





Coins on the cover represent some of the countries in which Litton Industries' products are marketed.



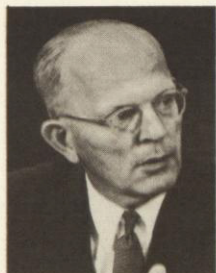
Westrex Australia Pty. Ltd.
Broughton House
181 Clarence Street
Sydney, N. S. W., Australia



Roy L. Ash



Glen McDaniel



W. Preston Corderman



Richard Loewe



Charles R. Abrams Jr.

LITTON INDUSTRIES, INC.

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Roy L. Ash
Alfred B. Connable
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Glen McDaniel
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Fred R. Sullivan
Joseph A. Thomas

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Charles B. Thornton

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Dr. Norman H. Moore	Dr. Henry E. Singleton
Fred R. Sullivan	

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Charles R. Abrams Jr.	Richard Loewe

Research-Engineering Laboratories and Manufacturing Plants:

Beverly Hills, California	Los Angeles, California
Bristol, Virginia	Morris Plains, New Jersey
College Park, Maryland	Mt. Vernon, New York
Culver City, California	New York, New York
Emeryville, California	Orange, New Jersey
Glendale, California	Salt Lake City, Utah
Hollywood, California	San Carlos, California
Huntington, Indiana	Venice, California
La Jolla, California	Amsterdam, Holland
Linden, New Jersey	London, England

Sales and service branches in 350 principal cities throughout the United States and in 36 foreign countries of the free world.

CORPORATE OFFICES

Litton Industries
336 North Foothill Road
Beverly Hills, California

TRANSFER AGENTS

J. P. Morgan & Company	California Bank
23 Wall Street	626 South Spring Street
New York 8, New York	Los Angeles 14, California

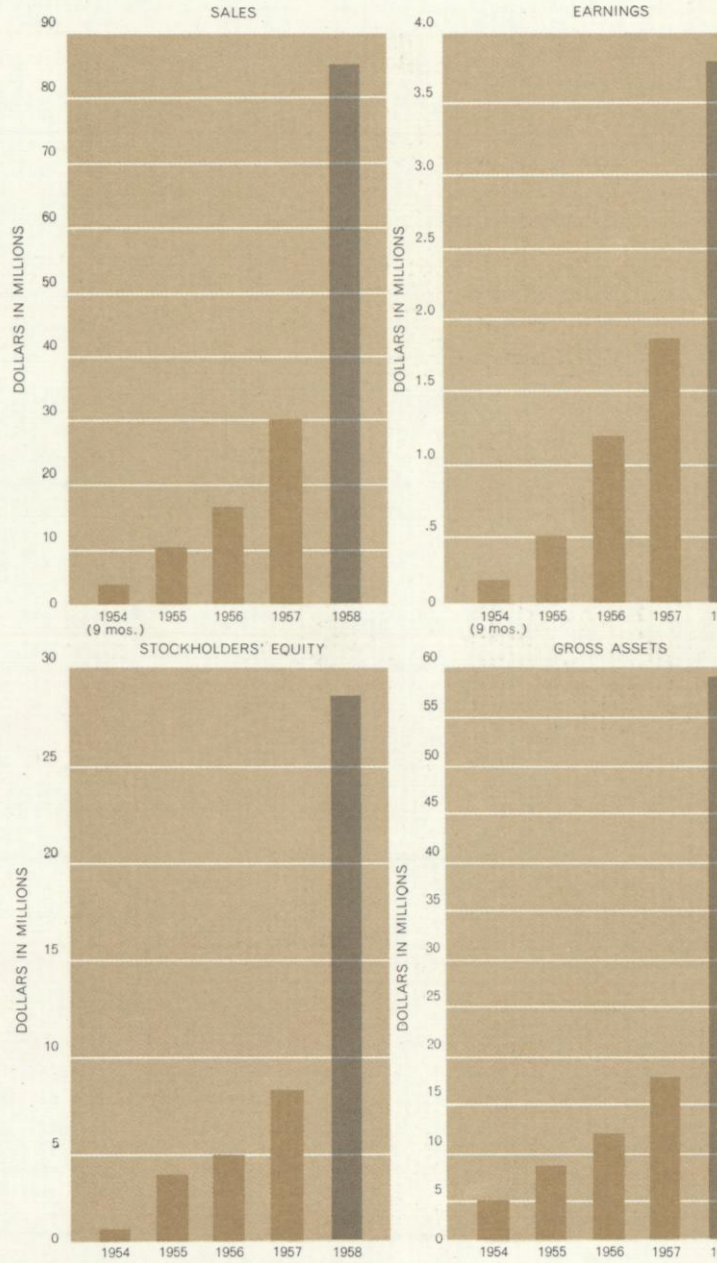
REGISTRARS

Chemical Corn Exchange Bank	Security-First National Bank
770 Broadway	215 West Sixth Street
New York 15, New York	Los Angeles 14, California

HIGHLIGHTS

fiscal years ended July 31

	1958	1957
<i>Sales and other income . . .</i>	\$83,155,473	\$28,130,603
<i>Earnings</i>	\$ 3,702,203	\$ 1,806,492
<i>Per common share outstanding at year end</i>	\$2.13	\$1.51
<i>Net working capital</i>	\$23,117,831	\$ 6,731,956
<i>Employees</i>	8,600	2,700
<i>Common stockholders of record</i>	5,801	4,500





Società Westrex, Italia
Piazza Margana 19
Roma, Italia



TO OUR SHAREHOLDERS:

The long-range plan of Litton Industries, first stated in our 1954 report to shareholders, said in part, "... This plan is designed to establish strong proprietary product values and a broad base on which to grow — a profitable balance between commercial and military electronic products." This report and those of the intervening years reflect the progress which has been made toward the fulfillment of the company's longer-range objectives.

During fiscal 1958, the company's successful efforts in developing and producing an increasing volume of products for ever-broadening markets caused Litton's sales volume and profit to continue their upward trends. The addition of Monroe Calculating Machine Company during the year, with its excellent product group and extensive network of sales and service branches across the nation, provides the marketing capability for the application of the company's developments in electronic computing to the business machine field.

Soon after the close of the fiscal year, the addition of Westrex Corporation, formerly a subsidiary of Western Electric Company, brought to Litton Industries a world-wide sales and service organization covering more than fifty countries. Westrex also supplements the company's knowledge and techniques in the expanding field of electronic communications.

Concurrent with the program of developing its marketing organization, the company further broadened its proprietary base of electronics technology by the introduction of new products, both for military and commercial use, by every one of its divisions. Also, immediately after year-end, the addition of Airtron, Inc. extended Litton's position as one of the most complete of any company in the microwave field.

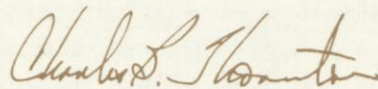
Since the end of the 1958 fiscal year, sales have continued

to climb and the rate is now in excess of \$100-million per year. Gross assets are more than \$60-million, and almost 11,000 persons are now in the employ of the company — over 2,000 of these are directly concerned with research, development, and engineering activities.

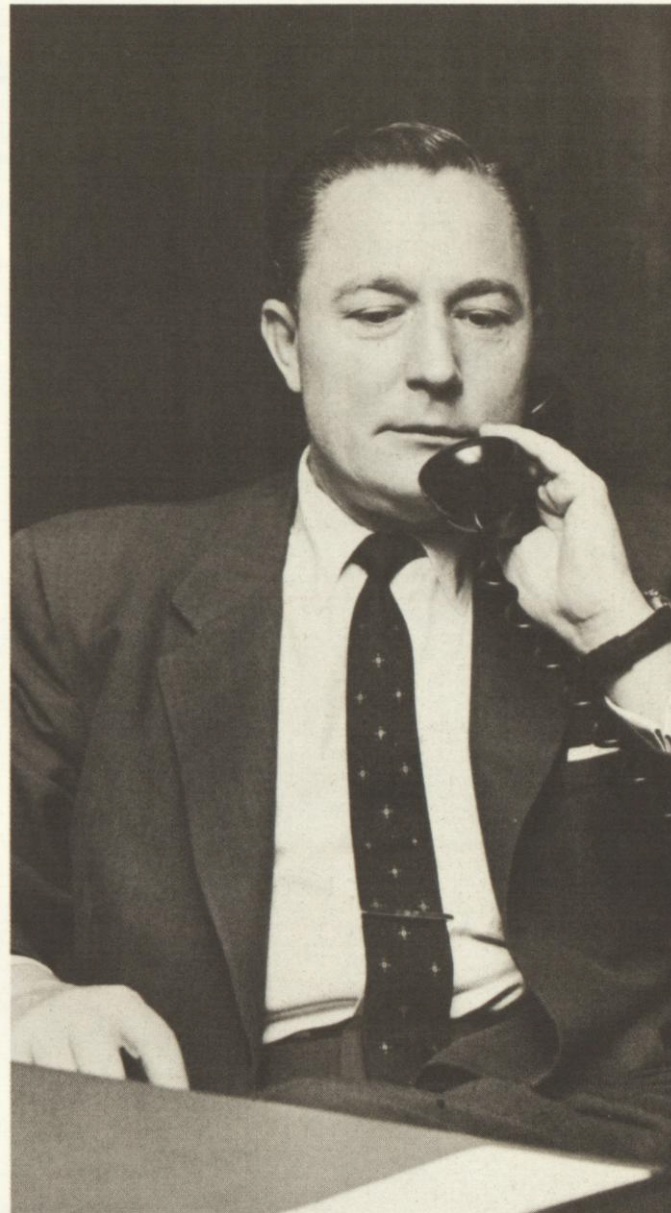
In the maturing but still rapidly expanding electronics-based industry, the years ahead hold unusual opportunities for those companies that have a broad capability for competent research, can design and produce economically useful products, and can effectively market the ever-improving products of their research and manufacture.

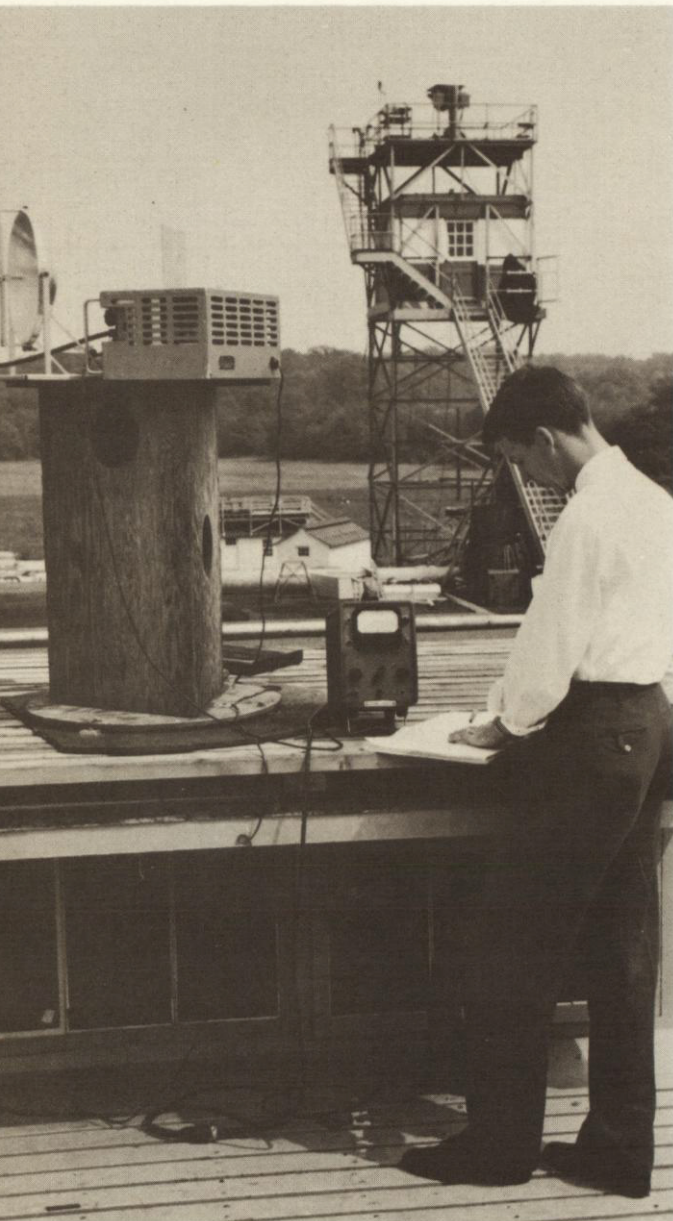
The growth of Litton Industries during the past five years is a tribute to the system of free enterprise under which we live and work. With the support of its stockholders and the continued loyalty and dedication of its personnel, our company should continue its growth and strengthen its position as a financially sound, responsible industrial citizen serving the economic and defense efforts of our nation.

Sincerely yours,



CHARLES B. THORNTON
*President, and Chairman
of the Board of Directors*





AN ELECTRONICS-BASED COMPANY

Each year new applications of electronic technology appear in products of importance to commerce, industry and national defense. In the last ten years the electronics industry has expanded at a rate more rapid than any other major industrial group. The future shows no sign of slackening in this pace.

Litton Industries has been organized as a company with a product base rooted in this new technology and with a plan for projecting its technological advances into diverse market areas. Each year has seen material progress in the fulfillment of the company's long range plan.

The technological capability of the company has been extended successfully into the following broad areas: communication, navigation and control equipment for military and commercial use; business machines and industrial and military computation and data processing equipment; and electron tubes, microwave equipment, and components for communications, radar, countermeasures and other electronic systems.

A description of the activities of the operating groups which comprise the company, and the story of the company's progress during the past year, appear on the pages that follow.

SALES

Sales of \$83,155,473 during fiscal year 1958 were 196% greater than the \$28,130,603 recorded the previous fiscal year. In addition to the contribution to this volume by the Monroe Division, acquired in January 1958 and included in this report on a "pooling of interests" basis from August 1, 1957, a major portion of the growth experienced this year resulted from internal development. Even more significant, however, was the change that took place in the nature of these sales. From an approximate relationship of 85% military - 15% commercial, sales this year were approximately 45% military and 55% commercial.

EARNINGS

Net earnings of \$3,702,203 for the year were 105% greater than the \$1,806,492 earned last year. Federal and foreign taxes on



شركة ويستركس آف آفريکا
شارع هوزيه الترنين ٦٢٦
بالسونا ، اسبانيا



Westrex Maatskappy, Oos,
Safrie Huis 705,
Plein Straat 36,
Johannesburg, Suid Afrika

income for the year totaled \$3,342,234; before tax earnings totaled \$7,044,437.

After allowing for dividends on preferred stock, per share earnings on the 1,691,389 common shares outstanding at year end amounted to \$2.13 as compared to \$1.51 in the last fiscal year, or an increase of 41%. Based on the average number of shares outstanding during the year, earnings for 1958 equalled \$2.20 per share as compared to \$1.61 per share in 1957.

Cash generated for reinvestment in the company (net earnings plus depreciation) exceeded \$5.6 million, making a major contribution toward our continued growth.

Research, engineering, and related developmental activities during the year, a part of which was performed on contract, amounted to more than \$20 million. The company's investment in its own proprietary developments was substantial.

In the course of its review of company performance during the year, and in consideration of the outlook for succeeding years, the Board of Directors again determined to reinvest earnings in the continuation of company progress and growth.

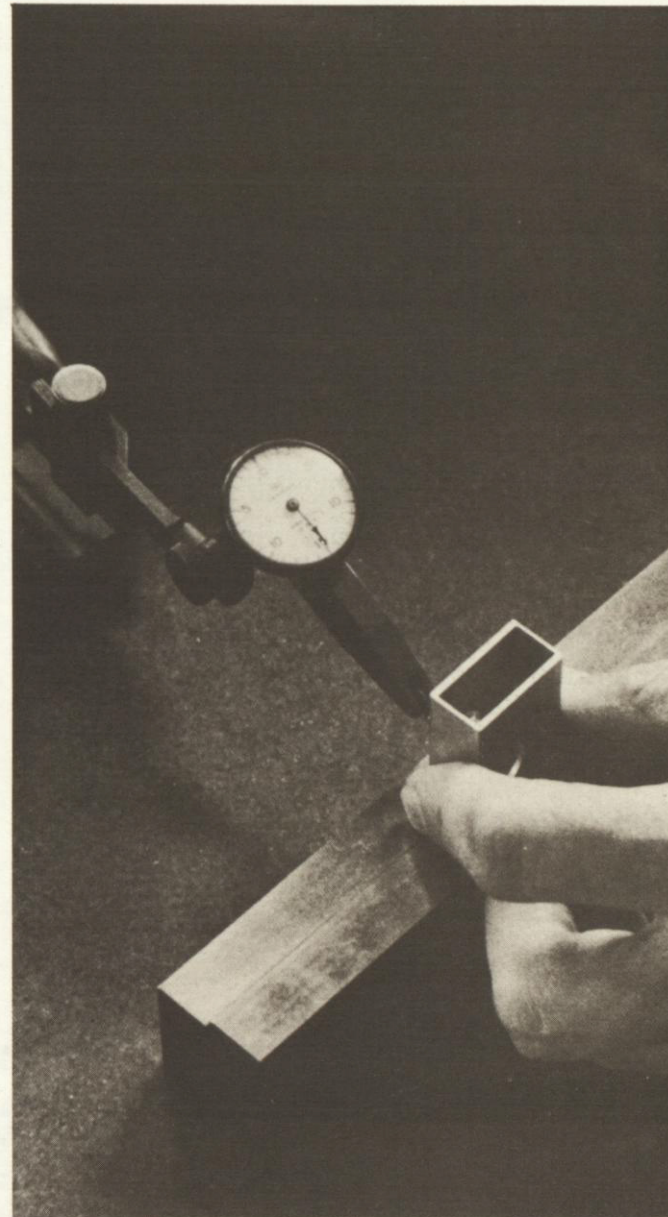
FINANCIAL CONDITION

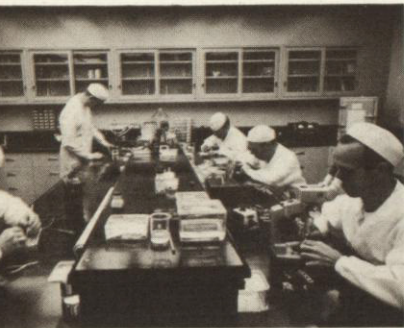
Important to the company's progress this past twelve-month period have been the year's contributions to the broadening of the company's financial base.

At year-end the book value of property, plant and equipment was \$14.8 million. Appraisal of these assets was approximately \$25 million, or 2.4 times the amount of the company's long-term debt.

Net working capital on July 31 amounted to \$23,117,831 which was \$16,385,875, or 243% greater than the corresponding figure of a year ago. Current assets at the end of the year were 2.3 times current liabilities, with cash and accounts receivable alone exceeding the total of current liabilities.

Book value per common share was 2.3 times that recorded at the end of the last fiscal year. By the end of fiscal 1958 long-term debt amounted to only 43.3% of net equity as compared to 60.5% a year ago.





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EQUIPMENTS AND SYSTEMS

The technological capability of the company is best exemplified by the equipments and systems it has produced to meet increasingly complex needs, both commercial and military. A major segment of the company's internal growth has been in this area of high-precision manufacturing.

A focal point of the company's research, development, and precision manufacturing activities, the Electronic Equipments Division is engaged primarily in digital computers, inertial guidance, automatic data processing systems, and space-related equipments and systems.

Significant progress was made during the year in the development of computers used in automatic control functions primarily for military applications. An advanced airborne central control computer was delivered by Litton this year as a part of the joint Army-Navy Instrumentation Program. This computer, already successfully flight tested, eliminates critical weight by combining functions previously performed by several separate recording, relay, and display instruments. Representing a step forward in the man-machine integration of control responsibilities, the computer assimilates and relays to the pilot information on navigation and fuel control. Thirty times a second it performs a complete cycle of the calculations necessary to pass on this and other information critical to the pilot's performance of his mission. Its total weight is 40 pounds.

Currently under development are display control computers for military helicopters, guidance and control computers for a Navy advanced all-weather attack aircraft and computers for a satellite reconnaissance installation now in the advanced planning stage by the military services.

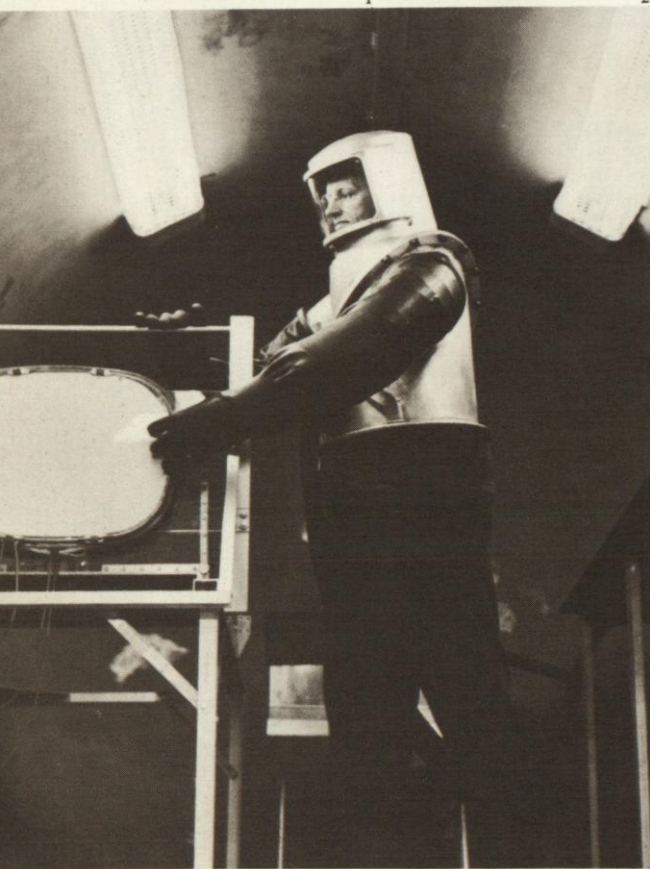
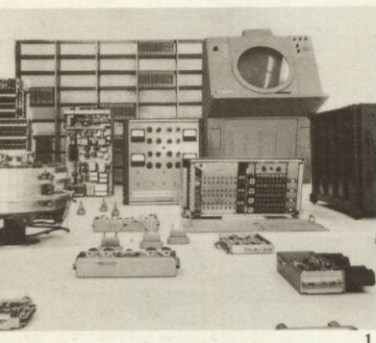
The progress of the company's computer effort resulted in our moving a major segment of this activity into the first 25,000



Compañía Westrex, Andina
Edificio Sud América
Bandera esquina Agustinas
Santiago, Chile

- 1 *Dust free area in Equipments Division*
- 2 *Dr. Henry E. Singleton, Vice President and
General Manager Equipments Division*
- 3 *Computer products*
- 4 *Airborne early warning mockup*





sq. ft. building of a proposed 85,000 sq. ft. complex now known as the Computer Development Center, in Culver City, California. The center opened in mid-Summer.

The company's inertial guidance activity has achieved a signal position in the industry. Various branches of the military services have contracted for Litton inertial systems: the Navy for use with Litton computers in manned early warning and attack aircraft; the Army for helicopter and light aircraft use; and the Air Force for advanced classified applications. The company has pioneered concepts in this field which have made possible equipment with specific advantages in size, weight, and cost over competitive systems. Not subject to detection or jamming, nor limited in range by the curvature of the earth, nor subject to the influence of magnetic fields or adverse weather, inertial guidance systems are highly complex completely self-contained navigation systems. When integrated with computers and control mechanisms, inertial guidance equipment can guide a missile or aircraft along any predetermined flight path. The market for both military and commercial versions of this complete navigation system, combining Litton inertial navigation and computing equipment, holds considerable long-term potential.

The company has for some time had the prime responsibility for development and manufacture of an airborne data processing and display system for use in the Navy's principal early warning aircraft. The operational prototype is scheduled for delivery and flight test early this year. Progress made to date has resulted in the company receiving contracts to develop and produce related systems for other naval applications and for ground installation use by the Marine Corps.

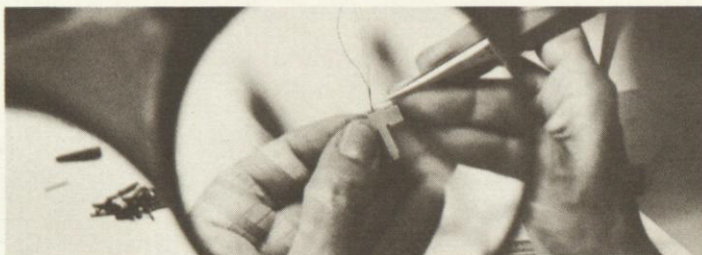
These new systems improve and extend our air defenses over ocean areas, for through them the flight of approaching

enemy missiles or aircraft can be observed, necessary computations can be made, and defensive measures can automatically be invoked. First in the development of these systems, the company is already planning sizeable follow-on production work in this field.

The October 1957 launching of Sputnik I focused world attention on man's probing of space. In an inventory of our country's space effort the company's Space Research Laboratory stood out as an important contribution in this field. The space chamber simulates the airless, pressureless conditions of outer space. Wearing a unique protective suit developed by Litton, researchers are able to observe and control experiments first hand in a space-like environment. Litton's space research facility is the only one of this type in the free world.

The Laboratory has proven to be a valuable tool for performing fundamental studies relative to the development of ultra high altitude manned and unmanned vehicles. Litton scientists are currently at work on numerous basic and practical studies relative to the effects of a space environment on the operation and performance characteristics of such vehicles and their equipments.

New activities of the Space Research Laboratory, which are now in the early stages of projection, encompass the highly technical fields of bioastrophysics, magnetohydrodynamics, and primary time standards.



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1 *Systems and equipments*

2 *George Friedl, Jr., Vice President*

3 *Tube check in Space Research Laboratory*

4 *Precision assembly*

5 *System's test*



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香港，
惠威街，
勝利大廈，四〇一號房，
西芳公司(亞洲分行)



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By January 1, 1958 integration of the newly acquired Maryland Electronic Manufacturing Corporation with Litton Industries Maryland Division was underway. Blending together the two groups, engaged in complementary fields of work, was simplified by the fact that the two plants are located adjacent to each other in College Park, Maryland. The combined plant area now covers over 135,000 sq. ft., and a 35,000 sq. ft. addition is currently under construction.

By the end of the fiscal year, seven months later, the rate of shipments had increased substantially for the combined operations and 50 per cent more people were on the division's employment rolls.

The division's course of progress in the future is well charted.

With a record of no in-flight failures, the Maryland Division has established an enviable reputation in the field of telemetering systems. Litton telemetering systems in the nose cone of Jupiter missiles have been successfully launched, re-entered, and recovered on several occasions. These systems continually transmit more than 60 different kinds of performance information to ground stations along the missile's flight path.

In the field of aircraft navigation and communication Maryland Division mobile landing systems are being delivered to the Air Force as operational equipment. Other instrument landing systems (ILS) and visual omni-range equipment (VOR) are in production for both commercial and military installations.

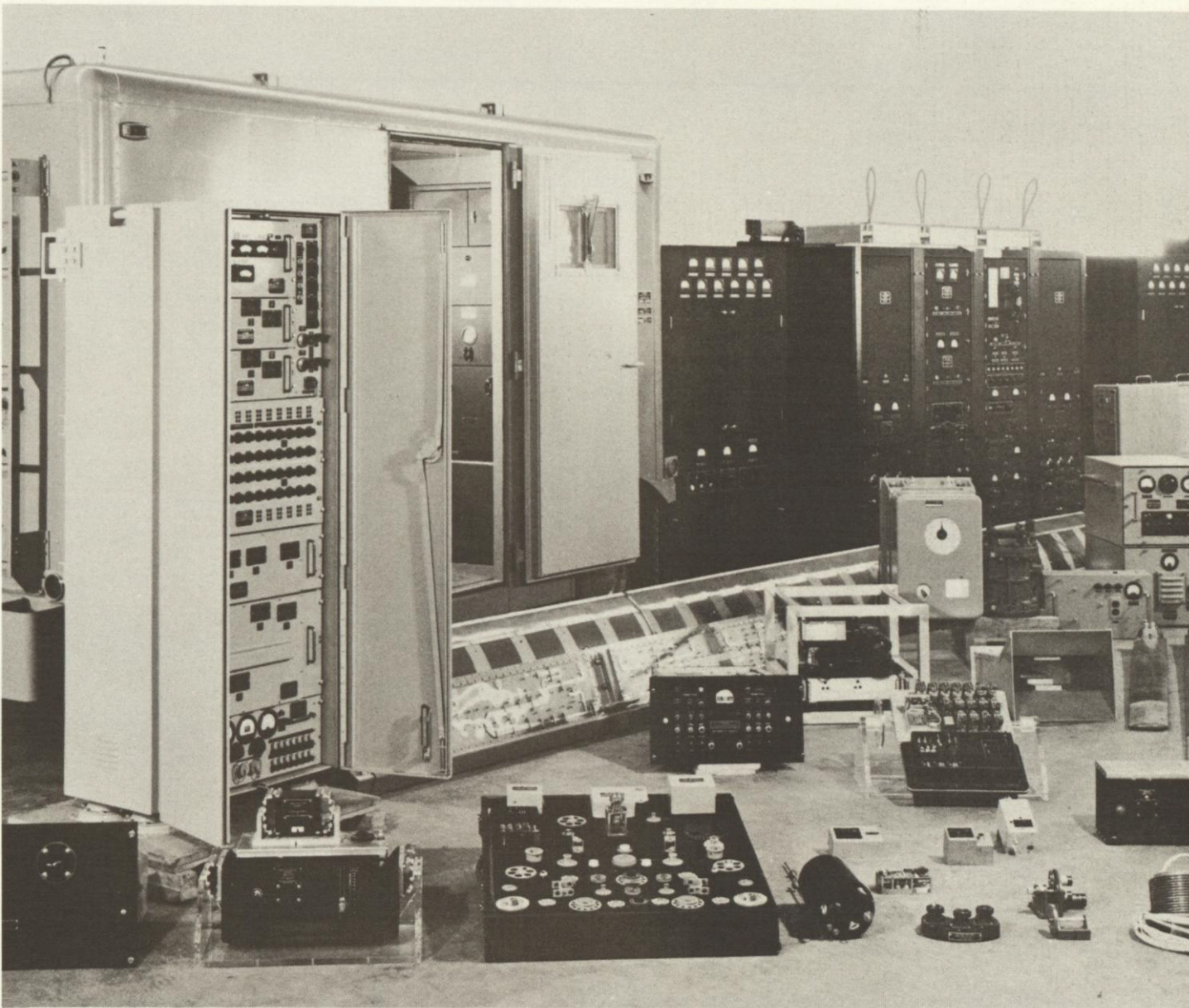
In related fields the company has designed and is producing electronic position indicators which automatically and continuously inform a ship's navigator of its exact location at sea, and new underwater devices for accurate indication of a ship's speed. In medical electronics, sales of the company's automatic serial-type x-ray equipment doubled in the last six months of the year.

1 *Maryland Division facility*

2 *Russell W. McFall, Vice President and General Manager
Maryland Division*

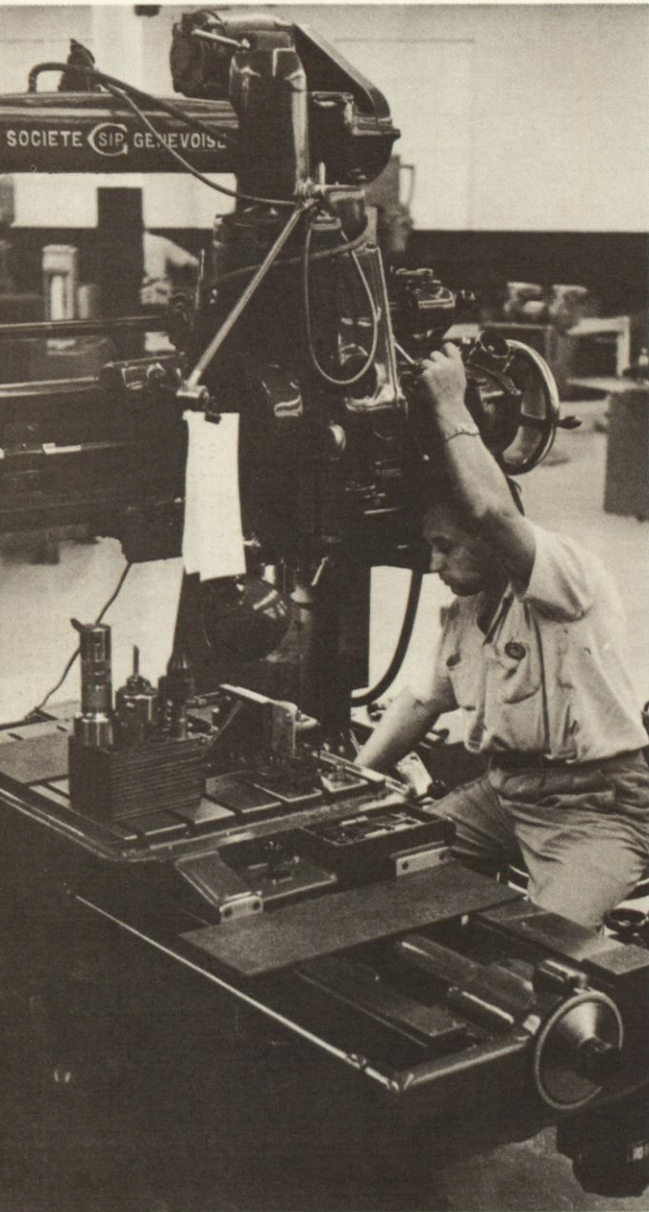
3 *Maryland precision tooling*

4 *Maryland products*





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Anim-na-raan at animnapot anim
Kalye Florentino Torres
Maynila, Filipinas



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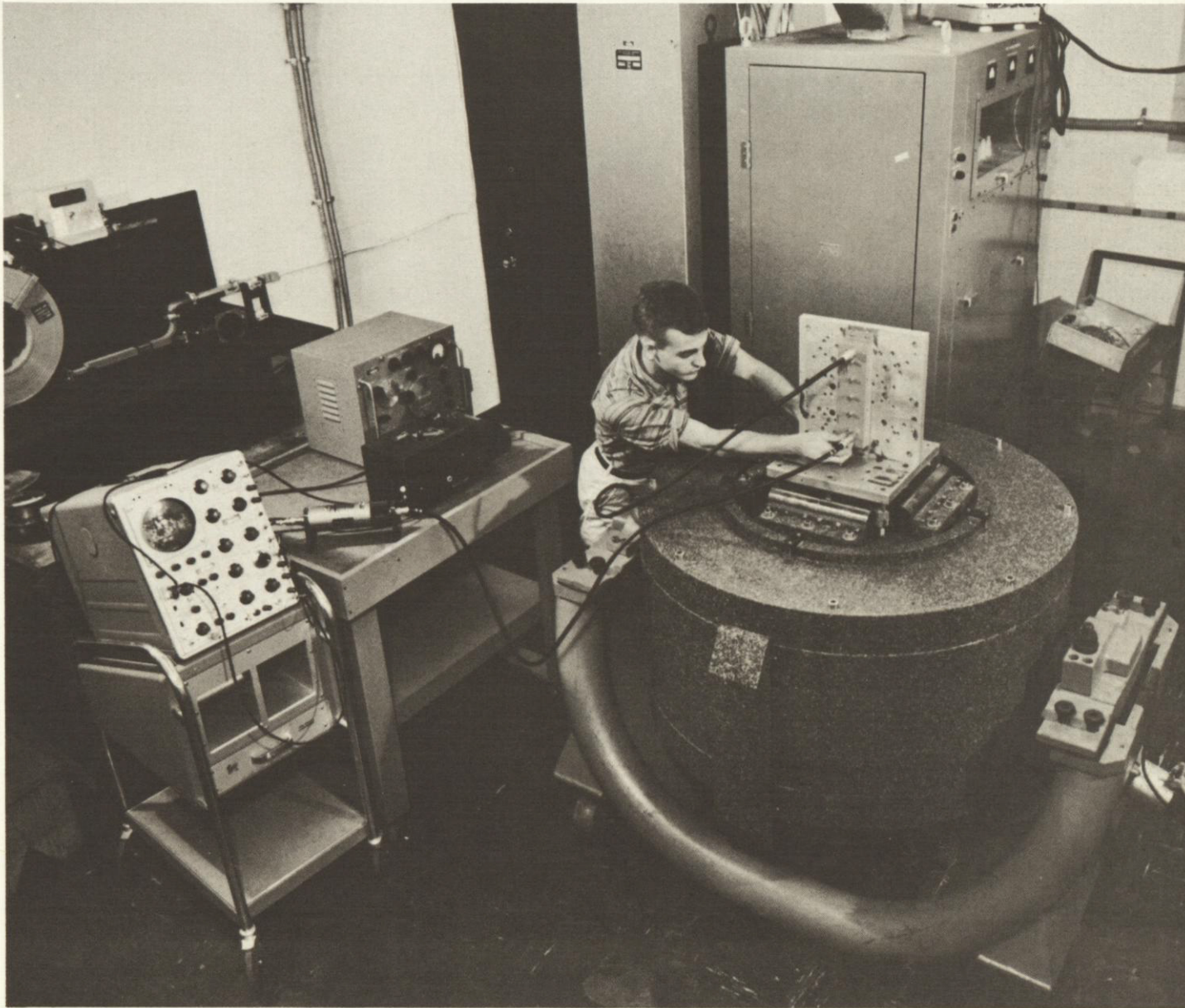


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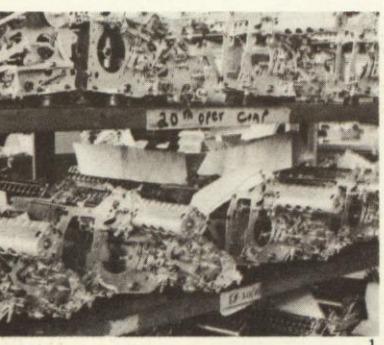


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- 1 *Equipments Division manufacturing*
- 2 *Maryland precision machine finishing*
- 3 *Equipments Division engineering*
- 4 *Environmental test laboratory*



Lead



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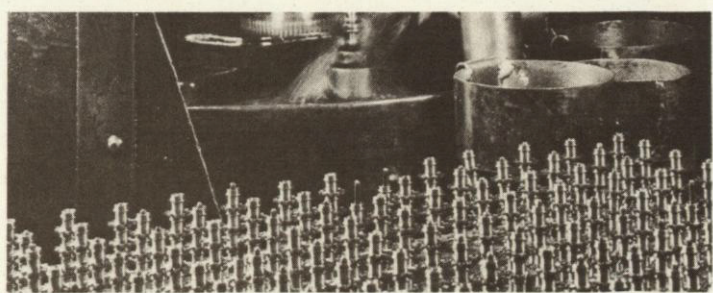
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MONROE BUSINESS MACHINES

Among the areas of industrial activity which have felt, during the last decade, the impact of advancing electronic technology, none has been more widely influenced than the field of business and office machines. Midway in the past year Litton Industries established a strong position in this field.

On January 15, stock of the company was exchanged for 100% of the outstanding stock of Monroe Calculating Machine Company. The merging of the two companies brought to Litton a network of 325 sales and service branches in the United States, three manufacturing plants in this country totaling over 500,000 sq. ft., five wholly owned foreign subsidiaries with dealer outlets throughout the world, and a modern manufacturing plant in Amsterdam, Holland. More than 2000 sales and service personnel in the field, representatives of the 47-year-old line of Monroe business machines, have already added Litton Industries to their identification.

Market acceptance of Monroe products during the year moved the company into an even stronger position within the industry. Monroe's intense field coverage, during a year when industry-wide sales were off, proved the value of an outstandingly able sales and service organization. With the planned commercial introduction of new products, sales are expected to reach near-record heights during the coming year.



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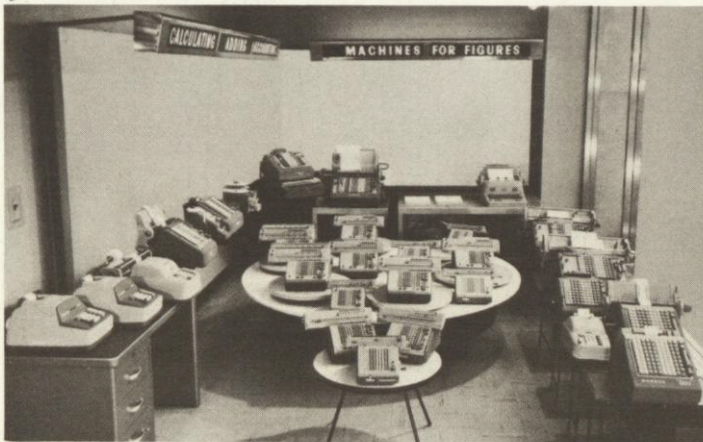


Compañía Westrex, Caribe
524 Avenida Ponce de León
San Juan, Puerto Rico

- 1 *Business machine assemblies*
- 2 *Fred R. Sullivan, Monroe President*
- 3 *Monroe assembly*
- 4 *Monroe parts manufacture*
- 5 *Monroe Amsterdam, Holland plant*
- 6 *Products of Monroe*
- 7 *Monroe machine shop*



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Teao Veritas
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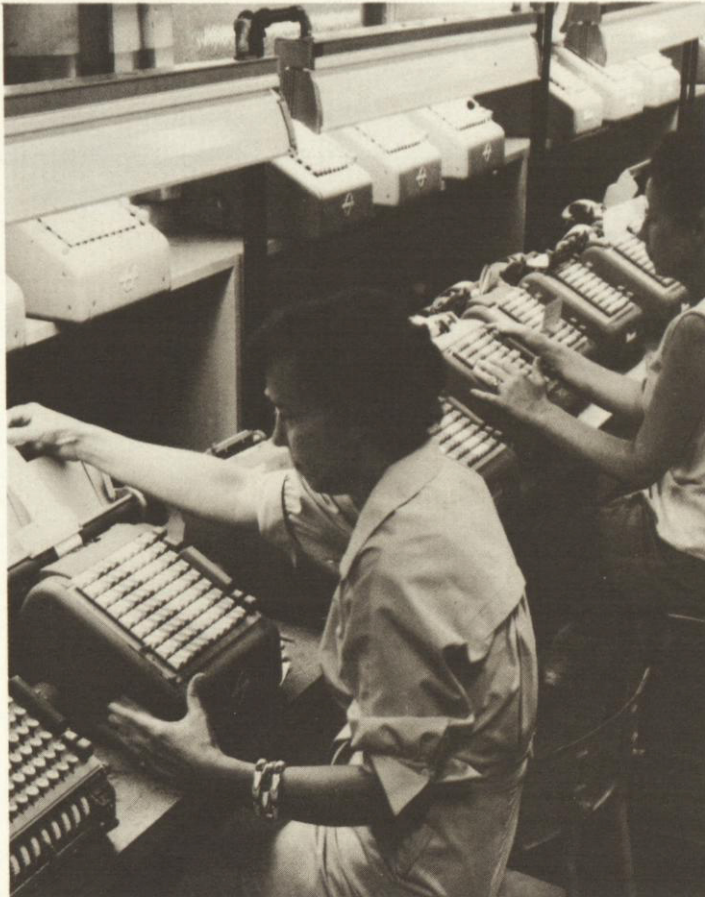
1 *Orange, New Jersey Monroe plant*

2 *Final test*

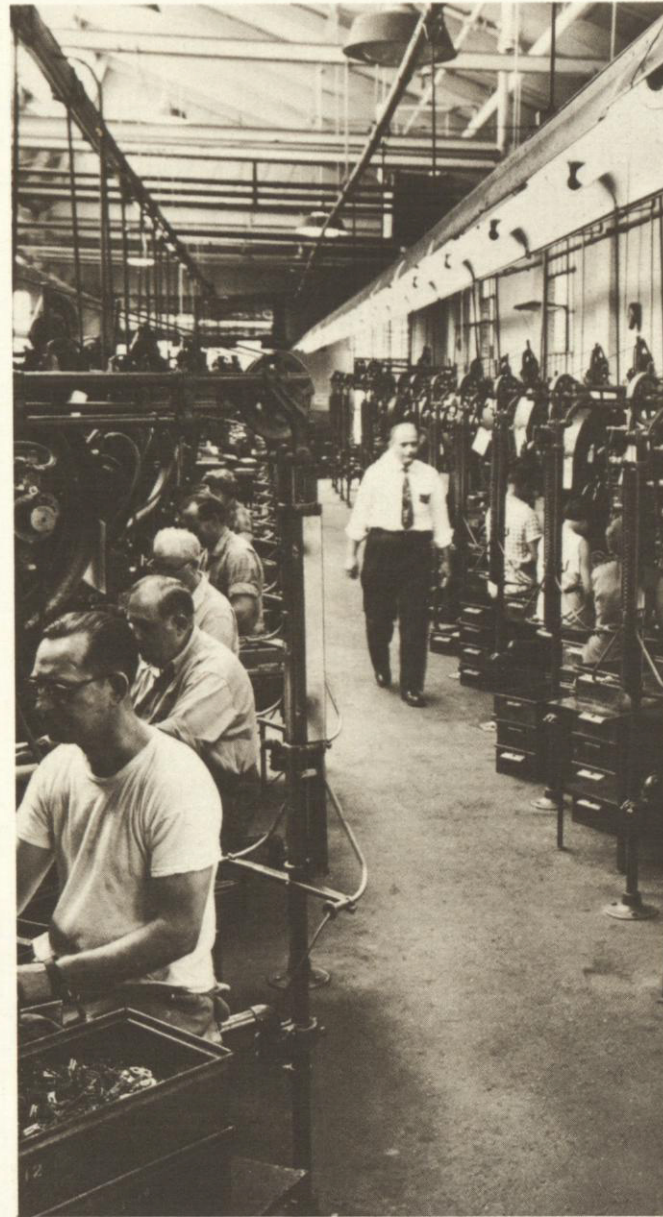
3 *Monroe parts manufacturing*

Monroe's broad line of business machines was further extended by the addition of a printing multiplier, a low priced, high quality adding machine, new duplex and wide carriage adding machines, multi-register-accounting machines, and an accounting machine series with exclusive line-finding features.

The Monrobot IX, an electronic billing machine, was successfully introduced by Monroe into the field of electronic business machines this year.



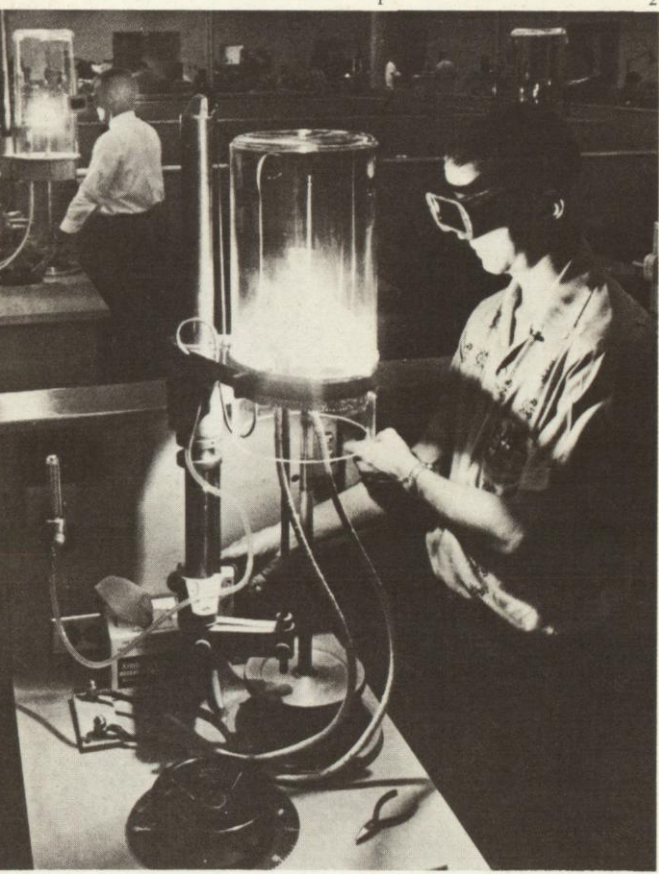
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Gezelschap Westrex, Frankrijk-België
Martelaar Plaats, 16
Brussel 1, België



ELECTRON TUBES

Fiscal 1958 has been a year of continuing growth for the Electron Tube Division. Sales for the division increased 40% over last year. The Litton family of microwave power tubes has achieved high acceptance as products that give unusually long and reliable service under the most severe conditions. It is a reputation not easily achieved in such an exacting field.

New developments by the tube division appeared throughout the year. Progress in the development of carcinotrons — an important new type of power tube — resulted in the company being one of the only two companies in the country successfully delivering production tubes in this field. A new hydraulically-tuned magnetron was well received as a needed contribution to radar development.

The division's continuing progress in the field of klystrons was reflected in sales contracts for new broad band versions of such products. Excellent field performance of our earlier model high power klystrons brought recognition to the division as one of the principal producers in the country of this type electron tube.



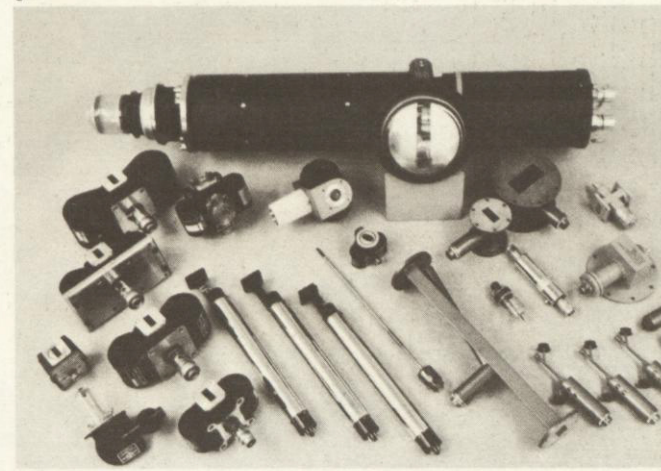
- 1 *High power output klystron*
- 2 *Dr. Norman H. Moore, Vice President and Tube Division General Manager*
- 3 *Checking klystron element*
- 4 *Inspection at Tube Division*
- 5 *Salt Lake City tube plant*
- 6 *System checkout*
- 7 *Tube division products*



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1 *Tube division assembly area*

2 *Air tight and bubble free*

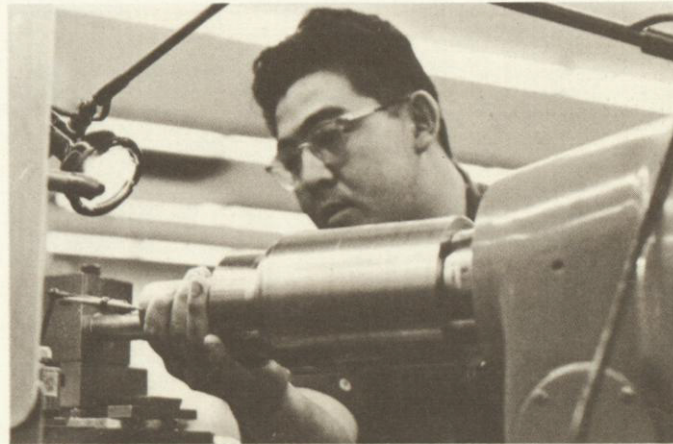
3 *Machining kylstron base*

4 *Klystron buildup*

With the April acquisition of Roger White Electron Devices, Inc., the company solidified its position in a new area of tube development and production. This acquisition helped establish us as a major factor in the field of backward wave oscillators, traveling wave tubes, and gas discharge tubes for microwave applications.

The division made substantial progress in adapting the Chromatron color display tube for interchange with black and white tubes now used in some military radar systems. The addition of color, as a new dimension in radar display, offers invaluable aid in solving such problems as air traffic control.

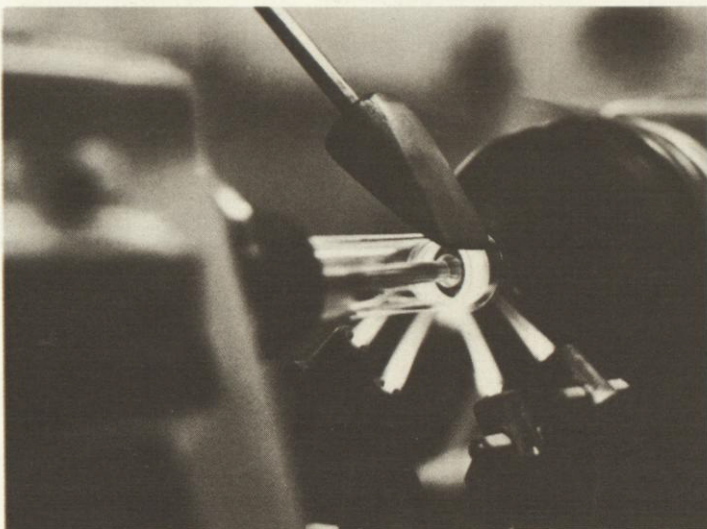
Expansion of manufacturing facilities kept pace with sales growth. The division added to its pilot production activity a 10,000 sq. ft. facility conveniently adjacent to the main plant at San Carlos, California. Also, a new 20,000 sq. ft. plant in Salt Lake City became fully operative by the end of the year. Employment in the Tube Division increased from over 900 to almost 1200 persons.



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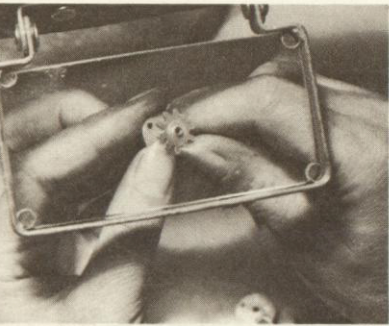
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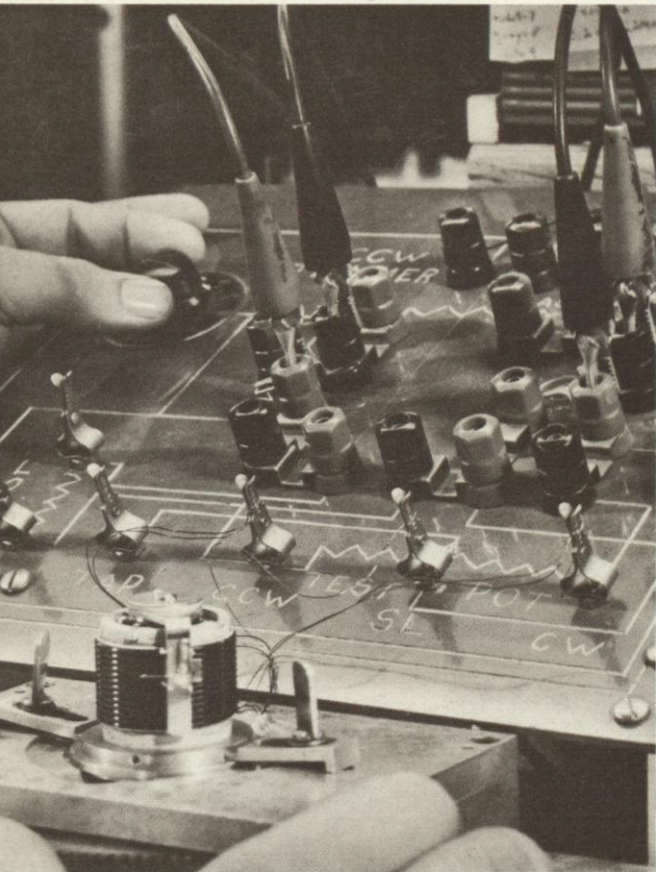
ਪੰਜਾਬ ਆਲਿ ਕੰਪਨੀ, ਡਿਜ਼ਿਟਲ
 ਸਿਟੀ ਫ਼ਾਬਰਿਕ,
 ਡਿਜ਼ਿਟਲ ਡਿਜ਼ਾਈਨ,
 ਆਫ਼ੀਸ ?
 ਡਿਜ਼ਿਟਲ



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PRECISION COMPONENTS

In recent months the press of the country has frequently carried stories of the nation's progress in the development of a myriad of military rockets and missiles. Public attention has also been focused on earth satellites launched to probe the mysteries of outer space. Many of the ablest conceptual and design talents of our country have worked tirelessly to advance the nation's deterrent and defensive capability. In the projects resulting from these efforts the reliability of literally thousands of small component elements has often tipped the balance for success or for failure.

The company's work in this field has achieved notable success. Litton Industries components are found in 21 of the missiles in the nation's arsenal. Not one case of missile failure due to a Litton component has been reported to date.

One of the country's largest manufacturers of precision transformers and other magnetic components, Litton is unique



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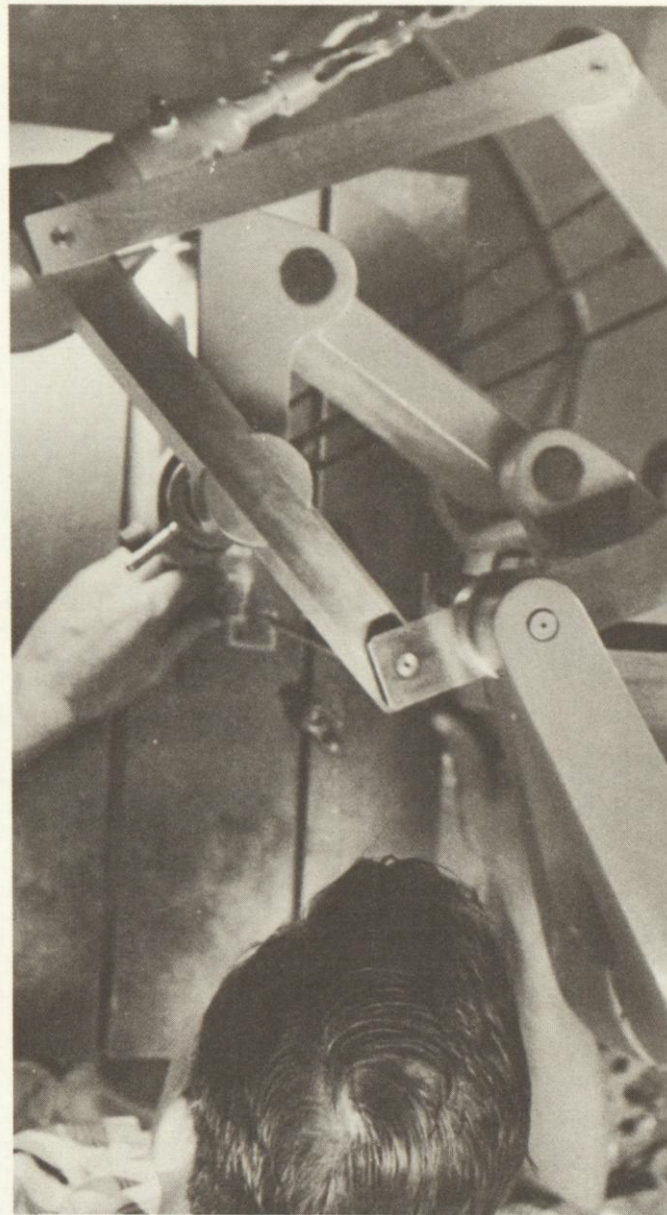


Compañía Westrex, Argentina
Rodríguez Pena 370
Buenos Aires, Argentina

- 1 *Quality control*
- 2 *Harry Gray, Special Assistant to the President*
- 3 *Component testing*
- 4 *Components assembly*
- 5 *Terminal manufacturing*
- 6 *Cutting to pattern*



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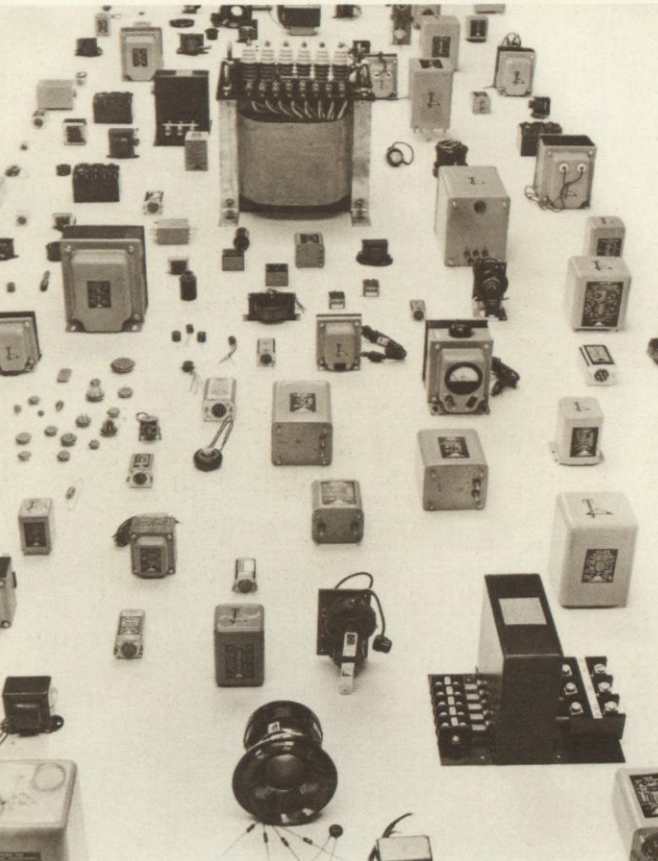
Compañía Westrex, Andina
Edificio Hidalgo No. 950-954
Plaza San Martín
Lima, Perú



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in this area of the industry for its engineering accomplishments and advanced developments. Products developed within the last three years accounted for 40% of 1958 transformer sales. In addition to a number of items developed for missile and other advanced military applications, new transformer products for transistorized equipment were introduced this year.

In the summer of 1958 construction was started on additional production space for the company's Huntington, Indiana plant.

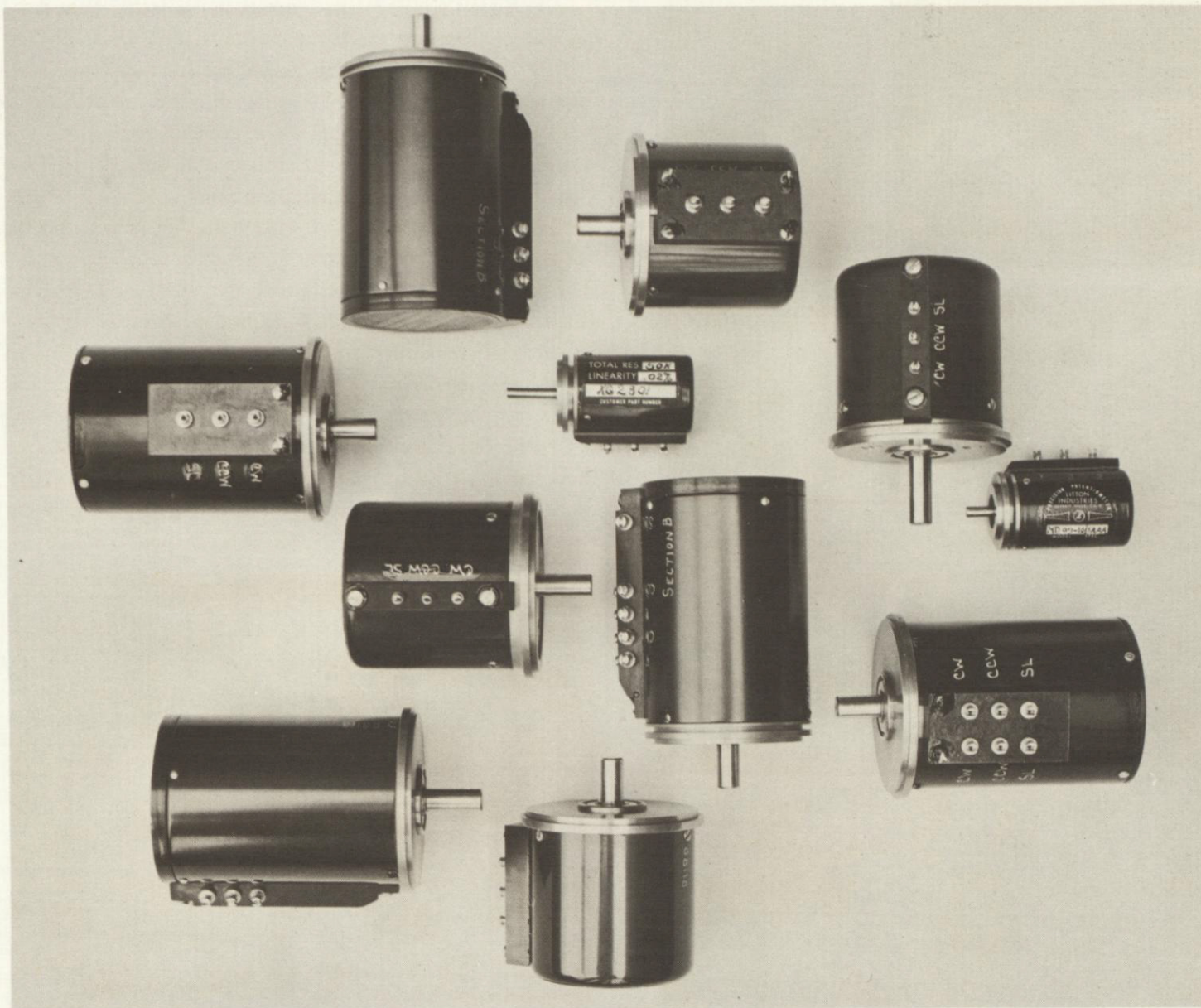
With emphasis on applications calling for reliable operation in high temperature environments — required by advanced airborne military equipment — the company introduced a number of new potentiometers, terminals, and terminal boards this year.

The rewards for having in previous years established a position in the new field of microwave ferrite products were realized in the form of increased orders and delivery schedules for such products. As a consequence a major move was made toward establishing the company in a leadership position in microwave components.



4

- 1 Printed circuit processing
- 2 L. W. Howard, Triad President
- 3 Transformer products
- 4 Airtron machine and assembly area
- 5 Litton precision potentiometers





Companhia Westrex Brasil
Rua Juan Pablo Duarte 38
Rio de Janeiro, Brasil



1



2



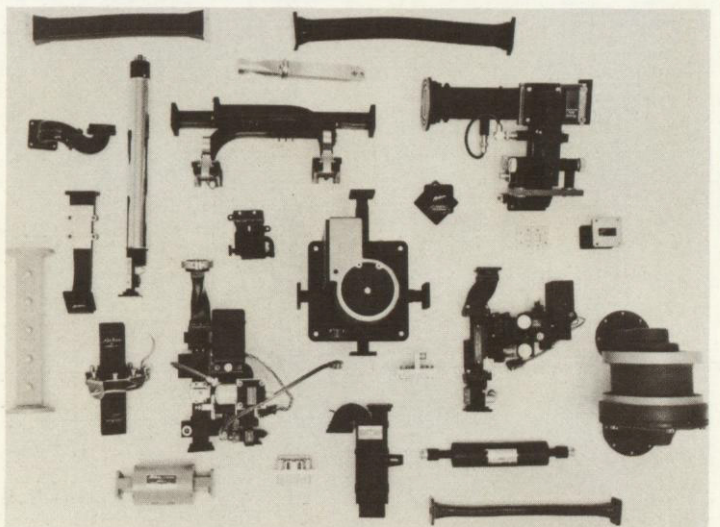
3

On August 1, 1958, the company by an exchange of stock added Airtron, Inc., a leading manufacturer of specialized microwave components and equipment for radar and other microwave communication. Airtron's products, in addition to extensive commercial application, are currently used in a majority of the nation's most advanced missile, aircraft, and ground installation systems of this nature.

Sales and profit figures of Airtron are not reflected in the company's fiscal 1958 figures.

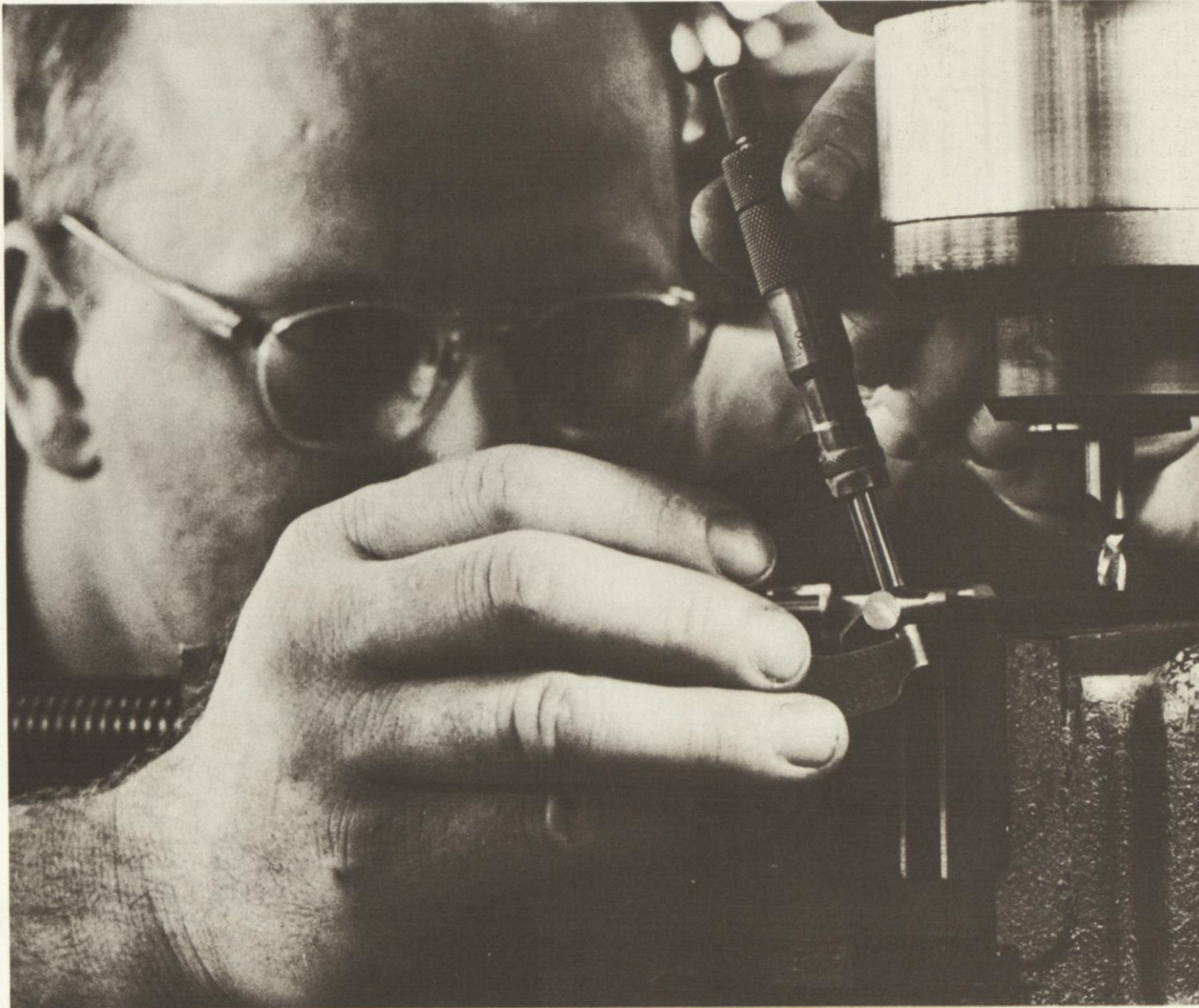
Shortly after the completion of the transaction, arrangements were made for Airtron's Cambridge, Mass. ferrite development laboratory and part of its Linden, New Jersey manufacturing activity to move into the 100,000 sq. ft. Morris Plains plant in New Jersey.

These moves have completed the establishment of Litton Industries as a major factor in the promising field of microwave — particularly ferrite — products. More than 800 persons are now at work for the company in these endeavors.



4

- 1 *Fabrication at Airtron*
- 2 *David Ingalls, Airtron President*
- 3 *Waveguide buildup*
- 4 *Precision microwave components*
- 5 *Microwave art*



1 R. Edward Warn, Westrex Vice President and General Manager



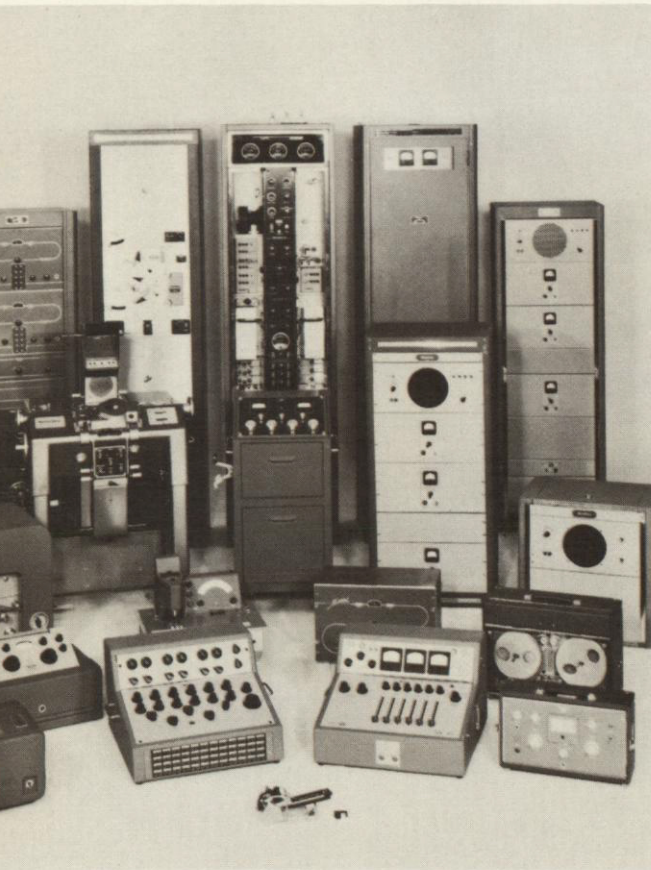
2 Westrex products

WESTREX CORPORATION

With the post year-end purchase of Westrex Corporation (formerly a subsidiary of Western Electric Company, Incorporated) the company extended its activities to virtually every major industrial market area of the free world. The acquisition of Westrex added to the Litton marketing structure a distribution network of 35 sales and service branches covering 50 foreign countries. This organization now enables Litton to provide experienced sales and service capability in the foreign field for the many products which the company had already begun to market there. Westrex is now distributing Litton-developed instrument landing systems, radar antennas, communication equipment, and medical x-ray units; it will soon begin distribution of a new line of tropospheric and ionospheric scatter relay equipment for over-the-horizon microwave communication. As a division of Litton Industries, Westrex will continue to represent abroad some 25 other manufacturers in the sale and distribution of related equipment, including Teletype.

More than 1000 Westrex employees are stationed abroad. Another 200 will continue their outstanding work in the design, development and domestic sale of magnetic and other sound recording equipment. A recent Westrex development is stereophonic disc recording and reproducing equipment. This is only one of a long line of Westrex contributions to the art of high fidelity sound reproduction.

The establishment of the Westrex division provides Litton Industries with one of the broadest and most experienced foreign servicing organizations in the world. Almost 25 per cent of Westrex' personnel have had 20 or more years of experience with that company. A Westrex assembly plant in England adds another important manufacturing facility to the company's organizational structure.





شركة وستركس الفرنسية البوبليكيه
٤٧ شارع مينيلت
مدينة الجزائر، الجزائر

CONSOLIDATED STATEMENT OF EARNINGS

Year ended July 31, 1958

Sales and service revenues		\$83,155,473
Costs and expenses (including depreciation of \$2,090,000):		
Cost of sales	\$45,026,375	
Selling, general, administrative and service expenses	30,301,986	
Other, including interest of \$653,892	<u>782,675</u>	<u>76,111,036</u>
Earnings before taxes on income		\$ 7,044,437
Federal and foreign taxes on income		<u>3,342,234</u>
Net earnings		<u>\$ 3,702,203</u>

See notes to financial statements

CONSOLIDATED BALANCE SHEET *July 31, 1958*

ASSETS

Current Assets:

Cash		\$ 5,622,967
Accounts receivable:		
Trade accounts, including United States Government of \$2,581,076, less provision for doubtful accounts of \$153,563	\$11,650,413	
Unbilled amounts under defense contracts, including amounts requiring contract amendments	2,059,619	
Other accounts receivable	<u>110,883</u>	13,820,915
Inventories (Note B):		
Finished goods	\$ 9,711,312	
Raw materials and work in process, less progress billings of \$1,287,815	<u>11,768,935</u>	21,480,247
Prepaid insurance, taxes, and other expense		<u>1,016,265</u>
<i>Total Current Assets</i>		<u>\$41,940,394</u>

Property, Plant, and Equipment – at cost:

Land	\$ 1,136,006	
Buildings	8,595,783	
Machinery and equipment	<u>13,049,281</u>	
	\$22,781,070	
Less accumulated depreciation and amortization	<u>7,915,605</u>	14,865,465

Intangible and Other Assets:

Patents – at cost, less accumulated amortization of \$105,727	\$ 361,352	
Excess of cost of businesses acquired over related net assets, less amortization	51,499	
Other	<u>532,151</u>	<u>945,002</u>
		<u>\$57,750,861</u>

See notes to financial statements



Westrex Company, Mexico
Avenida Morelas 64
Mexico, D. F., Mexico

LIABILITIES

Current Liabilities:

Notes payable to bank		\$ 3,000,000
Other notes payable		701,635
Accounts payable		3,258,666
Payrolls and payroll taxes		3,413,685
Estimated refunds due on defense contracts (Note C)		499,495
Federal and foreign taxes on income (Note D)		2,724,007
Deferred service contract income		4,790,013
Current portion of long-term debt		435,062
<i>Total Current Liabilities</i>		<u>\$18,822,563</u>

Long-Term Debt (Note E):

Notes payable to lending institutions	\$ 9,825,000	
Debentures	1,002,000	
Other note payable, secured by properties	<u>106,499</u>	10,933,499

Stockholders' Equity (Note F):

Capital stock:		
Voting preferred, convertible, 5% cumulative, par value \$100 a share:		
Authorized 160,000 shares		
Issued and outstanding 27,747 shares	\$ 2,774,700	
Common, par value ten cents a share:		
Authorized, 3,500,000 shares		
Issued and outstanding 1,691,389 shares	169,139	
Additional paid-in capital	6,242,542	
Earnings retained in the business	<u>18,808,418</u>	<u>27,994,799</u>
		<u>\$57,750,861</u>

See notes to financial statements



Compañía Westrex, Caribe
Carrera 5A, No. 19-40
Bogotá, Colombia

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL

Year ended July 31, 1958

Balance at beginning of the year	\$ 4,199,832
Excess over par value of common stock issued for:	
Monroe Calculating Machine Company capital stock acquired in a pooling of interests	188,624
Exercise of options for cash	7,380
Conversion of debentures and preferred stock	296,781
Acquisition of businesses	1,099,925
Additional purchase price for company acquired to be paid in common stock during subsequent years at market price thereof at date of issuance	450,000
Balance at end of the year	<u>\$ 6,242,542</u>

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

Year ended July 31, 1958

Balance at beginning of the year:		
Litton Industries, Inc., and subsidiary companies		\$ 3,390,238
Monroe Calculating Machine Company and subsidiary companies merged in a pooling of interests		11,941,562
		<u>\$15,331,800</u>
Net earnings for the year		3,702,203
		<u>\$19,034,003</u>
Cash dividends on:		
Voting preferred stock — \$2.50 a share	\$ 57,806	
Common stock of Monroe Calculating Machine Company — \$0.56 a share	167,779	225,585
Balance at end of the year		<u>\$18,808,418</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Year ended July 31, 1958

NOTE A — Principles of consolidation:

All subsidiaries are wholly owned and their accounts, including the earnings of foreign corporations, are consolidated in the accompanying financial statements.

During the year, Monroe Calculating Machine Company and subsidiary companies merged with Litton Industries, Inc. through an exchange of all the outstanding common stock for stock of the Company. This has been accounted as a pooling of interests and operations of Monroe are included in the financial statements for the full year. For other companies acquired during the year, earnings are included since dates of acquisition.

NOTE B — Inventories:

Inventories have been generally stated at the lower of average cost or market except that cost of material and labor of inventories aggregating \$11,849,000 are stated on the last-in, first-out basis.

NOTE C — Renegotiation and price redetermination:

Approximately 45% of the Company's sales are subject to renegotiation and some are subject to redetermination. In the opinion of management, adequate provision has been made for possible refunds.

NOTE D — Federal and foreign taxes on income:

The Company, including its subsidiaries, had the benefit of net operating loss carryforwards of \$366,000 in computing its United States taxes on income.

NOTE E — Long-term debt:

Long-term debt consisted of the following at July 31, 1958:

Notes payable to lending institutions:	
Notes payable to banks, due in four equal semiannual installments commencing December 1, 1960, with interest currently at 4¼% per annum	\$ 3,500,000
Notes payable to insurance companies, less \$425,000 due in one year	6,325,000
Ten-year 5% convertible subordinated debentures, due September 1, 1965	1,002,000
Note (secured by properties) payable in equal monthly installments to October 15, 1970, less \$10,062 due in one year	106,499
	\$10,933,499

Under the agreement with banks relative to the debt of \$3,500,000, the Company undertakes to limit dividends and acquisitions of its own stock to consolidated earnings after May 1, 1957 and among other things to maintain a ratio of current assets to current liabilities (excluding the first million dollars of bank borrowings) of at least two to one.

Notes payable to insurance companies by Monroe Calculating Machine Company consist of \$4,350,000 repayable at the rate of \$325,000 annually with interest at 3¾% per annum and \$2,400,000 of 5% 20-year subordi-

nated sinking fund notes payable at the rate of \$100,000 annually to January 1977. Both notes may be prepaid in whole or in part, generally at a premium. The notes, among other restrictions, limit dividends of Monroe in general to earnings since 1956.

The debentures are convertible into common stock at \$13.50 a share, are callable at 103 until August 31, 1959, and thereafter on a basis declining to par. The Company agrees to retire \$150,000 principal amount of debentures annually commencing September 1, 1958. Retirements required as of September 1, 1958 have been met through conversion of debentures into common stock. They are subordinated to all existing debt and future debt of the Company, with limited exceptions.

NOTE F — Stockholders' Equity:

The voting preferred stock is callable after December 15, 1961 at 104 plus unpaid dividends, declining thereafter to par. It is convertible into common stock of the Company at \$55 a common share during the first six years after original issuance and is subject to an anti-dilution provision.

At July 31, 1958, officers and employees held options sold in 1953 to purchase 162,117 shares of common stock for \$1.00 a share (options to acquire 8,200 shares were exercised during the year).

Of the earnings retained in the business at July 31, 1958, the amount of \$3,320,505 is available for dividends in cash. For restrictions on dividends and acquisitions or retirements of capital shares see Note E.

At July 31, 1958, common shares have been reserved for:

	Shares
Conversion of debentures	74,222
Conversion of preferred stock	50,449
Employee stock options	162,117
	286,788

In addition, under purchase contracts, certain shares are to be issued in consideration for companies acquired based upon earnings of those companies in years subsequent to acquisition.

NOTE G — Long-term leases:

The Company and its subsidiaries are lessees of various land, buildings, and equipment for varying periods to 1981, some with renewal options not to exceed twenty years. Under terms of certain of the leases the Company and its subsidiaries have options to buy the property. Annual rentals under the current leases are approximately \$658,000, plus property taxes and insurance in certain instances.

NOTE H — Merger and acquisition subsequent to July 31, 1958:

In August 1958, Airtron, Inc. merged with the Company through an exchange of all its capital stock for common and preferred stock of the Company. Additional common stock is to be issued in 1963 based upon earnings of Airtron, Inc. This merger is to be accounted as a pooling of interests.

In September 1958, the Company purchased all of the outstanding capital stock of Westrex Corporation for cash payable over a six-year period.

TOUCHE, NIVEN, BAILEY & SMART

Certified Public Accountants

3350 Wilshire Boulevard
Los Angeles 5, Calif.

September 19, 1958

Board of Directors
Litton Industries, Inc.
Beverly Hills, California

We have examined the consolidated balance sheet of Litton Industries, Inc. and subsidiary companies as of July 31, 1958, and the related statements of earnings, earnings retained in the business, and additional paid-in capital for the year then ended. Our examination 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.

In our opinion, the accompanying balance sheet and statements of earnings, earnings retained in the business, and additional paid-in capital present fairly the consolidated financial position of Litton Industries, Inc. and its subsidiary companies at July 31, 1958, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey & Smart

Certified Public Accountants



Litton Industries, Inc., 336 North Foothill Road • Beverly Hills, California

