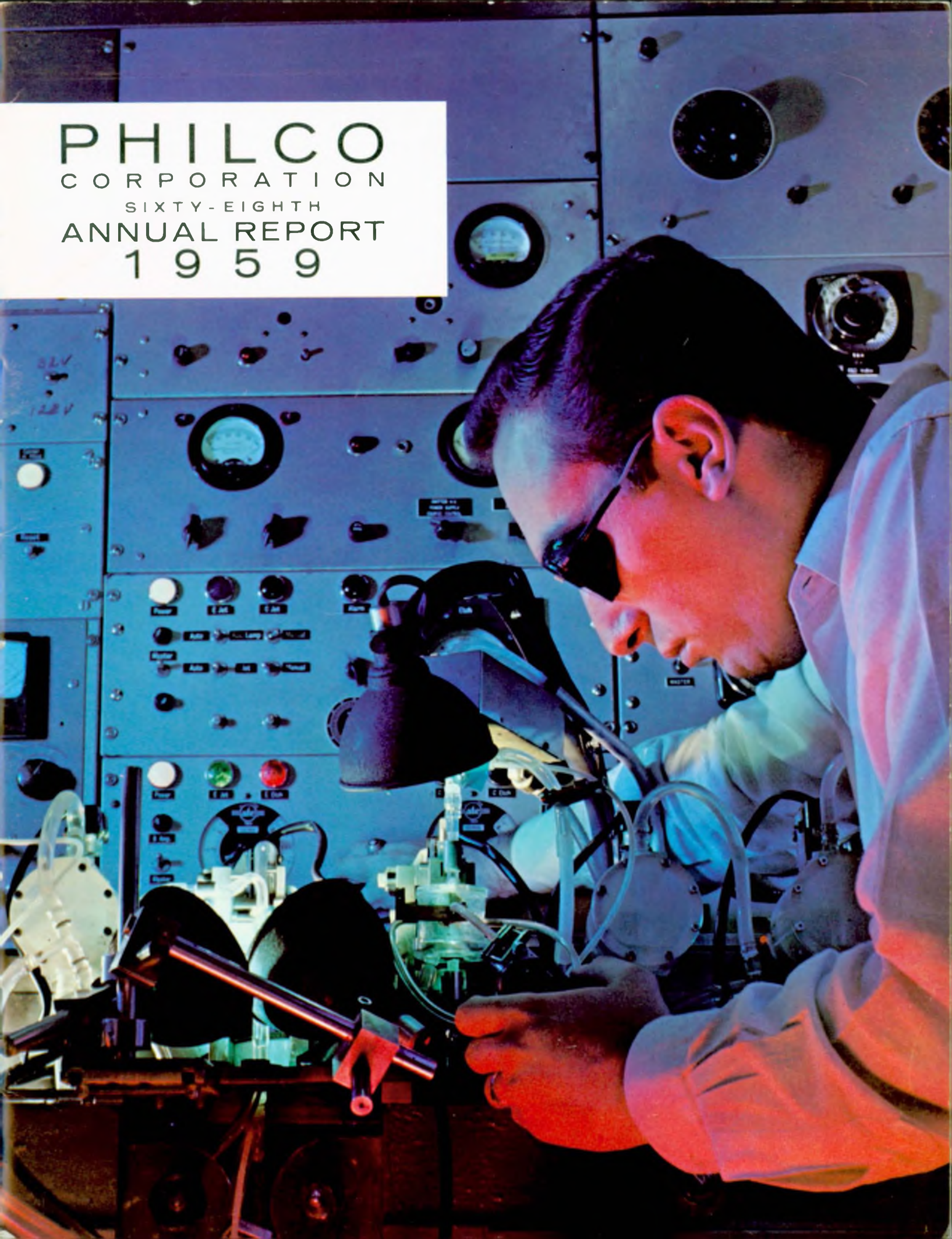


PHILCO
CORPORATION
SIXTY-EIGHTH
ANNUAL REPORT
1959



Satellite tracking antenna designed and constructed by Philco



PHILCO CORPORATION

1959

ANNUAL REPORT

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Cover:
Philco's Fast Automatic Transfer Line, Industry's most
automated transistor production facility

HIGHLIGHTS

	1959	1958
Net Sales and Other Revenues ..	\$397,792,000	\$351,093,000
Earnings Before Income Taxes ..	15,534,000	5,800,000
Income Taxes	8,358,000	2,926,000
Earnings for the Year	7,176,000	2,874,000
Working Capital	100,561,000	78,775,000
Property, Plant and Equipment ..	45,395,000	41,390,000
Dividends Paid:		
on Preferred Stock	375,000	375,000
on Common Stock	1,019,000	2% in stock
Earnings per Share		
of Common Stock	1.67	.61
Book Value per Share		
of Common Stock	24.03	22.60
Number of Employees		
at Year End	24,424	21,619
Number of Stockholders		
at Year End:		
Preferred	730	769
Common	24,853	21,956

The Annual Meeting of Stockholders of the Corporation will be held April 7, 1960 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.

"Air-Wrap" Refrigerator
Stores Fresh Foods Longer ▶



TO THE STOCKHOLDERS:

Financial

Sales increased 13% to \$397,792,000, compared with \$351,093,000 for 1958. All divisions participated in the increase, with transistors, defense electronics, space technology and appliances contributing importantly to the total rise in volume.

Net income for 1959 totaled \$7,176,000, compared with \$2,874,000 in the recession year of 1958. Earnings increased in both consumer products and electronic activities, notwithstanding the absorption of unusually heavy engineering and development costs incident to the beginning of regular computer production.

Earnings per common share amounted to \$1.67, compared with 61c in 1958. A year-end cash dividend of 25c was paid in December, 1959, at which time the Board of Directors announced that it would defer consideration of future dividend policy until the continuing high cash requirements of your company's expanding electronic activities could be determined more definitely.

In April, 1959, \$22,000,000 4¼% Convertible Subordinated Debentures were sold publicly to provide additional capital required by growth of the company's business.

During the year, capital expenditures totaled \$9,608,000, largely to provide additional facilities for the production of transistors and computers. Depreciation charges were \$5,267,000. Cash flow from earnings and depreciation amounted to \$12,443,000 compared with \$7,560,000 in the previous year. Stockholders' equity increased \$5,948,000.

Electronics—Military and Industrial

While it is gratifying to report an overall improvement in sales and earnings, it is an equal pleasure to report the substantial progress realized during 1959 in two of the company's long-range electronics projects, namely, transistors and computers. We believe both will prove to be major milestones

in Philco's 68 years of growth in the electrical and electronic industries.

During the past nine years we have specialized in our own proprietary developments of high performance transistors for scientific and military applications, and have made heavy outlays in the development of this art and in the automation of production processes. Substantial demand has now developed from a wide range of customers in military electronics and computers, it being reported by the Electronics Production Resources Agency that more than one-third of the major transistor requirements of the defense program are for types produced solely by Philco and its licensees. Our transistor business more than doubled in 1959 and is expected to double again in 1960, thus further consolidating your company's position as a leader in the industry.

The year was also marked by major developments in the computer field. Early in 1959 we received a number of orders from among the most sophisticated users of scientific computers. A separate Computer Division was formed to meet these requirements, and we have acquired, under long-term lease, a new specially-built facility in Willow Grove, Pennsylvania, occupancy of which began in February, 1960. Throughout 1959, engineering and development activity was accelerated sharply to insure the successful completion of these orders. In accordance with the company's accounting policies, these costs were charged to 1959 operations. They will continue on a declining scale into 1960 and should reach normal proportions by year end. In short, we think that our efforts and expenditures in recent years to exploit our computer capabilities now promise your company a source of important future earnings.

The year also witnessed a rapidly unfolding new venture into the field of space technology. Since 1957, Philco's Western Development Laboratories in Palo Alto, California, has been engaged in resolving the involved problems of planning, developing and

supplementing advanced weapons systems and space communications programs. The staff of scientists and technicians more than doubled in 1959. Indicative of the vital role of this division in space technology are the Philco-built *Courier* earth satellite and the ground space communications system for the *Discoverer*.

Electronic volume increased in 1959 to 34% of sales, and, based on our current backlog, we anticipate a further increase to approximately 40% in 1960.

Consumer Products

Consumer products accounted for 66% of total volume. Sales increased in all major categories, particularly in our full line of home laundry and refrigeration equipment.

Television, radio and stereophonic high fidelity sales were also higher, the outstanding development being the introduction of the world's first fully-transistorized, battery-powered, portable television set, the Philco "Safari."

It is a tribute to our thousands of engineers and production personnel to say that Philco quality reached a new all-time high during 1959. This is a fundamental base for further progress as we look forward to the increased demand for consumer durable goods which is forecast for the 1960's. To meet this promised new market Philco is increasing the efficiency of its distribution system and is expanding its sales financing activities.

International

During 1959, Philco further accelerated its positive approach to international markets. Exports from the United States were increased, despite greater foreign competition and expanding local production in many areas.

Overseas manufacturing operations reported increased volume and earnings; our Swiss-based licensing activities also scored marked advances. Philco licensees now total 16 companies in 11 countries. In accordance with our consistent policy, technical assistance fees have been plowed back in increased services to our licensees

and added investments in both existing and new ventures.

The net worth in our unconsolidated overseas subsidiaries exceeded our original investment by approximately \$4,000,000 at November 30, 1959.

Research

Your company has long recognized the importance of planning its research program to insure growth, to remain competitive and to exploit fully our economic opportunities, with particular attention to the defense area where rapid and radical changes are currently unfolding. Our research expenditures were increased in 1959 and are budgeted for further increases in 1960. Research activities have been given full divisional status and, by early 1961,

will occupy a new Research Center.

Philco now holds 1047 U. S. patents and 1265 patents in 24 countries abroad. During 1959, Philco obtained 120 U. S. patents, the majority in the electronics field. Included were six additional transistor patents of major importance and several significant appliance patents.

The Outlook

As Philco enters its 69th year, the outlook is for increased volume, particularly in electronics. Looking beyond 1960, we are conscious that the sixties may well be a decade characterized by changes in technology and public demand. We are directing our research, marketing and financial planning to take full advantage of all opportunities

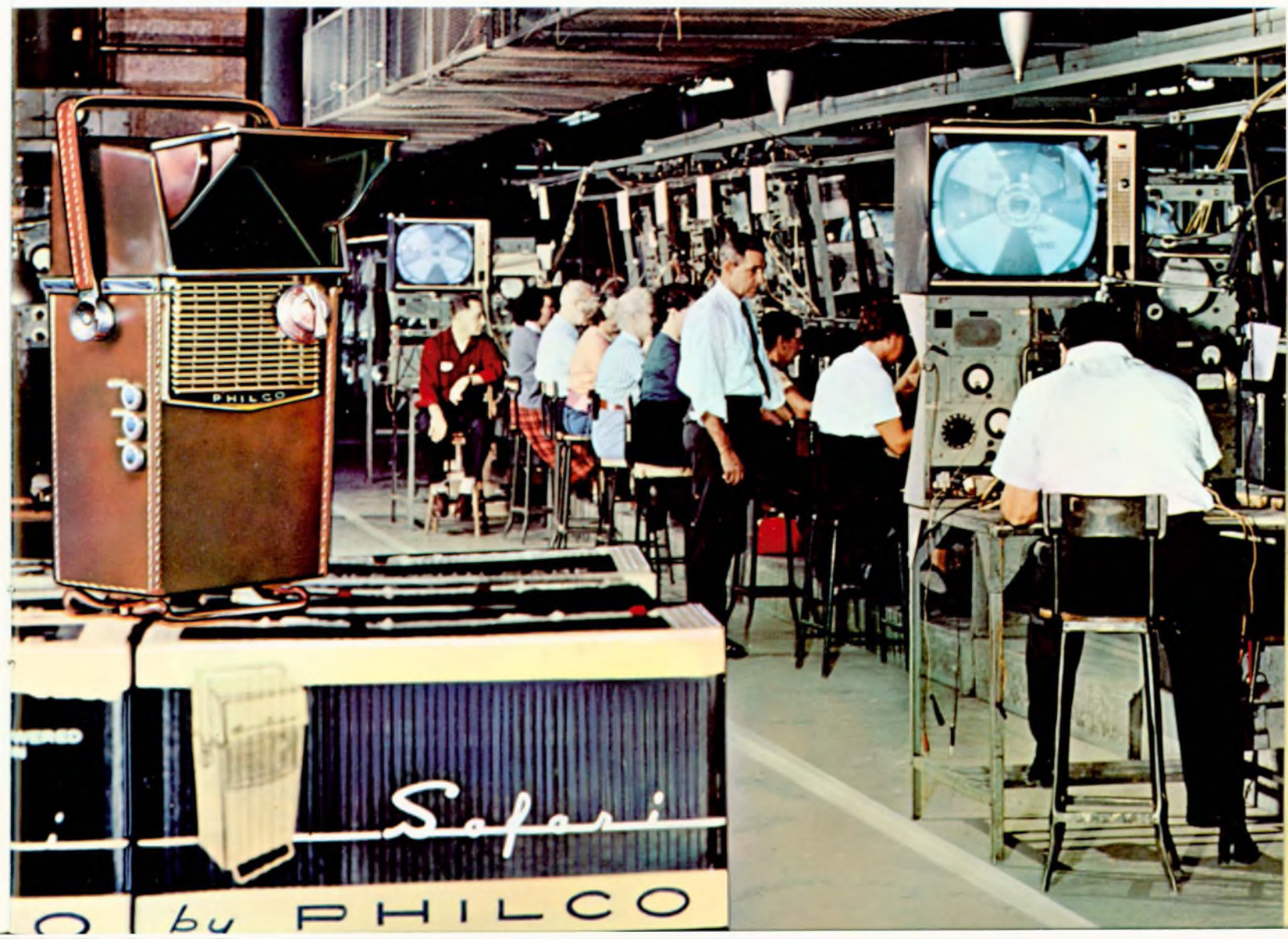
these changes may offer to strengthen the company and improve earning power.

Charles S. Cheston

Philco lost one of its strongest supporters and wisest counselors by the death of Charles S. Cheston on February 12, 1960. During his 20 years of service as a Director and Chairman of the Finance Committee, Mr. Cheston made invaluable and lasting contributions to Philco's growth. The loss of his friendship and guidance is deeply felt by all his associates.

Justus King
President

February 16, 1960



Research Division

Philco's emphasis upon research underlies its achievements in both the consumer product and the government and industrial fields. So vital is this concentration and so rapid its growth that the Philco Research Department was established as a separate division of the company on January 1, 1960. In addition, construction is under way on a new 200,000 square foot Philco Research Center near Blue Bell, Pennsylvania. Scheduled for completion by March 1961, the Research Center will eventually house a team of a thousand research scientists and engineers. The center will have available the most modern equipment for all phases of our research program.

Philco research has pioneered in the field of microelectronics—an assembly of electronic components on or within a single wafer. Microelectronics will lead to extreme miniaturization for military equipment with increased reliability in defense systems. Industrial equipment will benefit through better performance at lower cost.

The division's basic studies in metallurgy, magnetic and dielectric materials, physics and chemistry of transistors, thermoelectric cooling and electron optics have benefits for the military, industrial and consumer products fields.

Other areas of Philco's research effort include those of improved digital computer circuits, analog-to-digital conversion equipment, digital communication traffic systems and systems planning.

In summary, this division is responsible for the acquisition of knowledge and skills in the scientific and technological fields which underlie Philco's current and prospective activities. It communicates to other company divisions technical information about the improvement, innovation and obsolescence of products and services, thus preparing the way for Philco's continued progress and achievements in every field of its activity.



Evacuated bell jar for thin film deposition



An alignment test for Sidewinder optics

Government and Industrial Divisions

Philco's Government and industrial business increased by 20% during 1959, indicative of your company's growing leadership in such areas as guided missiles, satellites and tracking, global communications, weapons systems and data processing.

The demand for the Philco 2000 electronic computer has increased to such an extent that a separate Computer Division has been formed and a new, multi-million dollar facility for computer manufacture has been constructed in Willow Grove, a suburb of Philadelphia. Many of these large scale systems are currently in production and several are scheduled for delivery early in 1960. A number of orders for Philco 3000 Control Computers have been received, together with contracts for the "Compac" and "Basicpac" mobile military tactical computers.

Your company is active in a number of space projects. The Philco-built Courier earth satellite and the ground-space communications system for the Discoverer satellite are examples of the vital role Philco is playing in this important area of space technology.

Philco's experience in the communications field continues to produce tangible results. A highlight of 1959 was the choice of the company as prime contractor and systems manager to modernize the Quick Fix phase of the U. S. Air Force's AIRCOM. This is the most extensive communications system in the world, linking every base, outpost and aircraft of the U. S. Air Force.

Philco continues to be the primary contractor supplying "Sidewinder" guided missiles. Production increased in 1959. Philco is also developing other guided missiles and weapons systems.

Philco's new, all transistor closed circuit television camera is one of a number of new products being developed to increase the company's industrial business.



The Philco 2000 large-scale electronic computer



Philco's transistORIZED camera in operating room



Part of ASBI bombing system in simulated test



Reliability testing in the Philco Labs

Lansdale Division

During 1959 Philco increased its total transistor and tube business by approximately 50% over 1958.

As an example of Philco's importance in the transistor business, a recent Government report projected military requirements over the next two and one-half years and showed that more than one-third of the key transistor types comprising 80% of present military requirements are Philco transistors.

Philco's Fast Automatic Transfer Line, the industry's first automated transistor production facility, has proven its advantages of speed and economy so successfully that three additional lines are now in operation. Transistors for entertainment devices are now in production with the result that Philco provides transistors for every application in that industry.

Philco's new precision-etch silicon transistors, SADT, went into production during the year, fulfilling the need for a family of high temperature, high reliability and high speed switching transistors.

Because of the increasing demand for Philco germanium and silicon transistors, new licensees were added to develop production facilities for their manufacture. Among the new licensees are CBS-Electronics, a division of Columbia Broadcasting System, and General Transistor Corporation, New York City.

To handle Lansdale Division's expanding volume of business, an additional plant has been completed and is now in operation. The new facility will increase transistor and special component manufacturing capacity by approximately 60%.

Sales of both receiving and cathode ray tubes increased during the year as Philco continued to offer innovations in tube design, higher quality standards and more expanded customer service in this field.



Philco's Lansdale Division, site of transistor production

Surface Treatment—Clean-up Etch for SBT Transistor



Careful inspection maintains quality of picture tubes



Consumer Products Division

Philco's continuing research program brought impressive results in the Consumer Products Division during 1959.

One of the most notable accomplishments was the introduction of the Philco "Safari", the world's first battery-powered transistor television set. This compact, truly portable television receiver is the result of several years research and development work, coupled with knowledge gained through Philco's achievements in the transistor field. The "Safari" combines optical principles with exclusive Philco transistor developments to solve the problems of power consumption and visibility, both indoors and outdoors. Sales of the "Safari" receiver have exceeded original production commitments, proof of the success of this Philco innovation.

Philco has continued its lead in regular television portables with its "Slender-Seventeener". A product of research, this ultra-compact "brief case" portable was made possible by Philco's development of the exclusive "SF" (Semi-Flat) picture tube.

A collection of strikingly styled fine furniture television consoles in contemporary and period designs was introduced in the Philco "Mastercraft Collection" line. The coming year will see increased emphasis upon this type of television receiver.

Further gains were made during 1959 in radio, especially in transistor sets. Philco made an important advance in the stereo field with introduction of "Stereo-Phones". "Stereo-Phones" are separate dual speakers with the Philco-designed electrostatic speaker for high-frequency responses and a dynamic speaker for mid-range responses. The dual speakers can be used in a single cabinet or separated and placed anywhere in the room to extend the range of stereophonic sound.

In appliances, Philco in 1959 pioneered the "Air-Wrap" compartment, introduced in a frost free refrigerator. The compartment keeps fresh foods

edible for days longer than ordinary refrigerators by preserving them under conditions of almost motionless, high humidity air at the threshold of freezing. Five years research in the biology of food preservation have proved that these conditions are vital to fresh food storage and the "Air-Wrap" compartment uses exclusive, Philco-engineered construction to maintain these critical conditions. The effectiveness of "Air-Wrap" in preserving fresh foods was confirmed in tests by the United States Testing Company.

In addition, Philco announced a convertible refrigerator with a freezer compartment which may be used as a freezer or as a normal refrigerator compartment. The ice cube area is sealed off from the freezer compartment and is not affected by it. When the freezer is used as a refrigerator compartment, it increases the refrigerator capacity to 13 cubic feet.

In the home laundry market, Philco washers, dryers and combination washer-dryers have won the company an increasingly important position. The Philco "Duomatic" combination washer-dryer, considered by many to have the greatest growth potential in the industry, was introduced in a size no larger than a single washer and at the cost of a medium priced automatic washer. The exclusive washing action of the Philco high capacity "Automatic" automatic washer, which can handle seven sheets at once, has also won wide acceptance.

In air conditioning, Philco guarantees the cooling capacity (BTU ratings) on all its units. In addition, the company's pioneering work in the field of noise reduction has produced the Philco "Noiseless" air conditioner models, the quietest high capacity units in the industry.

In electric ranges, Philco developed the super-fast "Quick Chef" oven, an auxiliary electric oven which complements the wide Master oven on several models. The "Quick Chef" oven bakes

and broils, can be easily removed for cleaning and offers convenience and economy of operation in the quick preparation of everything from chops to snacks. Philco's "Split-Level" oven in the Citation line of built-in appliances was exhibited at the Moscow Fair during 1959. The "Split-Level" oven is another example of the research and creative engineering that have borne fruit in every Philco consumer product line.



Adjusting "Predicta" TV set for accurate picture reproduction



Refrigerator parts are stamped in huge presses at Connersville



Supermarketer refrigerator and Philco electric range equip this kitchen

"Safari" operates on land, sea, air—
wherever there's a signal

Low cost, compact size makes undercounter
"Duomatic" washer-dryer a top seller



Top:
 Exclusive "Stereo-
 Phones" speaker system
 extends range of
 stereophonic sound

Middle:
 Citation "split-level"
 oven, surface unit
 and "Duomatic"
 washer-dryer

Bottom:
 Matching television and
 stereo-hi fi in the
 "Mastercraft Collection"

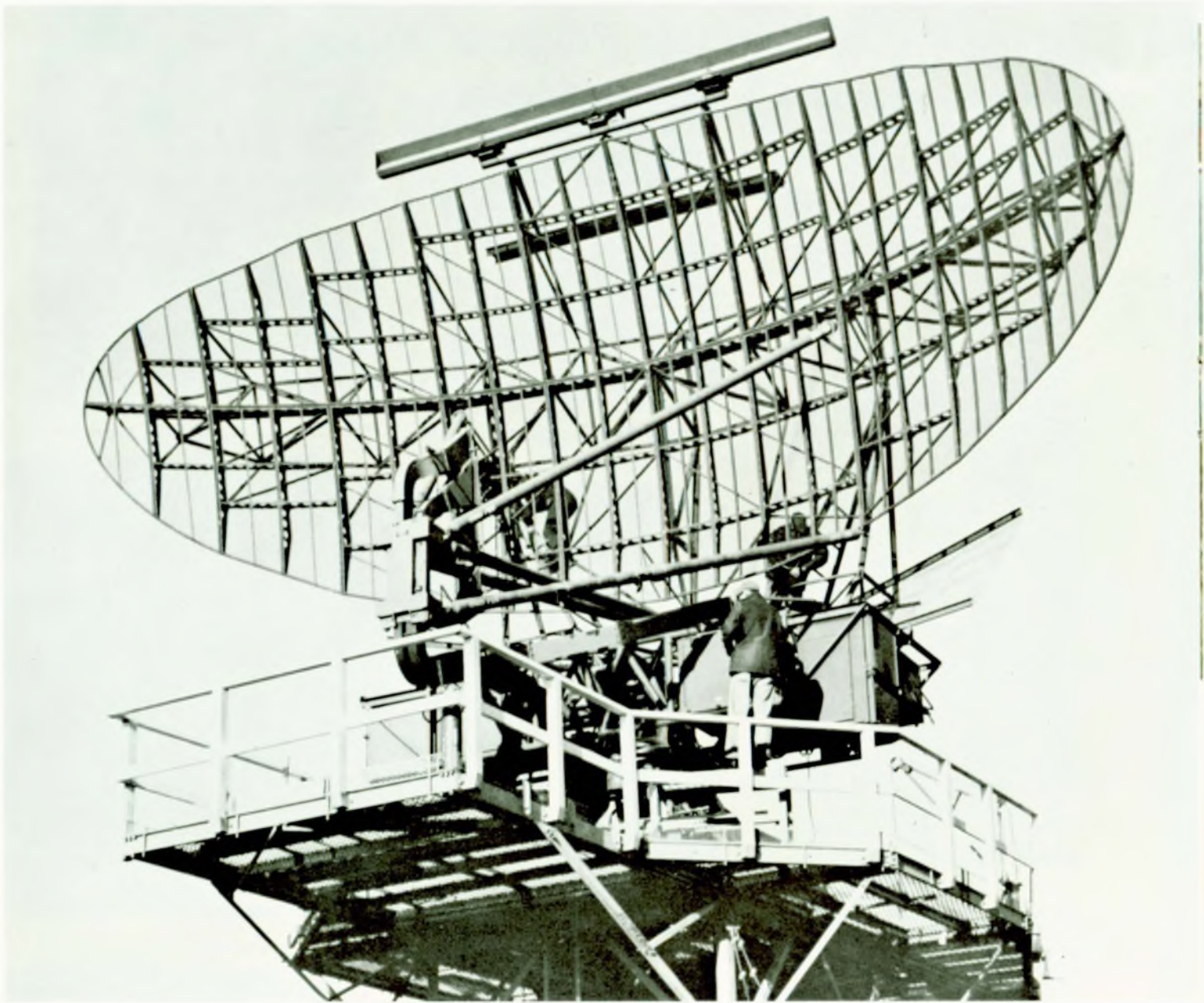


PHILCO
 Portfolio
 of
 Consumer
 Products



← LIFT FLAP





TechReps at work on a radar antenna erected for the Air Force



Italy—Television production in Rho, near Milan



England—Our transistors are made in this modern plant

TechRep Division

During 1959 Philco TechReps handled challenging assignments ranging from exploration of the ocean depths to space communications.

Among the new projects awarded to the division were manning the tracking stations for the five successful flights of the Discoverer earth satellite, which is a forerunner of America's man-in-space project. At the other extreme, a Philco TechRep was a member of the engineering support team for the Navy bathyscaphe *Trieste* which descended to a depth of 37,800 feet off Guam. In addition, TechReps were given complete responsibility for a large military depot maintaining radar equipment throughout the Alaskan Theatre.

Operations of this division continued to be profitable during 1959 and at the end of the year, a record number of Philco field engineers were on duty at Army, Navy and Air Force installations in all of the 50 states and many of the free nations abroad. This division is expected to continue its growth and expansion during 1960.

Sales Finance and Leasing Services

In 1959 Philco Finance Corporation increased its volume 44% covering a wide range of sales financing services to Philco distributors, dealers, consumers, industrial and institutional customers.

Independence Acceptance Corporation operates local finance companies in cooperation with independent Philco distributors and in addition has acquired a substantial interest in a national leasing organization. This company will expand its services of leasing Philco products to motels, hotels, apartment houses and other institutional users.

Financing facilities are now available through 12 branch operations. Further growth is planned for 1960 and arrangements have been made with institutional investors for additional capital funds to finance this expansion.

Philco International

Philco again increased its penetration of overseas markets in 1959. For the third successive year, Philco's share of United States television exports increased. About 600,000 Philco, Bendix and Crosley products, worth over \$100 million, were sold outside the United States by our foreign subsidiaries, licensees and export organization.

Licensees of Philco Corporation S.A., Fribourg, Switzerland, are operating in Britain, France, Italy, Mexico, Colombia, Brazil, Argentina, Chile, New Zealand and Australia. Although economic conditions varied in these different countries, the group, as a whole, made steady progress.

In Europe, Philco's position was strengthened by the organization last September of Philco Italiana S. p. A. It is already manufacturing refrigerators, television and radio receivers which, together with imported Philco and Bendix products, supply our full line to the Italian market.

The license with Thorn Electrical Industries, Ltd., the largest manufacturer of radio and television in the United Kingdom, became effective April 1. Philco radio and television sales in Britain increased materially as a result. Thorn also supplies Philco International Limited for export. Bendix Home Appliances, Ltd., our laundry licensee in Great Britain, doubled its sales.

A substantial minority interest in Cia. Mercantil Internacional, S.A. was acquired early in 1960. This is the leading Mexican company in the manufacture of automatic laundry equipment.

Philco Corporation of Canada Limited improved its market position and completed another profitable year.

The Mexican subsidiary, Philco S. A. de C. V., materially improved its market position in television. Its sales increased more than 15% and its after-tax profits more than 35%.

In Brazil, Philco Radio e Televisao S. A. continues to be the leader in television by a wide margin. Production of air conditioners was begun last year and facilities are currently being established to produce transistors.



TechRep supervises adjustment of a Nike track-radar unit at Redstone Arsenal



TechRep instructor at Redstone Arsenal explains missile's hydraulic system



Peru—Philco's T-9 radio afloat on Lake Titicaca

PHILCO CORPORATION AND

BALANCE SHEET

	January 3, 1960	December 28, 1958
ASSETS		
Current		
Cash.....	\$ 26,227,000	\$ 21,922,000
Notes and Accounts Receivable.....	57,065,000	58,594,000
Inventories.....	64,868,000	52,210,000
Prepaid Expenses and Advances.....	1,687,000	1,186,000
Total Current Assets.....	<u>\$149,847,000</u>	<u>\$133,912,000</u>
Investments and Advances.....	8,723,000	6,687,000
Property, Plant and Equipment.....	45,395,000	41,390,000
Other Assets.....	794,000	438,000
Total Assets.....	<u><u>\$204,759,000</u></u>	<u><u>\$182,427,000</u></u>

LIABILITIES

Current		
V Loan.....	\$ —	\$ 17,000,000
Accounts Payable.....	17,666,000	12,991,000
Accrued Payrolls and Other Expenses.....	16,829,000	15,920,000
Accrued Taxes.....	14,791,000	9,226,000
Total Current Liabilities.....	<u>\$ 49,286,000</u>	<u>\$ 55,137,000</u>
Long Term Debt.....	45,134,000	23,542,000
Minority Interest in Subsidiaries.....	333,000	278,000
Deferred Income Taxes.....	1,949,000	1,361,000
Total Liabilities.....	<u><u>\$ 96,702,000</u></u>	<u><u>\$ 80,318,000</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 5,000,000 Shares; Outstanding 1959—4,074,866 Shares..	12,225,000	12,209,000
Capital in Excess of Par Value.....	23,080,000	22,930,000
Retained Earnings.....	62,752,000	56,970,000
Total Stockholders' Equity.....	<u>\$108,057,000</u>	<u>\$102,109,000</u>
Total Liabilities and Stockholders' Equity.....	<u><u>\$204,759,000</u></u>	<u><u>\$182,427,000</u></u>

The Notes on Page 16 are an

CONSOLIDATED SUBSIDIARIES

EARNINGS STATEMENT

	Year Ended January 3, 1960	Year Ended December 28, 1958
Net Sales and Other Revenues.....	<u>\$397,792,000</u>	<u>\$351,093,000</u>
Costs and Expenses:		
Cost of Goods Sold.....	\$325,466,000	\$294,282,000
Administrative, Selling and General.....	49,557,000	44,270,000
Depreciation.....	5,267,000	4,686,000
Interest.....	1,968,000	2,055,000
Total Costs and Expenses.....	<u>\$382,258,000</u>	<u>\$345,293,000</u>
Earnings Before Income Taxes.....	\$ 15,534,000	\$ 5,800,000
Income Taxes.....	8,358,000	2,926,000
Earnings for the Year.....	<u>\$ 7,176,000</u>	<u>\$ 2,874,000</u>

RETAINED EARNINGS STATEMENT

For the Year Ended January 3, 1960

Balance, December 28, 1958.....	\$ 56,970,000
Earnings for the Year 1959.....	7,176,000
Dividends Paid:	
on Preferred Stock—\$3.75 per share.....	375,000
on Common Stock— .25 per share.....	1,019,000
Balance, January 3, 1960.....	<u>\$ 62,752,000</u>

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

For the Year Ended January 3, 1960

Balance, December 28, 1958.....	\$ 22,930,000
Excess of Market Value Over Par Value	
5,237 Common Shares issued under the Stock Ownership Plan.....	150,000
Balance, January 3, 1960.....	<u>\$ 23,080,000</u>

integral part of these Statements.

NOTES TO 1959 CONSOLIDATED STATEMENTS

Principles of Consolidation

The Consolidated 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.....	\$29,738,000
U. S. Government.....	25,170,000
Unconsolidated Subsidiaries.....	3,358,000
	<u>\$58,266,000</u>

Allowance for Doubtful Accounts.....	1,201,000
	<u>\$57,065,000</u>

Inventories—Stated at lower of current cost or market

Civilian.....	\$58,128,000
U. S. Government Contracts.....	9,016,000
	<u>\$67,144,000</u>

Progress Payments Received on U. S. Government Contracts.....	2,276,000
	<u>\$64,868,000</u>

Investments and Advances

Investment in Philco Finance Corporation and Independence Acceptance Corporation represents the total net worth of Philco Finance and Philco's share in the net worth of Independence and its partially owned financing subsidiaries. Borrowings of Philco Finance Corporation from outside sources were \$21,500,000 at December 31, 1959 and \$10,000,000 at December 31, 1958. Borrowings of the Independence Acceptance Corporation and its subsidiaries from outside sources were \$4,959,000 at December 31, 1959 and \$1,100,000 at December 31, 1958. \$ 5,978,000

Investment in unconsolidated foreign subsidiaries represents the sum of the outstanding advances to, and the cost of investment in such subsidiaries. The Company's aggregate equity in the net assets of these subsidiaries exceeded the cost of the investment by approximately \$4,000,000 based on current rates of exchange and on unaudited statements at November 30, 1959. 2,483,000

Other investments, at Cost.....	262,000
	<u>\$ 8,723,000</u>

Property, Plant and Equipment

Property, Plant and Equipment at Cost.....	\$69,019,000
Accumulated Depreciation.....	23,624,000
	<u>\$45,395,000</u>

Long-Term Debt

3½% Sinking Fund Notes of Philco Corporation, due \$767,000 annually from 1961 through 1979 and the remainder in 1980.....	\$22,234,000
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 1961 through 1977 and the remainder in 1978.....	700,000
4% Debentures of Philco Corporation of Canada, Ltd., due \$16,000 in 1978 and 1979 and the remainder in 1980.....	200,000
	<u>\$45,134,000</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 3, 1960, \$15,948,000 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 \$33⅓ per share through April 15, 1969 and at \$40 per share thereafter. At January 3, 1960, 660,000 shares have been reserved therefor.

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 and of general counsel is not material.

At January 3, 1960, the Company was guarantor for approximately \$1,400,000 on borrowings of its unconsolidated subsidiaries.

The Company is lessee under long term leases, existing or under negotiation, with aggregate annual rentals of approximately \$1,167,000.

Stockholder Approved Option Plans

Under the terms of the Philco Stock Ownership Plan, options to purchase a total of 57,373 shares of Common Stock are outstanding at January 3, 1960 and a like number of shares have been reserved. In addition, participants who have elected to take reserved shares will receive delivery of 40,235 shares in the future, provided they continue to observe their obligations under the Plan. During 1959, a total of 5,237 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 32,000 shares of Common Stock were granted during the year at market value on the date of the grant. At January 3, 1960, options to purchase a total of 191,624 shares of Common Stock were outstanding. No options were exercised, cancelled or expired during the year. The total number of shares for which options may be granted is limited to 212,160.

TO THE BOARD OF DIRECTORS AND THE
STOCKHOLDERS OF PHILCO CORPORATION

In our opinion, the statements appearing on pages 14 through 16 of this report present fairly the financial position of Philco Corporation and its consolidated subsidiaries at January 3, 1960 and the consolidated results of operations for the year (53 weeks), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such 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 16, 1960



PHILCO CORPORATION

BOARD OF DIRECTORS

Richard C. Bond	Robert F. Herr
Harold W. Butler	Wm. Fulton Kurtz
Charles S. Cheston	Arthur W. Radford
Joseph H. Gillies	James M. Skinner, Jr.
Larry F. Hardy	William R. Wilson
Gaylord P. Harnwell	Leslie J. Woods

GENERAL CORPORATE OFFICERS

James M. Skinner, Jr.	<i>President</i>
William R. Wilson	<i>Vice President—Finance and Treasurer</i>

Vice Presidents

Henry F. Argento	Robert F. Herr
Henry E. Bowes	James E. Leeper
Harold W. Butler	Wilson H. Oelkers
Joseph H. Gillies	Oscar O. Schreiber
Larry F. Hardy	Leslie J. Woods
David B. Smith	

Philip Dechert	<i>General Counsel</i>
Ernst E. Bareuther	<i>Controller</i>
Charles F. Steinruck, Jr.	<i>Secretary</i>

■ LANSDALE DIVISION

William J. Peltz *Vice President and
General Manager*

■ PHILCO INTERNATIONAL CORPORATION

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, 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*

J. P. Morgan & Co., Incorporated, New York

■ REGISTRARS OF COMMON STOCK

The Philadelphia National Bank, Philadelphia

The Hanover Bank, New York

PHILCO CORPORATION

TEN YEAR REVIEW

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
<i>(In thousands of dollars)</i>										
NET SALES AND OTHER REVENUES	\$397,792	351,093	372,629	356,933	375,157	350,471	431,538	368,418	305,820	336,309
EARNINGS BEFORE INCOME TAXES	15,534	5,800	6,939	811	17,286	10,618	35,316	25,627	22,008	33,584
INCOME TAXES	8,358	2,926	2,858	559	9,098	5,420	17,102	13,784	10,540	16,483
EARNINGS FOR THE YEAR	7,176	2,874	4,081	252	8,188	5,198	18,214	11,843	11,468	17,101
TOTAL DIVIDENDS PAID	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	4,654 and 5% in stock
WORKING CAPITAL	100,561	78,775	79,359	80,633	70,062	54,305	57,341	48,296	46,305	45,873
PROPERTY, PLANT AND EQUIPMENT	45,395	41,390	40,129	41,883	38,600	38,148	36,062	32,800	28,934	23,441
STOCKHOLDERS' EQUITY	108,057	102,109	99,529	95,787	97,170	95,377	94,526	82,328	76,500	71,046
<i>(In dollars per share of Common Stock adjusted for stock dividends)</i>										
EARNINGS	1.67	.61	.91	(.03)*	1.93	1.19	4.50	2.89	2.80	4.22
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	1.13 and 5% in stock
BOOK VALUE	24.03	22.60	21.99	21.09	21.53	21.09	21.28	18.17	16.70	15.30

*Loss

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

PHILCO

PHILADELPHIA, PA.
LANSDALE, PA.
WATSONTOWN, PA.
WILLOW GROVE, PA.
SPRING CITY, PA.
SANDUSKY, OHIO
CONNERSVILLE, IND.
FAIRFIELD, IOWA
PALO ALTO, CAL.
MENLO PARK, CAL.



TORONTO, CANADA
BOGOTA, COLOMBIA
SAO PAULO, BRAZIL
MEXICO D. F., MEXICO

