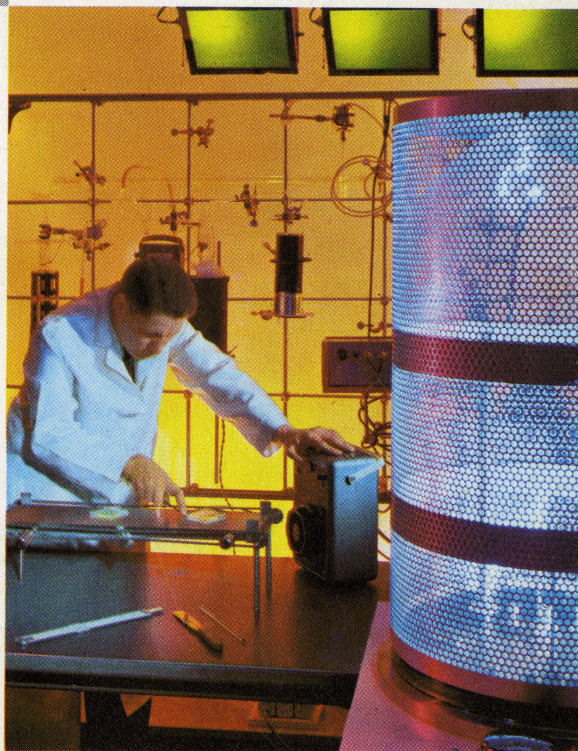


1960 ANNUAL REPORT



-FAIRCHILD CAMERA AND INSTRUMENT CORPORATION



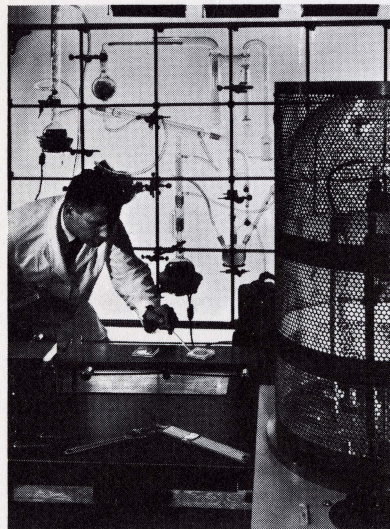
1960 ANNUAL REPORT



FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

For the Year Ended December 31, 1960

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ON THE COVER

The four-color process illustration on the cover typifies the extensive research being carried on in all Divisions of the Company. It shows a physicist in the Defense Products Division's new Basic Research Laboratory preparing single crystals of silver bromide as part of a research program on the properties of photographic materials. Illustration was produced from continuous-tone color separations made on the Fairchild Scan-A-Color.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Executive Offices

Robbins Lane, Syosset, L. I., N. Y.

Plants

Syosset, L. I., N. Y.

Yonkers, N. Y.

Clifton, N. J.

Los Angeles, Calif.

Joplin, Mo.

SUBSIDIARIES

Fairchild Semiconductor Corporation

Mountain View, Palo Alto, and San Rafael, Calif.

Fairchild Graphic Equipment, Inc.

Plainview, L. I., N. Y.

Fairchild Controls Corporation

Hicksville, L. I., N. Y. and Los Angeles, Calif.

Fairchild Camera en Instrumenten Maatschappij, N.V.

Emmen, Netherlands and London, England

Fairchild Camera and Instrument Corporation of Canada, Ltd.

Toronto, Ont.

Du Mont Television & Electronics, Ltd.

Montreal, Canada

Cinephonic Manufacturing Corporation

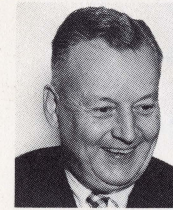
Yonkers, N. Y.



PHOTO COURTESY OF NRC EQUIPMENT CORPORATION

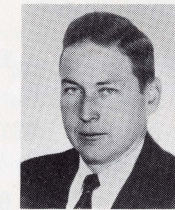
This view through one of the access ports of the space chamber in Fairchild's new Space Environmental Laboratory, is indicative of the size of this facility.

BOARD OF DIRECTORS



Sherman M. Fairchild
Chairman of Board

Founder of Fairchild Camera and Instrument Corporation; Chairman of Fairchild Engine and Airplane Corp.; Director of I. B. M. and G. M. Giannini Co., Inc.



Walter F. Burke, Jr.
Attorney and financial advisor.



John Carter
President of Fairchild Camera and Instrument Corporation.



Charles H. Colvin
President of Colvin Laboratories.



William C. Franklin
President and Director of the Royal Crown Bottling Co., Baltimore, Md.



Richard Hodgson
Executive Vice President of Fairchild Camera and Instrument Corporation.



Wm. B. Scarborough
Consultant, Director of Metropolitan Fire Assurance Company of N. Y.



Jos. B. Wharton, Jr.
Management Consultant. President of The Wealden Company.

OFFICERS

John Carter
President

Richard Hodgson
Executive Vice President

E. S. Hill
Vice President and Comptroller

K. P. McNaughton
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

Accountants and Auditors
Peat, Marwick, Mitchell & Co., N. Y.

Transfer Agent
The Bank of New York

Registrar
First National City Bank of New York



FAIRCHILD CAMERA AND INSTRUMENT CORPORATION AND SUBSIDIARIES

For the Years Ended December 31, 1960 and 1959

	1960	1959
Net Sales	\$67,940,000	\$43,442,000
Profit Before Federal Taxes on Income	6,990,000	4,360,000
Net Profit and 1960 Special Credit	3,755,000	2,071,000
Taxes	5,008,000	3,376,000
Working Capital	14,822,000	7,738,000
Net Worth	28,697,000	14,376,000
Payroll	28,352,000	22,368,000
Number of Employees	5,424	3,577
Number of Stockholders	12,859	3,174
Shares Outstanding (Two-for-One Split in 1959)	1,222,168	1,036,890
Backlog	33,591,000	19,823,000
PER SHARE (Both Years Based on 1,222,168 Shares)		
Net Profit	\$ 3.07	\$ 1.69
Taxes	4.10	2.76
Working Capital	12.13	6.33
Net Worth	23.48	11.76

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

SYOSSET, L. I., N. Y.

DEAR STOCKHOLDER:

Presented herewith is Management's report on operations for the year 1960.

Both profits and sales hit record highs, unmatched in the Corporation's 41 year history. Sales showed a 56 percent increase over 1959, while profits were up 81 percent.

A 50-cent per share cash dividend was paid to shareholders, representing the 23rd consecutive year in which cash dividends have been paid by the Company. The total dividend amounted to \$611,084, the largest annual cash disbursement of dividends in the history of the Company.

Acquisition by merger of the Allen B. Du Mont Laboratories, Inc. of Clifton, New Jersey, was approved by the stockholders and effected on July 5. Integration has proceeded smoothly and a number of new products were introduced.

A strike, called November 2 by the International Association of Machinists against the Company's Long Island plants, was settled on January 14, 1961 with agreement on a 30-month contract, which management feels will enable these divisions to continue to be competitive. While the strike did have some effect on fourth quarter earnings, every step possible was taken to minimize the economic effects of the strike.

Negotiations were initiated in the fourth quarter to acquire the 67,000 square foot production facility of Pacific Mercury Electronics in Joplin, Missouri and the manufacturing operations of the Graphic Equipment Division were moved from Long Island to this new air-conditioned plant early in 1961. In addition, the acquisition enabled us to add electric and electronic cables which are widely used in missile, aircraft and defense equipment, to the Company's product line. This activity is now known as the Cable Division. This acquisition was for cash, and included a financing arrangement extremely advantageous to your Company.

Total backlog showed a marked increase and all divisions developed new products during the period. Net worth increased to \$28,697,000 from \$14,376,000 as of December 31, 1959.

The outlook for 1961 is for a continued upcurve in sales and profitability and a continued emphasis on new product research and development in all areas.

Sincerely,

SHERMAN M. FAIRCHILD
Chairman of the Board

JOHN CARTER
President



REPORTS ON THE DIVISIONS

THE SEMICONDUCTOR DIVISION

Fairchild Semiconductor achieved maturity in 1960, its third year since founding and its third successive year of substantial growth. From the position of brilliant newcomer, the Division advanced to acknowledged leadership not only in research and development, but in successful production and marketing techniques as well.

The growth was reflected in physical expansion; from a 1959 total of 95,000 square feet in five locations, 1960 ended with 166,000 square feet in seven plant sites. Ground has been broken for a 40,000 square foot addition to the main transistor manufacturing plant at Mountain View and a totally new 56,000 square foot Research and Development Center is expected to be occupied before the end of 1962.

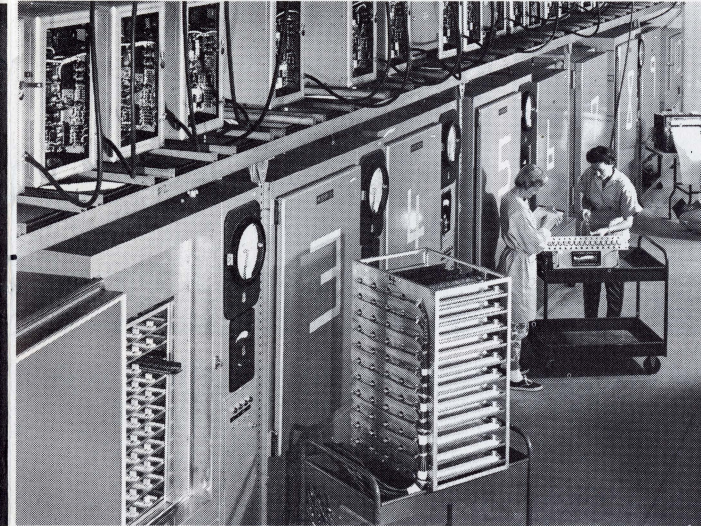
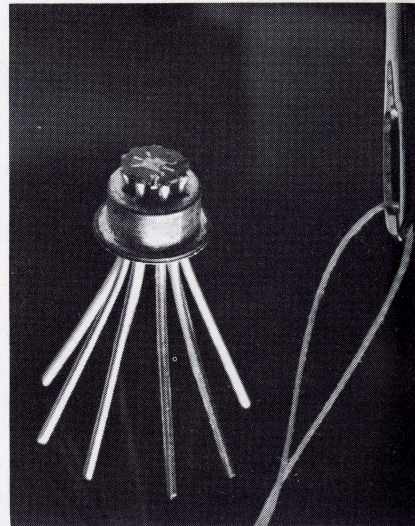
New sales offices were opened in Florida, New York, Massachusetts, California and Washington; the field sales force grew from seven to twenty-one. The Division's share of the total silicon transistor market was increased substantially in 1960. The new diode plant in San Rafael got into full production and profitable operation. A new product line was introduced — multiple assemblies of standard Fairchild transistors and diodes packaged as a single unit to meet particular customer requirements and to satisfy the need for common elemental building blocks in more standard circuits.

It was the year of the Planar process. Developed exclusively by Fairchild, the process offered a new standard of reliability and improved performance to the component user. The surface stability of Planar devices is unparalleled in the whole range of semiconductor devices.

Fairchild's reliability achievements received impressive recognition when the Division was appointed by Autonetics, a division of North American Aviation, Inc., to undertake the most extensive reliability evaluation program ever attempted in the industry in connection with Autonetics' MINUTEMAN ICBM program. A separate group, the Reliability Evaluation Department, was set up within the Semiconductor Division to life test 115,000 transistors. Data collected during the tests, which are to range up to 19 months in duration, is fed back into the transistor manufacturing plant, and a device reliability improvement program has set as its goal the unprecedented reliability level of .001% per 1,000 hours.

Growth was visible throughout the Division in 1960. New and important distributors were added to the marketing network. International operations came into play with the mid-year acquisition of one-third interest in SGS (Societa Generale Semiconduttori), a Milan, Italy manufacturer of germanium devices now owned in equal thirds by Fairchild, Telettra and Olivetti.

Within Fairchild Camera and Instrument Corporation, Semiconductor joined forces with Fairchild Controls to develop a semiconductor strain gauge, the most advanced design in its field. Mutual assistance highlighted the relationship with the Du Mont divisions.



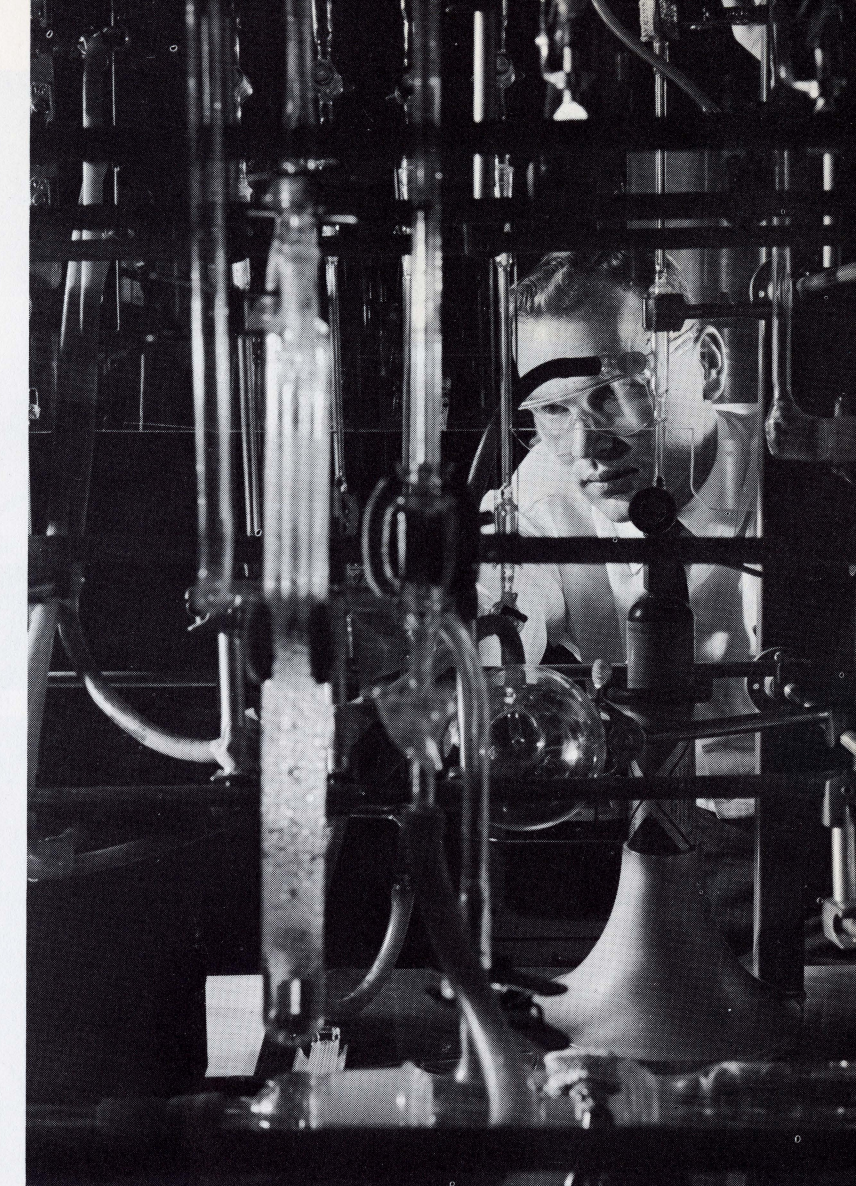
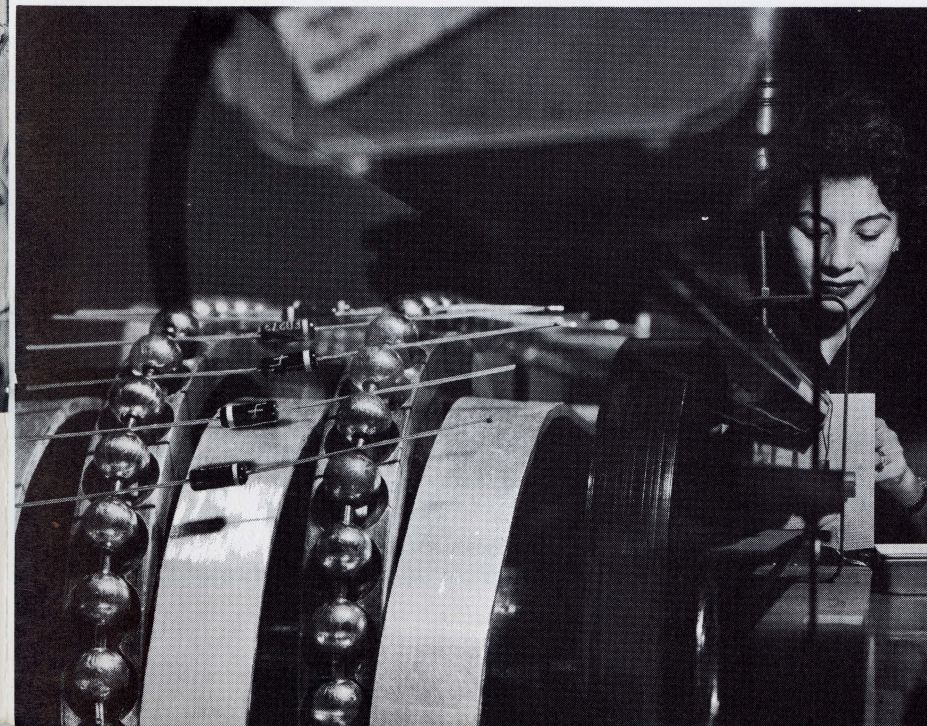
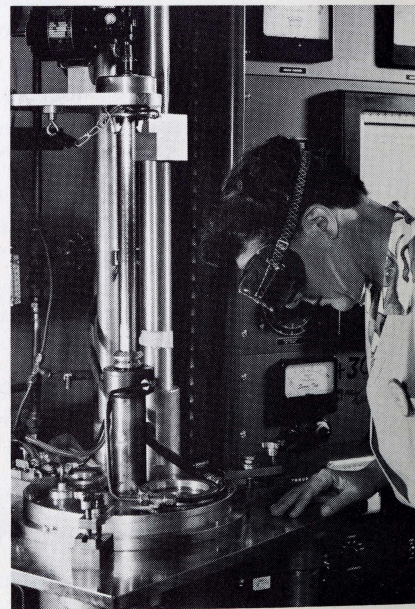
Illustrated left to right are — Unencapsulated micrologic flip-flop element, one of a set of elements in development of the Semiconductor Research and Development laboratories.

Life test environmental ovens at the Reliability Evaluation Department; they are being used to test 115,000 transistors, some of them for a period of 19 months, in Semiconductor's reliability evaluation program.

Engineer checking readings on a diffusion furnace the main production facility in Mountain View.

At left — Technician checking progress of silicon crystal ingot being drawn in a crystal grower.

Below — Technician oversees application of protective epoxy coating to diodes.



CONSOLIDATED
BALANCE SHEET



FAIRCHILD CAMERA AND INSTRUMENT CORPORATION AND SUBSIDIARIES / December 31, 1960 with comparative figures for 1959

ASSETS

	<u>1960</u>	<u>1959</u>
Current assets:		
Cash	\$ 3,842,320	\$ 1,452,665
Accounts receivable, less provision for allowances and doubtful accounts	13,923,383	8,300,102
Inventories, at lower of cost or estimated realizable market:		
U. S. Government contracts and other work in process, less progress payments — 1960, \$1,650,579; 1959, \$849,269	5,892,262	5,086,396
Raw materials, parts and finished goods	10,074,030	4,511,012
Prepaid expenses	425,727	236,147
Total current assets	<u>34,157,722</u>	<u>19,586,322</u>
Investments in and advances to affiliated companies (note 1)	793,030	344,200
Estimated future Federal income tax benefits (note 3)	994,581	—
Property, plant and equipment, at cost:		
Land and buildings	6,668,355	3,952,301
Rental equipment	4,422,561	3,734,197
Machinery, furniture and fixtures and leasehold improvements	13,931,952	7,459,705
	<u>25,022,868</u>	<u>15,146,203</u>
Less accumulated depreciation and amortization	8,650,279	4,828,143
	<u>16,372,589</u>	<u>10,318,060</u>
Unamortized patents and patent applications, and other deferred charges	245,595	21,664
Goodwill	<u>1</u>	<u>1</u>
	<u>\$52,563,518</u>	<u>\$30,270,247</u>

See accompanying notes to consolidated financial statements.

LIABILITIES

	<u>1960</u>	<u>1959</u>
Current liabilities:		
Notes payable to banks—unsecured (note 2)	\$ 8,000,000	\$ 4,000,000
Current installments of mortgage payable	52,024	—
Accounts payable and accrued liabilities	7,629,740	5,895,394
Provision for Federal and other taxes on income (note 3)	3,653,804	1,952,877
Total current liabilities	<u>19,335,568</u>	<u>11,848,271</u>
Long-term debt:		
Secured revolving credit (note 2)	2,900,000	2,900,000
4¾ % mortgage payable, less current installments	537,146	—
	<u>3,437,146</u>	<u>2,900,000</u>
Deferred Federal income taxes (note 3):	1,094,000	1,146,000
Stockholders' equity (notes 1 and 4):		
Common stock, \$1 par value:		
Authorized, 2,000,000 shares.		
Issued and outstanding, 1,222,168 shares in 1960 and 1,036,890 shares in 1959	1,222,168	1,036,890
Additional paid-in capital	18,097,358	3,188,905
Retained earnings (note 2)	9,377,278	10,150,181
Total stockholders' equity	<u>28,696,804</u>	<u>14,375,976</u>
Commitments (notes 5 and 6).		
	<u>\$52,563,518</u>	<u>\$30,270,247</u>



-FAIRCHILD CAMERA AND INSTRUMENT CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS

YEAR ENDED DECEMBER 31, 1960 WITH COMPARATIVE FIGURES FOR 1959

	<u>1960</u>	<u>1959</u>
Net sales and machine rentals	\$67,940,374	\$43,442,600
Cost of sales and other operating costs (depreciation and amortization provided — 1960, \$2,188,709; 1959, \$1,476,223):		
Cost of sales and machine rentals	49,543,531	32,012,210
Administrative and selling	11,235,685	7,119,927
	<u>60,779,216</u>	<u>39,132,137</u>
	7,161,158	4,310,463
Other income:		
Dividend from affiliate	15,000	75,000
Miscellaneous	550,770	287,890
	<u>7,726,928</u>	<u>4,673,353</u>
Less interest paid (1960, \$618,117; 1959, \$291,920) and other charges	736,456	313,128
	<u>6,990,472</u>	<u>4,360,225</u>
Provision for Federal taxes on income	3,580,000	2,289,000
Net earnings for year	3,410,472	2,071,225
Special credit—Federal income tax benefits resulting from losses incurred by Du Mont prior to merger (note 3)	345,000	—
Net earnings and 1960 special credit	<u>\$ 3,755,472</u>	<u>\$ 2,071,225</u>

See accompanying notes to consolidated financial statements.

**STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN
CAPITAL AND RETAINED EARNINGS**

YEAR ENDED DECEMBER 31, 1960 WITH COMPARATIVE FIGURES FOR 1959

	<u>1960</u>	<u>1959</u>
Additional Paid-in Capital		
BALANCE AT BEGINNING OF YEAR	\$ 3,188,905	\$ 3,300,387
Additional paid-in capital of Du Mont at July 5, 1960, less merger expenses (note 1)	10,207,727	—
Excess of the par value of the capital stocks of Du Mont over the par value of Fairchild stock issued (note 1)	4,622,667	—
Excess of proceeds from exercise of stock options over par value of shares issued, less expenses (note 4)	78,059	421,364
	<u>18,097,358</u>	<u>3,721,751</u>
Less:		
Transfer to common stock account in connection with two-for-one stock split	—	518,270
Excess of par value of Fairchild Camera and Instrument Corporation stock issued over par value of Fairchild Semiconductor Corporation stock acquired, less Semi- conductor additional paid-in capital	—	14,576
	<u>—</u>	<u>532,846</u>
BALANCE AT END OF YEAR	<u>\$18,097,358</u>	<u>\$ 3,188,905</u>
Retained Earnings		
BALANCE AT BEGINNING OF YEAR	\$10,150,181	\$ 8,597,226
Less accumulated deficit of Du Mont at July 5, 1960 (note 1)	3,917,291	—
	<u>6,232,890</u>	<u>8,597,226</u>
Add net earnings and 1960 special credit, per accompanying statement	3,755,472	2,071,225
	<u>9,988,362</u>	<u>10,668,451</u>
Deduct cash dividends — 50¢ a share in 1960 and 1959	611,084	518,270
BALANCE AT END OF YEAR (Note 2)	<u>\$ 9,377,278</u>	<u>\$10,150,181</u>

See accompanying notes to consolidated financial statements.