vice President

R. N. NOYCE
Vice President

G. J. WADE
Secretary and Treasurer

J. W. ENGLISH
Assistant Comptroller

PHILIP HAAS, JR.
Assistant Secretary

NELSON STONE
Assistant Secretary

GENERAL COUNSEL

Cravath, Swaine & Moore, New York

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Peat, Marwick, Mitchell & Co.

TRANSFER AGENT

The Bank of New York

REGISTRAR

First National City Bank of New York

FIVE YEAR HIGHLIGHTS

FAIRCHILD

CAMERA AND INSTRUMENT CORPORATION AND SUBSIDIARIES

(COMPARATIVE FIGURES FOR THE FIVE YEARS ENDING DECEMBER 31, 1962)

FOR THE YEAR

	1962	1961	1960	1959	1958
NET SALES AND MACHINE RENTALS	\$101,538,000	\$92,254,000	\$67,940,000	\$43,442,000	\$31,674,000
NET EARNINGS	4,335,000	3,819,000	3,410,000	2,071,000	544,000
SPECIAL CREDIT (Federal income tax benefits resulting from losses incurred by Allen B. Du Mont Laboratories Inc. prior to merger)	1,655,000	1,433,000	345,000	—	—
NET EARNINGS AND SPECIAL CREDIT	5,990,000	5,252,000	3,755,000	2,071,000	544,000
DIVIDENDS PAID	1,266,791	1,249,136	611,084	518,270	238,299
PAYROLL	45,441,000	36,806,000	28,352,000	22,368,000	14,907,000

AT DECEMBER 31

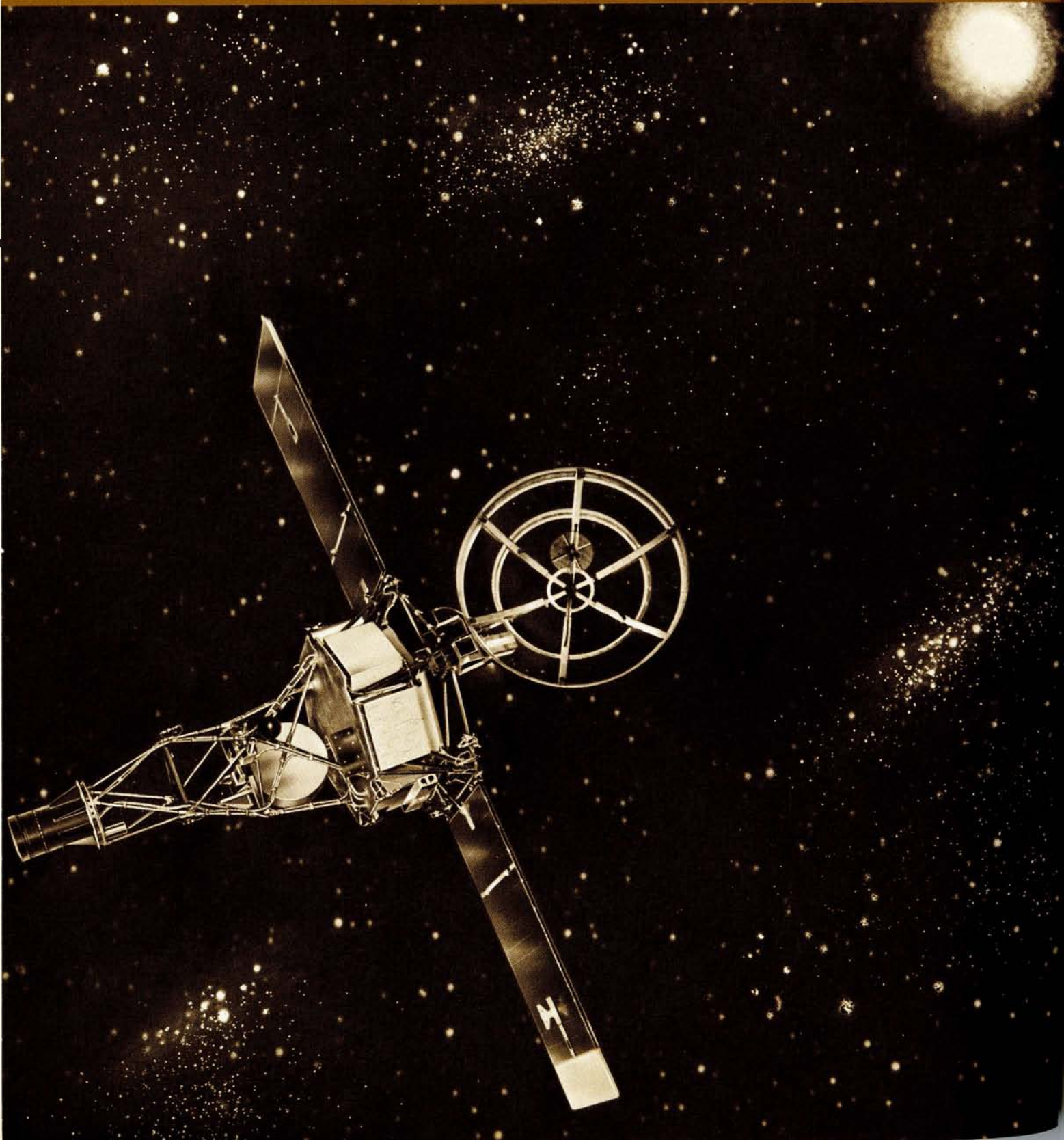
WORKING CAPITAL	20,704,000	17,754,000	14,822,000	7,738,000	6,741,000
SHAREHOLDERS' EQUITY	38,081,000	32,877,000	28,697,000	14,376,000	12,374,000
NUMBER OF EMPLOYEES	7,369	5,493	5,424	3,577	2,168
NUMBER OF STOCKHOLDERS	11,606	10,997	12,859	3,174	1,965
SHARES OUTSTANDING (Two-for-one split in 1961 & 1959)	2,535,083	2,498,272	1,222,168	1,036,890	476,597
BACKLOG	40,443,000	29,357,000	33,591,000	19,823,000	18,154,000

PER SHARE STATISTICS

(Based on 2,535,083 shares outstanding
at December 31, 1962):

NET EARNINGS AND SPECIAL CREDIT	\$ 2.36	\$ 2.07	\$ 1.48	\$.82	\$.21
WORKING CAPITAL	8.17	7.00	5.85	3.05	2.66
SHAREHOLDERS' EQUITY	15.02	12.97	11.32	5.67	4.88

Mariner 2 space vehicle recently made history when it passed within 21,000 miles of the planet Venus after traveling 180 million miles through space. Nearly 1000 Fairchild semiconductor devices were among the almost 14,000 electronic and electromechanical components aboard.



DEAR STOCKHOLDER:

Presented herewith is management's report on operations for the year 1962.

Sales and profits reached new record highs, with volume topping the \$100,000,000 mark for the first time in the Corporation's history.

Sales showed a 10.1 percent increase over 1961, while net profits and special credit were up 14.1 percent.

I think it is important to note that these sales and earnings were achieved despite the fact that:

1. There was a substantial decrease and postponement of military procurement which materially affected sales and profits of the Space and Defense Systems Division.
2. Company-sponsored research and development reached an all-time high of \$7,113,000, an increase of 45.8 percent over 1961.
3. Substantial costs were incurred in establishing and equipping the 105,000 square foot Semiconductor research and development laboratories in Palo Alto, doubling the manufacturing area of the Mountain View plant, the new transistor plant in Portland, Maine and a new plant on Long Island for the newly acquired Davidson Products Division.

A 50-cent cash dividend was paid on the Corporation's outstanding shares, representing the 25th consecutive year in which cash dividends have been paid.

Backlog as of December 31, 1962 was \$40,443,000, up 37.8 percent as compared to the \$29,357,000 reported on the same date in 1961.

The Corporation's acquisition program continued on schedule during 1962, broadening the company's product base and adding significantly to its capabilities. Six acquisitions were completed during the year and included assets of the Cosmic Corporation, El Cajon, Calif.; Addressing Machine Division of Dashew Corporation, Los Angeles; Di-Tran Corporation, Los Angeles; Central Electronic Manufacturers Division of Nuclear Corporation of America, Inc., Denville, N. J.; The Davidson Company, a division of Mergenthaler Linotype Company, Brooklyn, N. Y.; and Winston Research Corporation, West Los Angeles. Winston

formally became a part of the Corporation on January 2, 1963.

All of the acquisitions were for cash with the exception of Cosmic Corporation and Winston Research, which were for stock.

Winston Research, organized in February 1962 by a group of scientists, is oriented primarily in the communications research and development fields with specific interests directed to the areas of space system instrumentation, video and audio tape recording, wideband video transmitting and receiving equipment and electro-optical display systems. Integration of the other acquisitions into the Corporation is explained in detail in the "Reports on the Divisions" section of this report. The acquisition program continues to be active and important to your Corporation as an integral part of its growth program, complementing our internal product development program.

At a special meeting on November 9, 1962, stockholders of the Corporation approved management proposals to extend and amend the Incentive Stock Option Plan of the Corporation and its subsidiaries.

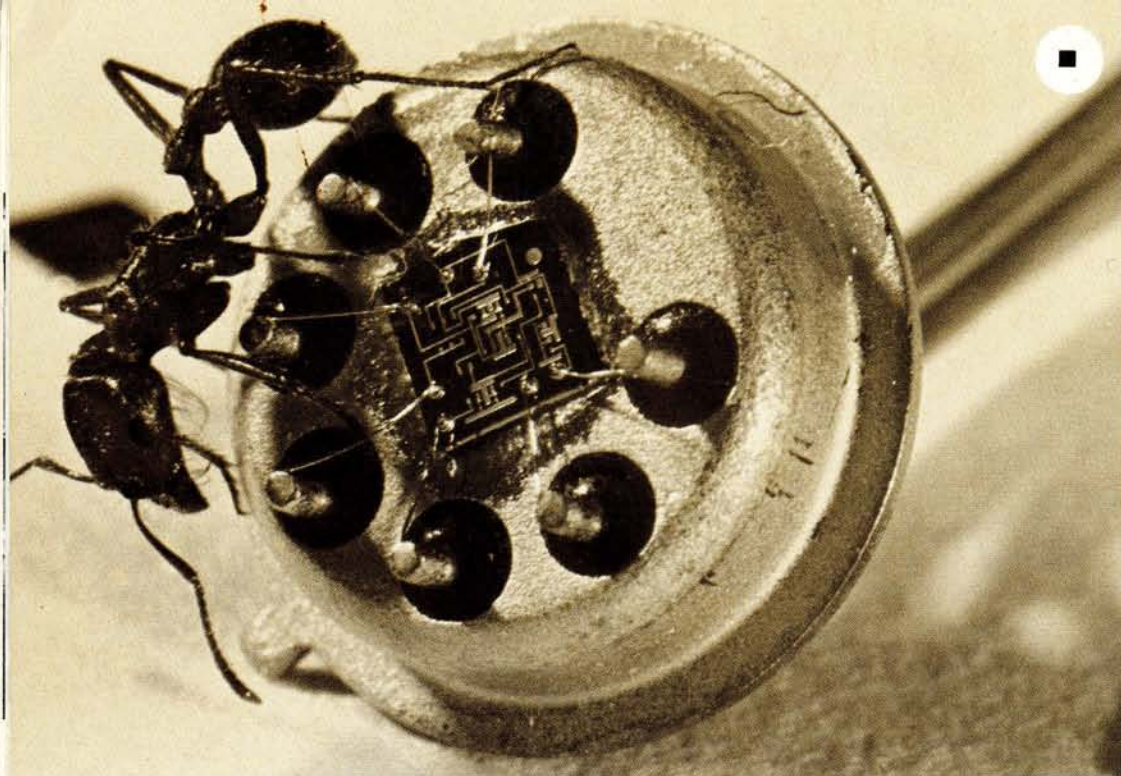
In August of 1962, three major top management changes were made by the Board of Directors. Sherman M. Fairchild, Chairman, was elected to the newly created post of Chairman of the Executive Committee and John Carter, President, was named Chairman of the Board and Chief Executive Officer. Richard Hodgson, Executive Vice President, was named President.

The human resources of any company are its most valuable asset. Fairchild Camera's accomplishments in 1962 would not have been possible without the wholehearted cooperation and effective support of its 7,378 employees, located in plants and offices throughout this country and abroad.

For 1963, we look for a continued upcurve in both sales and profits and for a continuation of the significant product development program which has contributed so materially to the Corporation's continued growth program.



CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER



Above photo was used to illustrate feature article on electronics industry which appeared in Business Week magazine. Ant dramatizes the size of Semiconductor Division Micrologic unit containing 8 transistors and 12 resistors. The actual size of the silicon chip in the center of the photo is equal to tiny black dot in the upper corner of the picture.



Entrance to Semiconductor's new \$2,500,000 Research and Development Center at Stanford Industrial Park, Palo Alto, California.

FAIRCHILD SEMICONDUCTOR

Integrated circuits made news in the semiconductor industry during 1962. While most of the major semiconductor manufacturers planned future production of these sophisticated devices, Fairchild Semiconductor has had a complete family of integrated digital circuits in full production for more than a year. The family, called Micrologic, consists of six integrated digital building blocks each containing several transistors and resistors in a single silicon chip approximately one-eighth of an inch square. During 1962, Fairchild's Micrologic elements were used extensively in several of the more sophisticated new computers. Both the Martin-Marietta Company's MARTAC 420 missile control computer and the AC Spark Plug MAGIC airborne inertial guidance computer featured Fairchild's Micrologic. These were the first production computers ever built using integrated circuits.

The success of Micrologic integrated circuits as off-the-shelf products has led the Division to extend this technology.

In addition to Micrologic, Fairchild offered custom integrated circuits to its customers in 1962. An integrated circuit kit was developed to enable customers to design their own specialized circuits following simple rules. Once designed, the circuit containing discrete transistors, diodes, resistors, etc. is returned by the customer to the Division where it is integrated into a single silicon chip. Once integrated, any number of the new circuits can be manufactured.

While some of the more sophisticated military computers were being built in 1962 using Micrologic, standard computers for commercial use were also undergoing change. For the first time, silicon transistors were being used on a large scale in commercial machines. Prior to 1962 most transistorized computers had used germanium devices because of their lower cost and faster switching speed. During 1962, however, reduced cost of silicon transistors made it possible for computer manufacturers to take advantage of the better all round performance and higher reliability of silicon devices.

One of the reasons for the lower cost of silicon transistors and diodes can be attributed to the Fairchild developed Planar process of semiconductor manu-

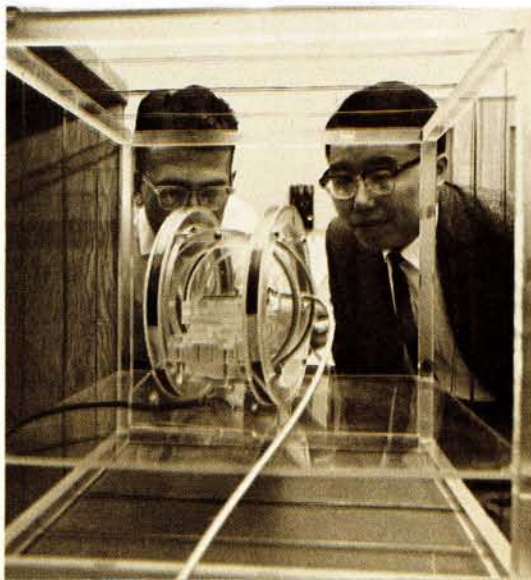


Multiple laboratories with variety of controlled lighting, temperature and humidity conditions serve Semiconductor's new Research and Development Center. Building contains over 30,000 square feet of space.



Above is shown a part of the production facilities at Semiconductor's European affiliate, Societa' Generale Semiconduttori (SGS) of Milan, Italy.

Magnetic thin film is one of many areas under study by Fairchild Semiconductor research teams. Arthur P. Hale, of technical staff (left) and Dr. C. Tom Sah, Manager of solid state physics research, examine progress of an experiment on hysteresisgraph at new research center.



facture. This process, which has been patented by Fairchild and is now being licensed to other semiconductor manufacturers makes possible high-yield manufacture of extremely reliable devices.

The silicon semiconductor market grew more rapidly in 1962 than the overall semiconductor market and Fairchild Semiconductor was able to capture, an even larger segment of the silicon market. During 1962, Fairchild Semiconductor became the largest producer of high performance silicon transistors in the world.

The instrumentation group of Fairchild Semiconductor also made inroads into new market areas during 1962. The acquisition of Di-Tran, a Los Angeles instrumentation firm, added several new component test instruments to those which had been developed by Fairchild. The end of 1962 found the Division's Instrumentation Department with the most complete line of semiconductor and component test equipment in the country. To facilitate this growth, the department was moved into quarters at 844 Charleston Road in Palo Alto, the original site of Fairchild Semiconductor and most recently occupied by the Research and Development Laboratories.

A new \$2.5 million, 105,000 square foot Research and Development Center was completed and occupied during 1962. Located in Stanford Industrial Park in Palo Alto, the new laboratory is the most modern and fully equipped in the industry.

There were other expansions during 1962. The Division more than doubled its work force from 1400 to 3000. A 48,000 square foot transistor assembly plant was acquired and placed in operation in South Portland, Maine. A 20,000 square foot plant site was leased just outside London, England by our affiliate, SGS-Fairchild Limited. Construction was begun on a new \$2 million, 165,000 square foot plant adjacent to the Division's present headquarter facility in Mountain View. Scheduled for completion in the Spring of 1963, the new plant will be used for manufacturing, materials development and administrative offices.

CONSOLIDATED BALANCE SHEET

December 31, 1962 with comparative figures for 1961

FAIRCHILD

CAMERA AND INSTRUMENT
CORPORATION
AND SUBSIDIARIES

ASSETS

CURRENT ASSETS:

Cash

\$ 3,039,873

\$ 2,667,062

Accounts and notes receivable, including \$1,762,579 in 1962 and \$468,136 in 1961 of instalment payment contracts due after one year, less provision for allowances and doubtful accounts — 1962, \$1,336,363; 1961, \$893,343

25,606,619

17,707,999

Inventories, at the lower of cost (principally first-in, first-out) or estimated realizable market:

U. S. Government contracts and other work in process, less progress payments — 1962, \$1,077,336; 1961, \$450,505

9,171,356

5,774,608

Raw materials and parts

5,065,536

4,178,934

Finished goods

6,297,103

4,018,663

20,533,995

13,972,205

Prepaid expenses

661,204

429,402

Total current assets

49,841,691

34,776,668

INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES (notes 1 and 7)

1,745,217

1,389,699

PROPERTY, PLANT AND EQUIPMENT, AT COST:

Land

514,747

485,025

Buildings

7,576,877

7,151,994

Rental equipment

4,539,432

4,580,922

Machinery, furniture and fixtures and leasehold improvements

22,166,351

16,778,662

34,797,407

28,996,603

Less accumulated depreciation and amortization

13,144,152

10,671,546

21,653,255

18,325,057

DEFERRED CHARGES

345,376

213,498

GOODWILL

1

1

\$73,585,540

\$54,704,923

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable to banks — unsecured (note 2)	
Current instalments of mortgages payable	
Accounts payable and accrued liabilities	
Provision for Federal and other taxes on income (note 3)	
Total current liabilities	

1962	1961
\$13,700,000	\$ 7,500,000
85,577	82,635
10,930,211	7,566,424
4,422,329	1,873,443
<u>29,138,117</u>	<u>17,022,502</u>

LONG-TERM DEBT:

Secured revolving credit (note 2)	
4¾% to 6% mortgages payable, less current instalments	

4,500,000	2,900,000
775,353	860,936
<u>5,275,353</u>	<u>3,760,936</u>

DEFERRED FEDERAL INCOME TAXES (note 3)

1,091,219	1,044,000
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STOCKHOLDERS' EQUITY:

Common stock, \$1 par value (note 4):	
Authorized, 4,000,000 shares.	
Issued and outstanding, 2,535,083 shares in 1962 and 2,498,272 shares in 1961	
Additional paid-in capital	
Retained earnings (note 2)	
Total stockholders' equity	

2,535,083	2,498,272
17,152,551	16,999,105
18,393,217	13,380,108
<u>38,080,851</u>	<u>32,877,485</u>

COMMITMENTS (notes 5, 6 and 7).

<u>\$73,585,540</u>	<u>\$54,704,923</u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

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Accounts payable and accrued liabilities	10,930,211	7,566,424
Provision for Federal and other taxes on income (note 3)	4,422,329	1,873,443
Total current liabilities	<u>29,138,117</u>	<u>17,022,502</u>

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Secured revolving credit (note 2)	4,500,000	2,900,000
4¾% to 6% mortgages payable, less current instalments	775,353	860,936
	<u>5,275,353</u>	<u>3,760,936</u>

DEFERRED FEDERAL INCOME TAXES (note 3)

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Authorized, 4,000,000 shares.		
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Additional paid-in capital	17,152,551	16,999,105
Retained earnings (note 2)	18,393,217	13,380,108
Total stockholders' equity	<u>38,080,851</u>	<u>32,877,485</u>

COMMITMENTS (notes 5, 6 and 7).

<u>\$73,585,540</u>	<u>\$54,704,923</u>
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FAIRCHILD

CAMERA AND INSTRUMENT
CORPORATION

AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS

YEAR ENDED DECEMBER 31, 1962 WITH COMPARATIVE FIGURES FOR 1961

	1962	1961
NET SALES AND MACHINE RENTALS	<u>\$101,538,202</u>	<u>\$92,254,237</u>
COST OF SALES, AND OTHER OPERATING COSTS (depreciation and amortization provided — 1962, \$3,758,564; 1961, \$3,155,634):		
Cost of sales and machine rentals	71,440,591	68,133,284
Administrative and selling	20,631,373	15,376,657
	<u>92,071,964</u>	<u>83,509,941</u>
	9,466,238	8,744,296
OTHER INCOME	<u>488,023</u>	<u>527,456</u>
	9,954,261	9,271,752
LESS INTEREST PAID (1962, \$713,294; 1961, \$686,912) AND OTHER CHARGES	<u>1,058,321</u>	<u>1,071,786</u>
EARNINGS BEFORE FEDERAL TAXES ON INCOME	8,895,940	8,199,966
PROVISION FOR FEDERAL TAXES ON INCOME (note 3)	<u>4,561,000</u>	<u>4,381,000</u>
NET EARNINGS FOR YEAR	<u>4,334,940</u>	<u>3,818,966</u>
SPECIAL CREDIT—FEDERAL INCOME TAX BENEFITS RESULTING FROM LOSSES INCURRED BY ALLEN B. DU MONT LABORATORIES, INC. PRIOR TO MERGER (note 3)	<u>1,655,000</u>	<u>1,433,000</u>
NET EARNINGS AND SPECIAL CREDIT	<u>\$ 5,989,940</u>	<u>\$5,251,966</u>

See accompanying notes to consolidated financial statements.