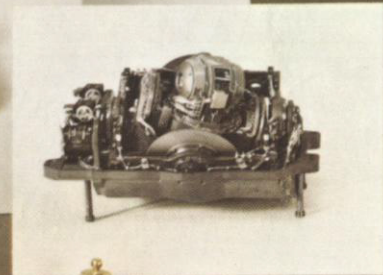
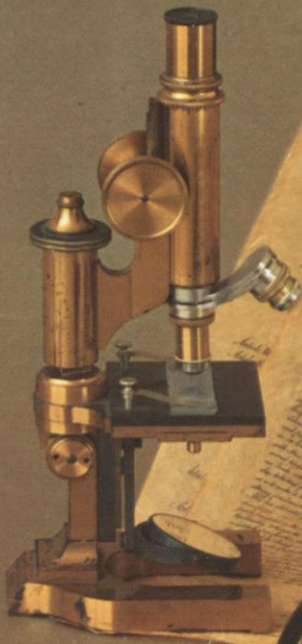
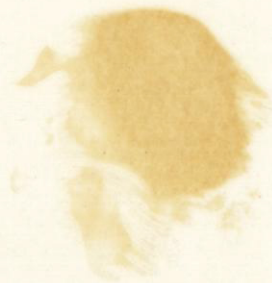
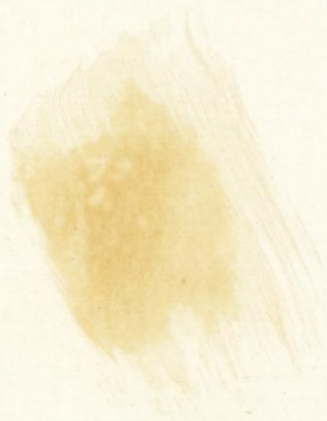
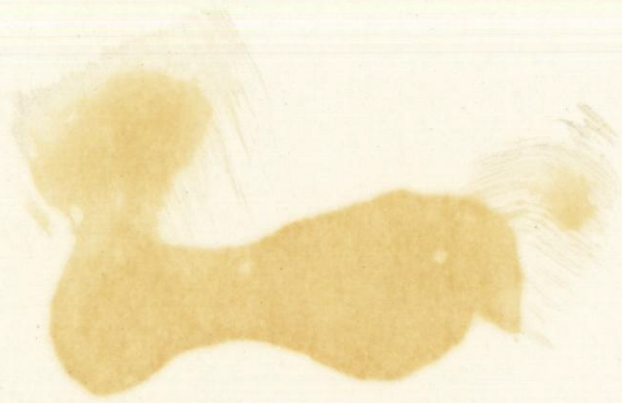
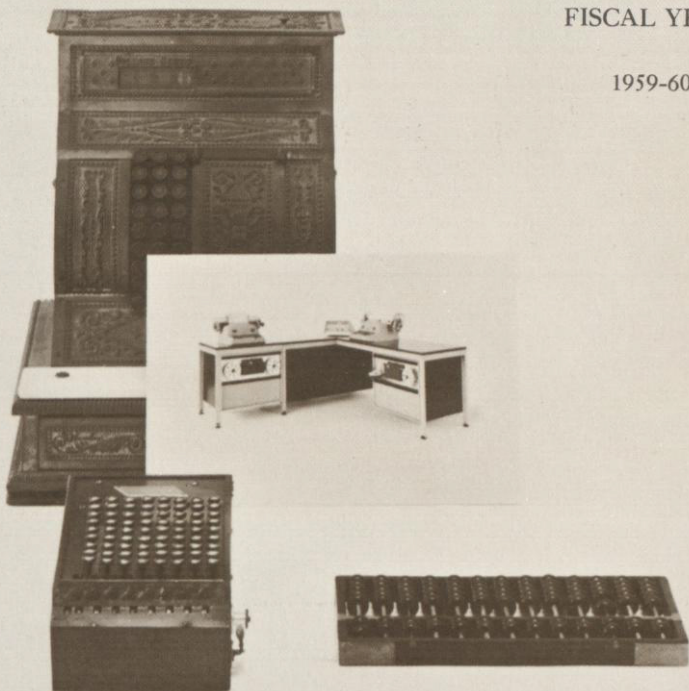


LITTON
INDUSTRIES
ANNUAL
REPORT
1959

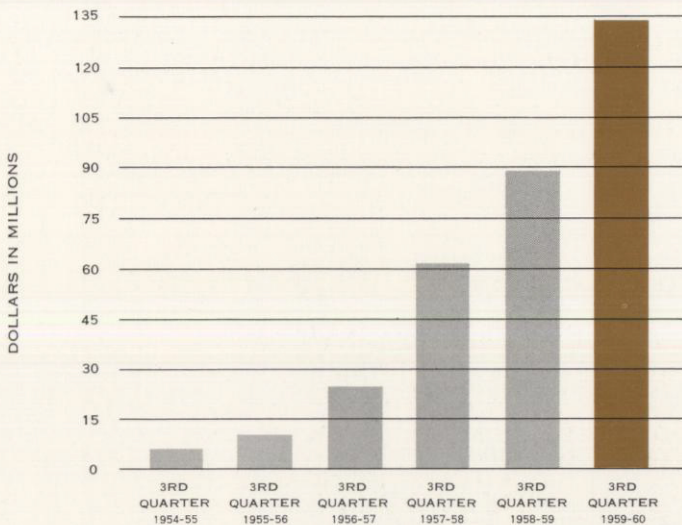




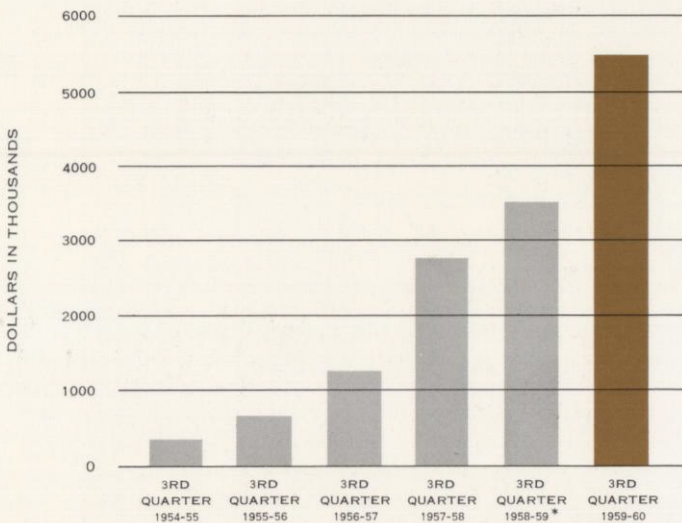
LITTON
INDUSTRIES
3RD QUARTERLY
REPORT
FISCAL YEAR
1959-60



SALES



EARNINGS



*EXCLUDING SPECIAL INCOME CREDIT

TO OUR SHAREHOLDERS:

At the April 30 close of the first nine months of the current fiscal year sales totaled \$134,459,000. Before-tax earnings for the nine months totaled \$10,873,000, and net earnings from operations after federal and foreign taxes on income amounted to \$5,441,000, as compared to last year's nine months earnings from operations of \$3,526,000. Last year a special income credit of \$700,000 was also recorded.

Earnings per share for the nine months amounted to \$1.29 for the 4,147,854 shares of common stock outstanding, an increase of 36% over the per share earnings from operations for the same period a year ago.

The third quarter of the fiscal year was marked by a series of events which manifested the continued growth of the company in all areas of activity.

Litton Industries has been selected to produce the inertial guidance systems for the F-104, the plane that is the standard tactical fighter interceptor for NATO countries. It is expected the program will involve many hundreds of units over an extended period of time.

The Monroe division introduced the Monrobot XI, the third in our series of commercial computers. A transistorized general purpose computer selling for the unusually low price of \$24,500, the Monrobot XI, is designed to compete with computers three times its price. In operation it can average around 5,000 computations a minute, can handle punch tape, punched cards, electric typewriter, teletypewriter or direct number input and output. Introduction of the new unit elicited an unprecedented number of inquiries from a variety of businesses.

In March 1960 the Electron Tube Division introduced its new Printapix direct writing cathode ray tube which has aroused substantial interest. This unique device can print directly, and with exceptional clarity, on unsensitized paper passing the printing face at a rate as fast as 10 feet per second.

The Space Research Laboratories during the quarter announced the completion of a series of successful trials of a radically new plasma accelerator which may well pave the way for an important advance in outer space propulsion systems.

The Maryland Division received new contracts for further work on an electro-magnetic log meter that measures underwater speed and a new ship's course indicator for use with missile launching apparatus.

During the third quarter we entered into an agreement to acquire all of the outstanding capital stock of Western Geophysical Company of America. This transaction has been accounted for as a pooling of interests and, accordingly, data in this financial report reflect the operations of Western from the beginning of the fiscal year.

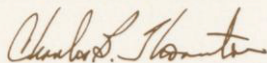
One of the largest companies in the geophysical research field, Western engages in engineering, research and development and the manufacturing of electronic, optical and electromechanical instruments. Western's experience in the development and use of electronic instrumentation and miniaturization of equipment, including transistorization of power supplies, portable seismic amplifiers, camera timing units and auxiliary components makes this a valuable adjunct to our present activities.

Western has 900 employees in the Los Angeles headquarters and laboratory and in field teams on exploration assignments in many parts of the free world.

By the end of April the move had started from various facilities in the Los Angeles area into the 180,000-square foot first building of our production complex on our 60-acre site in Woodland Hills, California. Occupancy of this first building will be completed by June 15.

These events are indicative of our continued dedication to progress. The plans have been laid and the programs are already well under way to insure similar accomplishments in the months and years ahead. The general economic outlook portends an environment conducive to our continued growth.

Sincerely yours,



Charles B. Thornton
President and Chairman
of the Board of Directors

THIRD QUARTER HIGHLIGHTS

	1959-60	1958-59
Sales	\$134,459,000	\$ 89,191,000
Net Earnings From Operations	5,441,000	3,526,000*
Gross Assets	111,051,000	78,429,000
Net Working Capital	47,321,000	34,944,000
Employees	17,050	11,650

*In addition, nonrecurring income of \$700,000 was reported during the period.

LITTON INDUSTRIES, INC. AND SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF EARNINGS

Nine months ended April 30, 1960

Sales and service revenues		\$134,459,000
Costs and expenses		
Cost of sales	\$ 93,549,000	
Selling, general and administrative	28,874,000	
Other	1,163,000	123,586,000
Earnings before taxes on income		\$ 10,873,000
Federal and foreign taxes on income		5,432,000
Net earnings		<u>\$ 5,441,000</u>

LITTON INDUSTRIES, INC.
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET

April 30, 1960

ASSETS

<i>Current Assets</i>	
Cash	\$ 9,763,000
Accounts, notes, and other receivables	35,304,000
Inventories, less progress payments	34,541,000
Prepaid expenses	1,696,000
Total Current Assets	\$ 81,304,000
<i>Investment In and Undistributed Earnings of Foreign Subsidiary</i>	6,602,000
<i>Property, Plant and Equipment</i>	
less accumulated depreciation and amortization of \$16,154,000	22,031,000
<i>Other Assets</i>	1,114,000
	\$111,051,000

LIABILITIES

<i>Current Liabilities</i>	
Amounts due vendors and employees	\$ 20,110,000
Notes payable	2,670,000
Deferred service contract income	5,998,000
Federal and foreign taxes on income and refunds on defense contracts	5,205,000
Total Current Liabilities	\$ 33,983,000
<i>Long-Term Debt, Including Subordinated Convertible Debentures of \$11,385,000</i>	26,605,000
<i>Foreign and Other Reserves</i>	1,804,000
<i>Capital Stock:</i>	
Voting preferred	\$ 2,751,000
Common	4,148,000
Additional Paid-in Capital	11,044,000
<i>Earnings Retained in the Business</i>	30,716,000
	48,659,000
	\$111,051,000



Western Geophysical Company exploration crews may be found at work anywhere on five continents.



Instrument assembly in Western Geophysical laboratories provides field crews with latest electronic devices.



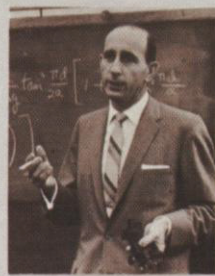
LITTON INDUSTRIES
BEVERLY HILLS, CALIFORNIA

LITTON
INDUSTRIES,
INC.
ANNUAL
REPORT

for the fiscal year ended
July 31, 1959

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Pictured from left to right are: top row, Charles R. Abrams, Jr., Vice-president and Treasurer, Glen McDaniel, Vice-president, Charles B. Thornton, President and Chairman of the Board with Roy L. Ash, Executive Vice-president; second row, Vice-presidents Lewis W. Howard, Harry J. Gray, George T. Scharffenberger, and Fred R. Sullivan; third row, Vice-presidents David Ingalls, Dr. George Kozmetsky, W. Preston Corderman, Russell W. McFall, and Dr. Norman H. Moore; bottom row, William L. Reynolds, Secretary, and Dr. Henry E. Singleton, Vice-president.





TO OUR SHAREHOLDERS:

Today our national attention is directed to the technological competition between the two great powers of the world. Events in outer space arrest the interest of all walks of life. Prosperity, the absence of a shooting war, and a life of abundance are taken for granted.

But behind this apparent well-being stand those elements of American industry dedicated to creating and producing ever more meaningful products to strengthen and serve industry, commerce, and our national defense. It is to this end that the people of Litton Industries have dedicated their talents and energies during the past fiscal year.

We have introduced new products, expanded our facilities, broadened our marketing organizations, increased our complement of capable people, and, in our laboratories, continued to press through the frontiers of science. Our progress has been achieved within the framework of sound economic principles; our customers, investors, and employees all have benefited.

It is in the light of this sense of responsibility to the economic health of our company and of the world in which we live that our progress this year is reviewed and our future discussed in this report.



HIGHLIGHTS OF FIVE YEARS – IN COMPARISON

1959

Operating Results

<i>Net sales and other income</i>	\$125,525,561
<i>Earnings before taxes and special credit</i>	10,805,756
<i>Net earnings</i>	5,975,031 ^a
<i>Per share outstanding at year-end</i>	3.24 ^a
<i>Per share outstanding at year-end, adjusted for stock dividend</i>	3.24 ^a

Financial Position (Year-End)

<i>Net working capital</i>	\$ 38,741,071
<i>Property at cost</i>	29,633,695
<i>Accumulated depreciation and amortization</i>	11,850,224
<i>Net property</i>	17,783,471
<i>Total assets</i>	83,254,170
<i>Stockholders' equity</i>	34,546,600

General Statistics (Year-End)

<i>Shares of capital stock outstanding</i>	1,796,204
<i>Number of stockholders of record</i>	8,589
<i>Number of employees</i>	12,400

^a Including special income credit of \$1,021,000 or 57¢ per share.

^b The operations of Monroe Calculating Machine Company and Airtron, Inc., treated as poolings of interests, are included only since the years of affiliation with Litton Industries, Inc.

Fiscal Years Ended July 31

<i>1958^b</i>	<i>1957^b</i>	<i>1956^b</i>	<i>1955^b</i>
\$83,155,473	\$28,130,603	\$14,920,050	\$8,898,797
7,044,437	3,232,493	1,995,703	679,413
3,702,203	1,806,493	1,019,703	436,413
2.13	1.51	.97	.44
2.07	1.47	.95	.43
\$23,117,831	\$ 6,731,958	\$ 2,655,003	\$1,130,111
22,781,070	7,277,766	4,648,181	3,632,193
7,915,605	1,939,535	1,144,109	788,231
14,865,465	5,338,231	3,504,072	2,843,962
57,750,861	16,823,383	10,826,182	7,647,918
27,994,799	7,785,419	4,533,177	3,442,160
1,691,389	1,193,986	1,046,834	966,595
5,801	4,500	3,000	1,700
8,600	2,700	2,000	1,100

Sales and other income for the 1959 year totaled \$125,525,561, or 51% more than the \$83,155,473 recorded the previous year. Slightly over half of our sales this year were of products for commercial and industrial applications, while the rest were directed to the support of our national defense establishment.

In addition to effecting an increase in sales volume, the product base was broadened materially. Our diverse product lines now serve a wide variety of markets, and reflect in character the determination to emphasize long-term potential in the selection of areas for product development.

Internal growth resulting from our development efforts alone accounted for a 26% rise in the year's sales, while acquisition of three companies during the year — Airtron, Inc., Westrex Corporation and Times Facsimile Corporation — also contributed materially to our position in both the commercial-industrial and military markets.

An analysis of sales by product groupings shows that our appreciably expanded line of business machines amounted to 38% of the year's total; communications and recording equipment came to over 9%; equipment and systems for defense applications were more than 38%; the great variety of advanced components for end use in both military and commercial equipments totaled approximately 14%; and miscellaneous income equaled less than 1%.

Earnings. After-tax profits for the year amounted to \$5,975,031 as compared to \$3,702,203 the previous year. Following the payment of preferred stock dividends, these profits, which included \$1,021,000 realized during the year from a beneficial purchase made earlier in the period, amounted to \$3.24 per share for the 1,796,204 shares of common stock outstanding at

year-end. Profits per share were 57% greater than last year after adjustment for a 2½% stock dividend issued following the close of the year.

Earnings before taxes and before the addition of the special income credit totaled \$10,805,756, or 53% more than the corresponding \$7,044,437 of last year. This increase is almost exactly commensurate with the year's growth in sales, reflecting the fact that operating margins remained approximately the same.

The company's per share earnings have increased steadily during the last five years. An analysis of the opportunities for growth still confronting us in our chosen fields of activity shows firm promise of continuation of this trend.

Without necessarily establishing a precedent in this regard, the Board of Directors early in fiscal 1959 voted a 2½% dividend which was paid in stock in order to retain cash for reinvestment in the company's continued expansion.

Financial Condition. Again this year attention was given to broadening and further strengthening the company's financial structure commensurate with our current progress and with the outlook for the future.

At July 31, net working capital totaled \$38,741,071, up almost 70% over last year; and the ratio of current assets to current liabilities was 2.50:1, up from 2.23:1 last year. Cash and accounts receivable alone exceeded total current liabilities by over 35%. Stockholders' equity increased from \$27,994,799 to \$34,546,600, while the appraised value of property, plant and equipment at year-end exceeded book value by over \$10,000,000.

Net earnings plus depreciation, reinvested in the company, increased 42% over last year and amounted to \$8,210,159. In the course of the year almost \$4.3 million of cash was invested in new

property, plant, and equipment. In line with the company's planned growth, we arranged a new, enlarged bank term loan on favorable terms to cover the company's expansion financing needs, and a \$4.7 million issue of 4¾% subordinated 15-year debentures convertible into common shares at 130 was placed. This issue enabled us to proceed with various new plant construction projects, other capital expenditures, new product programs, and to retire other debts and earlier debenture issues.

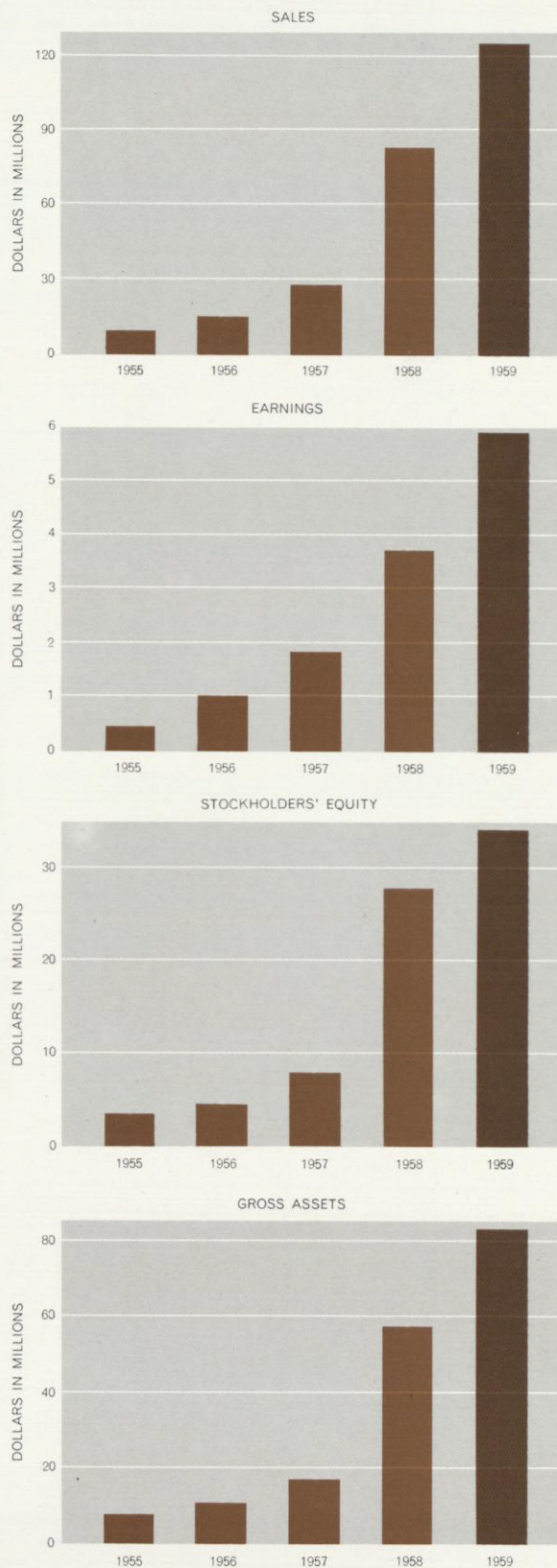
Subsequent to year-end the Board of Directors voted a 2-for-1 split of the company's common stock in order to broaden the distribution base.

Facilities. The expansion of physical facilities this year included numerous major projects planned to accommodate the growth we firmly anticipate in the years immediately ahead. A 63 acre tract in the San Fernando Valley, near Los Angeles, was secured for the Electronics Equipments division. Construction of a 750,000 sq. ft. building complex is already under way. This same division moved its Tactical Systems Laboratory into a new 100,000 sq. ft. facility obtained on long-term lease in the same geographical area.

The Electron Tube division in San Carlos, California, began construction on an addition to its plant which will increase its available floor space by over 30%, and the Maryland Division plant in College Park was increased by over 10%.

Negotiations were undertaken for a new component manufacturing plant in the New York area, and exploratory work was begun relative to new and expanded facilities for other of our activities in the East.

The company now has under construction facilities more than sufficient to accommodate at least a 50% increase in manufacturing output.

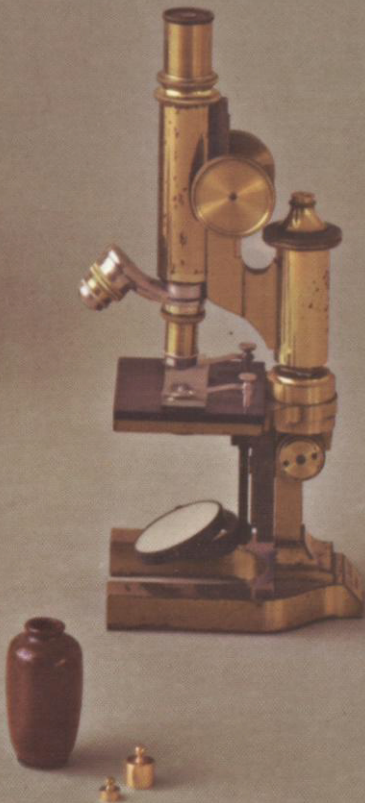




The constant emphasis in recent years on technological advance finds industry in general confronted with a new combination of problems and opportunities. Both domestic and world-wide markets must be opened for the vast array of new products emerging from the nation's industrial laboratories and plants. Intelligent attention must be paid to the quality manufacture of these products at costs that will be economically practical for producer and customer alike. Competition from foreign manufacturers must be met with higher productivity, superior quality, and with ingenuity and resourcefulness in product design.

We view these truths as challenging opportunities. The year just passed reflects our efforts to realize the fullest measure of the potential they contain.

We have broadened our lines of products designed for commercial and industrial applications, have developed a sales structure which totals over 1200 sales and service branches in this country and over 700 in 76 free-world countries abroad, and have strengthened in depth our total management and personnel complement. We confront the future with confidence.



The development and sale of equipment for commercial and industrial applications progressed importantly during fiscal 1959 in all three of our major fields of such endeavor: business machines, communications equipment and precision components.

These efforts were appreciably enhanced during the year by the merger into our company of three important organizations. Westrex Corporation, formerly a subsidiary of Western Electric Company, brought to our commercial product complex both a promising and diversified line of communications equipment and a 30-year history of leadership in sound recording and reproducing equipment, as well as adding to our international sales and service organization 35 foreign offices.

Supplementing our own efforts and developments in the field of microwave components, the addition of Airtron, Inc., brought us the industry's most extensive line of microwave transmission and receiving components, including the waveguide elements of all weather-radar equipment being installed so universally today in commercial aircraft.

Times Facsimile Corporation, which became a part of the company in March 1959, greatly broadened our data communications equipment capability with its diversified line of facsimile and

photo transmission and receiving equipment.

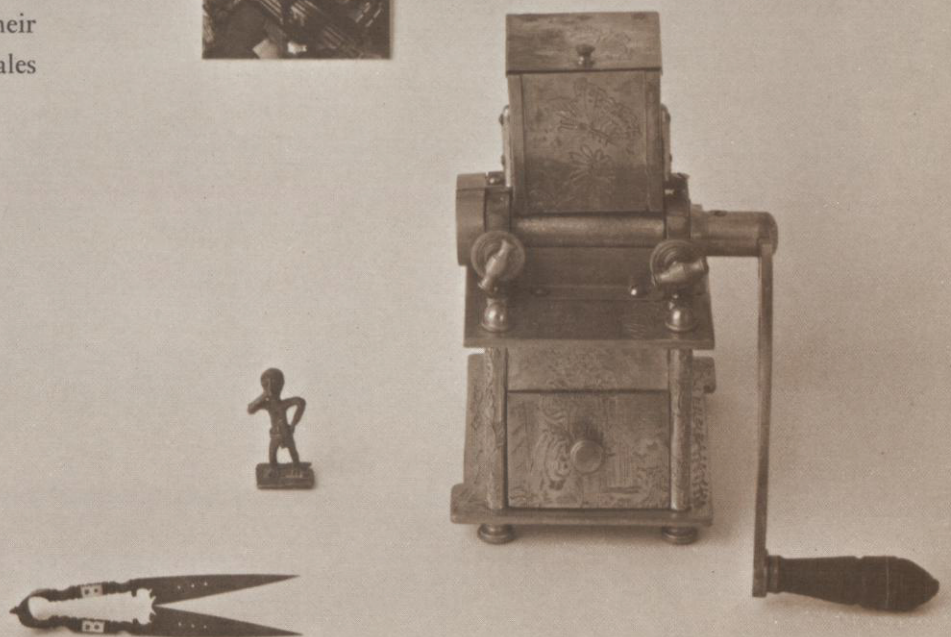
The Monroe Calculating Machine Company division, long known for its high quality products and outstanding field service, experienced the biggest year in its 47-year history. Not only did we materially increase sales of such standard lines as calculating and adding machines, which were enhanced by numerous new models and accessories, but also sales were augmented by the successful introduction of new and more advanced electronic accounting and point-of-sale recording equipment.

In February a year of field testing of the first installation of a new point-of-sale recording system which utilizes our new Monroe Distributape data processing computer was completed. In service as regular equipment for a large variety store chain, the system operated with complete success. With this system the store cashier records sales information on an advanced style sales register which is connected to paper tape punch equipment. At the end of the day, after the usual cash checkout is conveniently made for each station, the paper tapes are transmitted to a central location where they are processed on the Distributape computer to determine complete sales and inventory information in a matter of minutes. With one central computer able to process elec-

tronically the tapes generated by 150 to 200 cashier stations with virtually infallible accuracy, the system offers not only reduced equipment investment but also a reduction in clerical help in the stores, better merchandise stocking controls and more detailed sales information breakdowns in a fraction of the time required under current systems. All elements of the Distributape system, from the cash register to and including the electronic computer, and related accessories, are made by the Monroe division. Such a single source system is not available from any other manufacturer.

Sales of the new Monrobot series of electronic accounting and billing machines were consistent with our plans for the growth of this product line, and field reports confirmed our anticipation of customer satisfaction. With such customer comments as "25% reduction in workload" now commonplace, we anticipate even greater growth in sales of the Monrobot line in the years to come. The increasing demand for mechanization of office functions portends a continuation and acceleration of our growth in the business machine field.

In communications equipment and systems for commercial applications, the Westrex and Times Facsimile divisions have materially expanded their product lines and opened up considerable sales



potential for the future. The introduction of Westrex's Plexitel single sideband receiving and transmitting equipment marked the advent of our penetration of new areas of the communications equipment market. Westrex also introduced two new products for commercial airport use: one, an automatic announcing system for pre-recorded public address announcement of flight departures, arrivals and other passenger information; the other a unique recording system which automatically records and date stamps airplane-to-airport conversations simply by being sensitive to the pilot's voice. The unit starts to record when the pilot starts to talk, stops when he stops, and records the exact time at which the recording took place. Versions of this latter system are applicable to the great variety of situations where an automatic, permanent, dated record of voice communication is needed. Late in the fiscal year the story was also made public that a major foreign airline was now offering aircraft-to-land telephone service to its passengers through the installation of airborne Westrex equipment. The new service permits tie-in to land line telephone circuits so that passengers even on transoceanic flights can talk directly and privately with parties at home or in the office.

In the expanding sound recording and reproduc-

ing equipment area, Westrex division added to its product line by an importantly unique portable recording set with broad application to on-location sound recording. The two-piece system met with immediate acceptance on the part of the growing television-movie industry.

Times Facsimile division's new product development activity has already been expanded, and the division has very recently released to in-service testing a new high speed photo transmitting and receiving facsimile system for high quality magazine and newspaper reproduction use.

Representative of the progress of other commercial equipment activities within the company is the one-third increase experienced this past year in sales of our automatic serial-type x-ray equipment. Our market research shows that there is a growing potential for this product line.

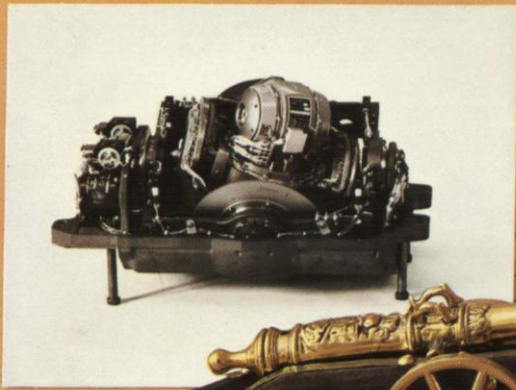
Also directed at the ever expanding commercial-industrial market for electronic equipment and systems are innumerable Litton developments in our component divisions: new high speed ferrite switches which make possible the doppler radar navigation systems so desirable for high speed commercial jet aircraft; new ferrite components which make possible the use of more and more channels in microwave relay communications sys-

tems; new transformers and related items for the industry's broadest line of television replacement components; highly advanced new direct-writing cathode ray tubes that can print out information considerably faster than any other known method commercially available; and new antennas and related equipment for air traffic control systems.

Near year-end, announcement was made by one of our customers of a new type linear accelerator, which development became possible through our production of the first high-power pulsed klystron operating at L-band frequency. These unusually long-life tubes permit production of radiation power at greatly reduced cost. The market for such a linear accelerator, both for basic and applied research applications and for industrial radiography, appears sizeable.

With more than half our sales now directed to commercial-industrial markets the company plans to pursue with all diligence the broad opportunities these markets offer. Adding to our ever broadening product base, a great variety of product developments currently underway in our laboratories and engineering departments will emerge in final form in the months and years to come. The potential has barely been touched; both the short-term and long-term futures continue to look bright.





United States
Congress of the
IN CONGRESS, July 4, 1776.
The unanimous Declaration of the thirteen united States of America



With a basic ideological conflict omnipresent on the world scene today, the constant threat of warfare, both of global and of limited theater, rises and wanes. It is clear, however, that this nation—the bulwark of protection of the free-world—must not be lulled into complacency by the superficial indications of day-to-day events. Our country must continue to maintain its defenses strong.

This responsibility to the nation and to the free-world today commands the attention and dedication of an important portion of the country's industrial capacity and technological talents. We at Litton Industries believe that this compelling need will exist for a long time to come. We also believe that the meeting of these responsibilities should and will provide a reasonable economic return to those who consistently meet them well.

Our progress has been constant in building a long-term program in this field, undertaking for ourselves the role of a major industrial citizen serving well the defense needs of our country.



During the twelve months of fiscal 1959, numerous tangible results were realized from the research activities of earlier years in the field of military equipment and systems.

By year-end the company had become one of the nation's most important suppliers of inertial guidance systems, with Litton inertial equipment scheduled for a larger number of military applications than that of any other producer. The Navy's latest airborne early warning aircraft, the Grumman WF-2, is in operation today using Litton developed and produced inertial reference systems. These units, which are now being produced in quantity, have the distinction of being the first inertial systems ever to perform successfully in aircraft during catapult launchings and arresting gear landings aboard a carrier at sea.

In addition to the WF-2 systems currently being delivered, we are under contract to deliver inertial guidance systems of even more advanced design for the W2F, a later model Navy aircraft for fleet defense. Our inertial guidance systems, as part of the Litton built integrated attack-navigation system, also will be installed in the Navy's new carrier-based all-weather attack aircraft, the A2F, when the first models appear. And a Litton inertial navigation system is being readied for production

for Lockheed's P3V anti-submarine patrol aircraft.

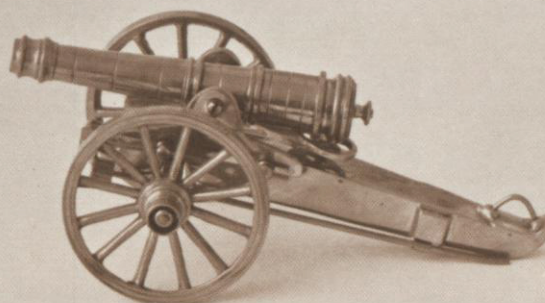
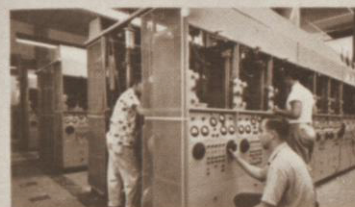
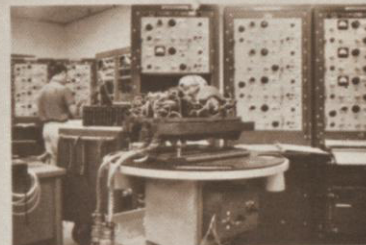
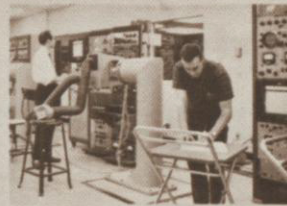
Another significant development this year in the progress of the company's inertial guidance activities was the selection of the Litton LN-3 inertial guidance system for installation in the Lockheed F-104G fighter-bomber purchased by the West German Air Force. The first units – guidance systems as well as aircraft – will be produced in this country; subsequent units will be manufactured in Germany. The decision by the German Air Force to buy F-104G type aircraft equipped with Litton inertial guidance systems in order to fulfill their defense requirements is considered by many as possibly setting a pattern for subsequent similar procurements which are scheduled to be made by other NATO and SEATO countries.

For some years we have pioneered radical technological developments in the field of inertial equipment, including the "two-degree-of-freedom gyro" concept. Systems employing these concepts finished complete flight testing with entirely satisfactory results during this year.

Important progress has also been made in the field of airborne tactical data processing and display systems during fiscal year 1959. The first Airborne Tactical Data System—a flying prototype for the Lockheed WV2-E early warning patrol

aircraft, often referred to as an airborne "SAGE" system – has now been delivered to the Navy; work is progressing toward delivering a first production quantity of Airborne Tactical Data Systems of greatly reduced size and weight for installation in the Grumman carrier-based W2F aircraft; and a Marine Tactical Data System is in development for application to the Marine Corps air defense problem. Shortly after the close of the year a contract also was received from the Army to begin development of a related system (FSG-1) for Army field use.

To the best of our knowledge, we are the only company engaged in the development and production of airborne tactical data processing systems, a field of marked potential and importance. Establishment of our position in this essential area of defense activity has been based on more than just a competitive capability to design and build the requisite equipment. It has included a capability to conceive solutions to the related problem of presenting the data processed to human judgments in such a way that it can be understood immediately and human command decisions can be made. Vast quantities of data can be processed today at incredible speeds. Decision making has remained far more of a problem. The potential



resultant from having achieved this capability extends considerably beyond the applications in which we are currently engaged.

Another important development during the year in the field of equipment and systems for defense applications was the culmination in a contract of our proposals to supply the Tactical Computer and Radar Data Processor for the Navy's new air-to-air EAGLE missile, one of the latest and most important airborne missiles in this nation's defense arsenal.

In the area of highly advanced control equipment development, we are at work with the Air Force on a miniaturized inertial and aerodynamic flight data system for future advanced "exotic" manned aircraft, capable of operating both above and within the atmosphere. Through this significant state-of-the-art exploration program we are continuing the process of opening new vistas of our proprietary technology in the area of military applications. In the meantime, production continues on such earlier items as our Mortar Tracking Computer, the first transistorized versions of which have just been delivered.

In certain types of work for the defense establishment the company's integrated capability was projected successfully and contracts awarded us

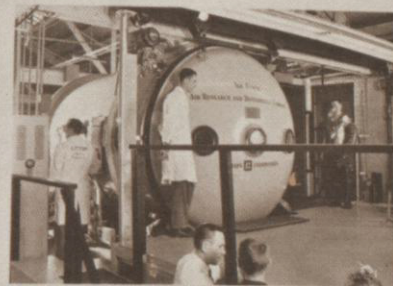
on the basis of the combined talents of more than one division. Spearheaded by our electronic countermeasures systems capability at the Maryland division, the company is developing, under contract with the Air Force, a new countermeasures system, our first systems program in this field. Included in the systems are newly developed microwave power tubes of our Electron Tube division, microwave transmission and receiver components developed by Airtron division, and numerous other elements, all of Litton manufacture.

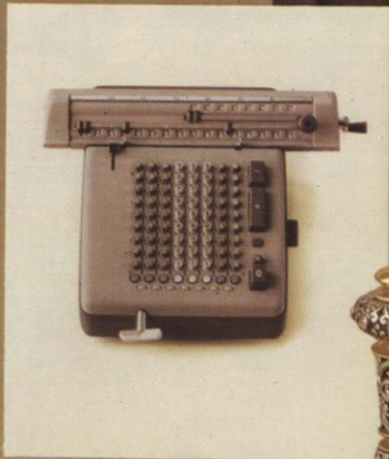
Additional accomplishments during the year, pursued independently of the activities of other divisions, include company-sponsored microwave tube developments which bid well to revolutionize major areas of the power tube industry. A new countermeasures tube, which we have named the Barratron, opens a whole new vista of electronic countermeasures capabilities. A new cross-field amplifier, currently in the late stages of development, gives every indication of being the most effective high power, high frequency, broad band amplifier tube yet invented. A new high power klystron, the first 10 megawatt klystron tube to operate at L-band frequency, has already demonstrated potential of important magnitude for both military and commercial applications.

At the same time, significant advancements have been achieved in expanding our traveling wave tube, gas discharge tube, and backward wave oscillator and other related product lines. The persistent growth of the electronics industry in general continues to broaden the outlook and the new product application possibilities for our Electron Tube division's efforts.

Possibly less glamorous, but certainly nonetheless significant, are the myriad of new ferrite devices, waveguide configurations, microwave switching devices, transformers, plated circuits, and terminals and terminal boards which have been supplied this year to serve in vital elements of the total defense equipment complex. Litton components are found in virtually all of the missiles in the nation's arsenal which are currently operational. The relentless demand for equipment to operate under conditions of ever new dimensions has provided growth opportunities for all of the company's component producing groups.

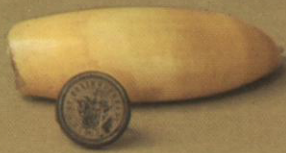
The emergence of these many developments is but representative of the achievements constantly being realized in our laboratories and research areas. We are confident that the flow of results from these sources, in the form of practical products, will continue to accelerate in the future.





*O*ur nation is still the strongest industrial power the world has ever known. The management of each aspect of the host of companies that make up this great commercial and industrial complex — the research and engineering, sales, manufacturing, legal, and numerous other areas of responsibility — today incorporate knowledge and techniques unknown a decade ago. Not the least of these functions is financial management — that phase of management which sees to it that pricing to the customer is realistically commensurate with the benefits rendered, and that there is an adequate profit on sales to provide a sound return on investment for the stockholder, a fair compensation for the people employed, and funds available for expansion.

The financial statements of Litton Industries for fiscal year 1959 reflect our efforts in meeting these requirements. They have been met at the same time that we have availed ourselves of every opportunity to fulfill our long-term plans for growth. They have been met while we have been building for the company the financial strength so essential to continued progress. As a result our capacity for growth is greater than ever before.



Sincerely yours,

A handwritten signature in dark ink, appearing to read "Charles B. Thornton". The signature is written in a cursive, flowing style.

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

LITTON INDUSTRIES, INC.

CONSOLIDATED BALANCE

ASSETS

Current Assets:

Cash		\$ 7,155,422
Accounts receivable:		
Trade accounts, including United States Government of \$3,413,953, less provision for doubtful accounts of \$245,355	\$22,858,531	
Unbilled amounts under defense contracts, including amounts requiring contract amendments	4,035,736	
Other accounts receivable	787,109	27,681,376
Inventories (Note B):		
Finished goods	\$12,213,931	
Raw material and work in process less progress billings of \$3,084,823	15,768,255	27,982,186
Prepaid insurance, taxes, and other expenses		1,679,157
<i>Total Current Assets</i>		<u>\$64,498,141</u>

Property, Plant, and Equipment — at cost:

Land	\$ 1,932,055	
Buildings	8,980,447	
Machinery and equipment	18,721,193	
	<u>\$29,633,695</u>	
Less accumulated depreciation and amortization	11,850,224	17,783,471

Intangible and Other Assets:

Patents — at cost, less accumulated amortization of \$140,226	\$ 370,660	
Excess of cost of businesses acquired over related net assets, less accumulated amortization of \$19,086	48,137	
Other	553,761	972,558
		<u>\$83,254,170</u>

See notes to financial statements

AND SUBSIDIARY COMPANIES

SHEET July 31, 1959

LIABILITIES

Current Liabilities:

Notes payable		\$ 3,025,097
Accounts payable		7,989,728
Payrolls and payroll taxes		4,553,034
Refunds on defense contracts (Note C)		492,234
Federal and foreign taxes on income		4,117,730
Deferred service contract income		5,154,247
Current portion of long-term debt		425,000
<i>Total Current Liabilities</i>		<u>\$25,757,070</u>

Long-Term Debt (Note D):

Notes payable to lending institutions	\$13,800,000	
Subordinated debentures	5,542,000	
Other note payable	<u>1,650,000</u>	20,992,000

Foreign and Other Reserves

1,958,500

Stockholders' Equity (Note E):

Capital stock:

Voting preferred, convertible, 5% cumulative, par value \$100 a share:		
Authorized 160,000 shares		
Issued and outstanding 28,468 shares	\$ 2,846,800	

Common, par value ten cents a share:

Authorized 3,500,000 shares		
Issued and outstanding 1,796,204 shares	179,620	

Additional paid-in capital

10,142,566

Earnings retained in the business

21,377,614

34,546,600

\$83,254,170

LITTON INDUSTRIES, INC.
AND
SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended July 31, 1959

Sales and service revenues		\$125,525,561
Costs and expenses		
(including depreciation of \$2,235,128):		
Cost of sales	\$86,050,349	
Selling, general and administrative (Note G)	27,762,749	
Other, including interest of \$894,574	<u>906,707</u>	<u>114,719,805</u>
Earnings before taxes on income and before special income credit		\$ 10,805,756
Federal and foreign taxes on income		<u>5,851,725</u>
Earnings before special income credit		4,954,031
Special income credit (Note H)		<u>1,021,000</u>
Net earnings		<u>\$ 5,975,031</u>

See notes to financial statements

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL

Year ended July 31, 1959

Balance at beginning of year		\$ 6,242,542
Excess over par value of common stock issued for:		
Acquisition of businesses		73,479
Conversion of debentures and preferred stock		851,876
Exercise of options for cash		11,520
Stock dividend — excess of market price over par value of common stock issued		<u>3,385,693</u>
		\$10,565,110
Less excess of par value of capital stock issued over the stated capital of company acquired in a pooling of interests		<u>422,544</u>
Balance at end of year		<u><u>\$10,142,566</u></u>

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

Year ended July 31, 1959

Balance at beginning of year:			
Litton Industries, Inc. and subsidiary companies			\$18,808,418
Company acquired — accounted as a pooling of interests			<u>143,550</u>
			\$18,951,968
Net earnings for the year			<u>5,975,031</u>
			\$24,926,999
Deduct dividends paid:			
Cash dividends on voting preferred stock — \$5 a share	\$ 159,355		
Stock dividend on common stock — 2½% (43,367 shares at market)		<u>3,390,030</u>	<u>3,549,385</u>
Balance at end of year			<u><u>\$21,377,614</u></u>

See notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended July 31, 1959

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.

On August 1, 1958, Airtron, Inc. merged with Litton Industries, Inc. through an exchange of all its outstanding common stock for preferred and common stock of the Company. This has been accounted as a pooling of interests. For companies purchased during the year, earnings are included since dates of acquisitions.

NOTE B — Inventories:

Inventories have been generally stated at the lower of average cost or market except that material and labor cost of inventories aggregating \$10,375,975 are stated on the last-in, first-out basis.

NOTE C — Renegotiation and price redetermination:

Approximately 50% of the Company's sales for the current year are subject to renegotiation and some are subject to price redetermination. In the opinion of management, adequate provision has been made for possible refunds.

NOTE D — Long-term debt:

Long-term debt consisted of the following at July 31, 1959:

Notes payable to lending institutions:	
Notes payable to banks, due December 31, 1960 with interest currently at 5% per annum	\$ 8,000,000
Notes payable to insurance companies, less \$425,000 due in one year	5,800,000
Subordinated debentures:	
Fifteen-year 4½% convertible subordinated debentures, due June 1, 1974	4,700,000
Ten-year 5% convertible subordinated debentures, due September 1, 1965	842,000
Other note payable in five annual installments commencing with \$130,000 on September 2, 1960 and increasing \$100,000 a year	1,650,000
	\$20,992,000

Under the agreement with banks relative to the debt of \$8,000,000, the Company undertakes to limit cash dividends on common stock and acquisitions of its own stock to consolidated earnings after December 31, 1958.

Notes payable to insurance companies by a subsidiary consist of \$4,025,000 repayable at the rate of \$325,000 annually with interest at 3½% per annum and \$2,200,000 of 5% twenty-year subordinated sinking fund notes payable at the rate of \$100,000 annually to January 1977. The notes, among other restrictions, limit dividends in general to earnings since 1956.

The 4½% debentures are convertible into common stock at \$130 a share and are callable at 105 beginning June 1, 1961 and thereafter on a basis declining to par. The Company agrees to retire \$470,000 principal amount of debentures annually commencing June 1, 1965. They are subordinated to all existing debt and future debt of the Company, with limited exceptions. There is an antidilution provision applicable to these debentures.

The 5% debentures are convertible into common stock at \$13.17 a share, are callable at 102½ until August 31, 1960 and thereafter on a basis declining to

par. The Company agrees to retire \$150,000 principal amount of debentures annually. Retirements required as of September 1, 1959 have been met through conversion of debentures into common stock. They are generally subordinated to all existing debt and future debt of the Company with limited exceptions. There is an antidilution provision applicable to these debentures.

Under its various borrowing agreements, the Company has agreed to maintain certain working capital and ratios of assets to debt and stockholders' equity to debt. The Company is in compliance with the terms of the agreements.

NOTE E — Stockholders' equity:

The voting preferred stock is callable commencing four years after issuance at 104 plus unpaid dividends, declining thereafter over four years 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 antidilution provision.

At July 31, 1959 officers and employees held options sold in 1953 to purchase 153,050 shares of common stock for \$1 a share (options to acquire 12,800 shares were exercised during the year).

Of the earnings retained in the business at July 31, 1959, the amount of approximately \$4,000,000 is available for cash dividends on common stock. For restrictions on dividends and acquisitions or retirements of capital shares see Note D.

At July 31, 1959, common shares have been reserved for:

	Shares
Conversion of debentures	100,083
Conversion of preferred stock	51,760
Officers' and employees' stock options	153,050
	304,893

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.

Subsequent to year end the Board of Directors, subject to necessary action by the stockholders, elected to change the par value of its common stock to \$1 a share from \$.10 a share and issue one additional share of new stock to holders of record December 4, 1959 for each existing share held.

NOTE F — Long-term leases:

The Company and its subsidiaries are lessees of various land, buildings, and equipment under long-term leases. Under terms of certain of the leases, the Company has options to buy the property. Annual rentals under the current leases are approximately \$1,073,800 plus property taxes and insurance in some instances.

NOTE G — Service and research costs:

Cost of sales includes \$9,546,719 of service and certain research costs which in previous years had been included with selling, general and administrative expenses.

NOTE H — Special income credit:

The special income credit of \$1,021,000 represents a portion of the excess of net assets over the purchase price of an acquired subsidiary. The remainder of approximately \$1,100,000, included in Foreign and Other Reserves, is to be taken into earnings in future periods.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

3350 Wilshire Boulevard
Los Angeles, Calif.

October 7, 1959

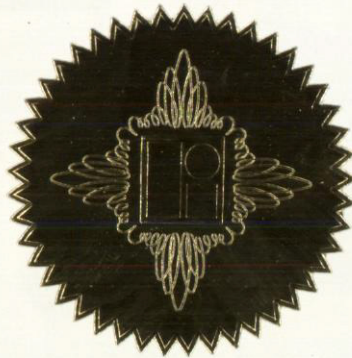
Board of Directors
Litton Industries, Inc.
Beverly Hills, California

We have examined the consolidated balance sheet of Litton Industries, Inc. and subsidiary companies as of July 31, 1959, 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, 1959, 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.

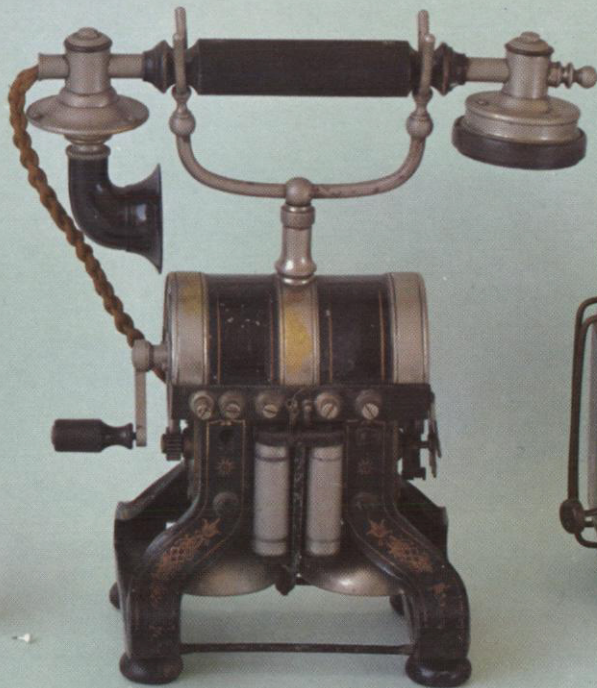
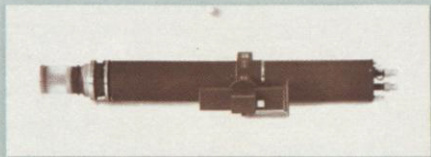
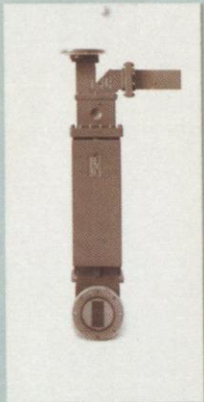
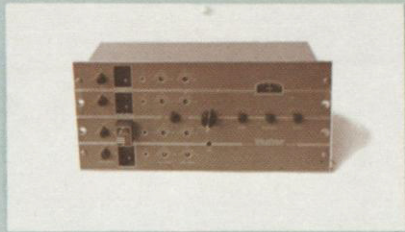
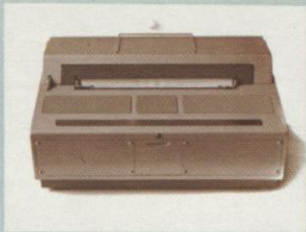
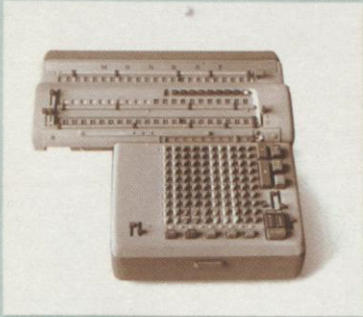
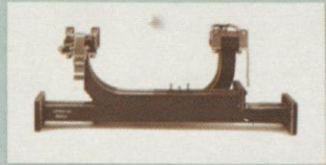
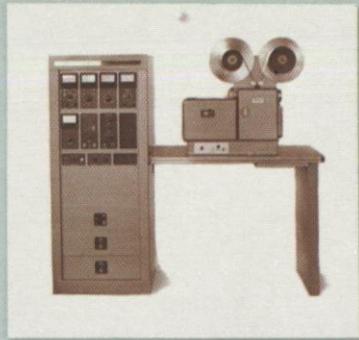
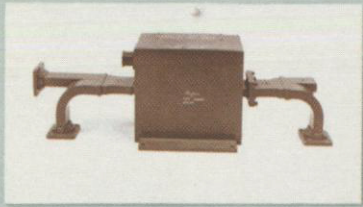
Touche, Niven, Bailey & Smart
Certified Public Accountants

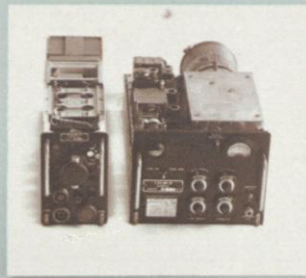
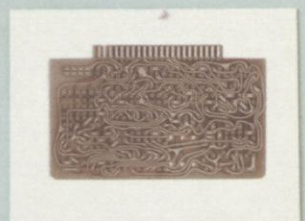
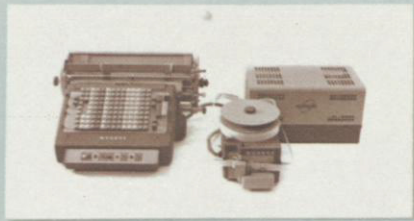
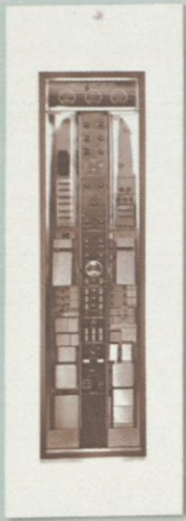
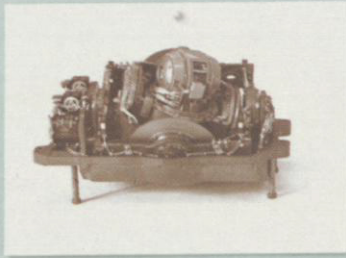
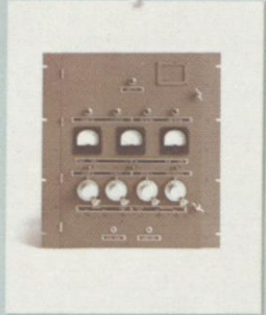
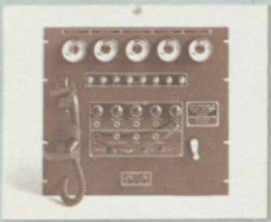
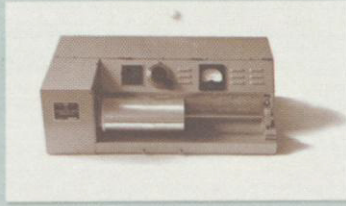
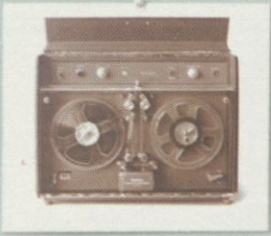
TYPICAL
LITTON
INDUSTRIES
PRODUCTS



1959

taken at random
as representative of
the thousands
of different components,
equipments and systems
that bear the company's name
the world over.





LITTON INDUSTRIES, INC.

BOARD OF DIRECTORS

Charles B. Thornton, Chairman
Roy L. Ash
Alfred B. Connable
Dr. Myles L. Mace
Glen McDaniel
George E. Monroe
Carl A. Spaatz, General, USAF (Ret.)
Fred R. Sullivan
Joseph A. Thomas

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Charles B. Thornton

Executive Vice-President

Roy L. Ash

Vice-Presidents

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David Ingalls	Dr. Henry E. Singleton
Dr. George Kozmetsky	George T. Scharffenberger
Fred R. Sullivan	

Vice-President and Treasurer

Charles R. Abrams Jr.

Secretary

William L. Reynolds

Research-Engineering Laboratories and Manufacturing Plants at
25 permanent locations in the United States and 2 locations abroad.

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

Company products designed for both commercial-industrial and defense applications include:

Accelerometers	Electronic position indicators	Missile borne video decoders	Ship's course indicators
Accounting machines	Electronics hardware	Missile control systems	Slip rings
Adding machines	Electro-sensitive recording papers	Mixer-duplexers	Sound recording systems
Aircraft switches	Facsimile receiving equipment	Molded connectors	Sound reproducing systems
Analog computers	Facsimile transmission equipment	Mortar tracking computers	Stenafax electronic reproducing machines
Antenna mounts	Ferrite devices	Multichannel data recorders	Switching tubes
Antennas	Filament controllers	Navigation equipment	Synchronous motors
Audio transformers	Film pulling mechanisms	Noise sources	Synchro-signal amplifiers
Automatic data processing systems	Fire control simulators	Omnidirectional radio range equipment	Tape pulling mechanisms
Backward wave oscillators	Fire control systems	Optical systems for photographic recording	Target bearing computers
Barratrons	Flexible waveguides	Photo transmission equipment	Target designation systems
Bearing and range indicators	Flight control systems equipment	Photographic densitometers	Target tracking telescopes
Calculating machines	Flight track recorders	Plated circuits	Telemetry transmitters
Carcinotrons	Flybacks	Potentiometers	Terminal boards
Cathode ray tubes	Focus coils	Power transformers	Toroid coils
Chronometers	Frequency modulator monitors	Precision timing equipment	Toroidal transformers
Communications equipment	Gas discharge tubes	Pulse networks	Torpedo course indicators
Computer input-output conversion equipment	Geophysical transformers	Pulse transformers	Torpedo field setters
Countermeasures equipment	Gyro stabilizers	Quick disconnects	Tracking data printers
Crossfield devices	Gyroscopes	Radar	Transformers
Data link equipment	Heat indicators	Radar and altimeters	Transistor servos
Data loggers	Inertial guidance systems	Radar beacons	Transistorized inverters
Data processing equipment	Instrument landing systems	Radio beacons	Traveling wave tubes
Digital computers	Ionosphere recorders	Range timer and presentation systems	Tube sockets
Digital controls	Junction boxes	Ridged waveguides	Underwater log indicators
Digital data recorders	Klystrons	Rigid waveguides	Vacuum devices
Digital differential analyzers	Load isolators	Ring demodulators	Voice code reproducers
Directional couplers	Magnetic brakes	Rotary joints	Wave filters
Discriminators	Magnetic heads	Scatter equipment	Waveguide bends and turns
Display tubes, color and monochrome	Magnetron modulators	Seismograph oscillators	Waveguide switches
Dummy directors	Magnetron tuners	Serial X-ray machines	Waveguide transitions
Duplexers	Magnetrons	Servo-mechanisms	Wind tunnel balancing panels
Electric cables	Microwave filters		Yokes
Electro-magnets			

The company owns 23 foreign subsidiaries and operates sales and service branches in 76 free-world countries.

	United States	Foreign
Company owned sales & service branches	362	98
Stocking dealers & distributors	708	287
Sales agents & representatives	106	171
Service centers & representatives	100	160
Licensees	—	4
total	1276	720

CORPORATE OFFICES

336 North Foothill Road
Beverly Hills, California

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York
140 Broadway
New York 15, New York
California Bank
626 South Spring Street
Los Angeles 14, California

REGISTRARS

Chemical Bank New York Trust Company
30 Broad Street
New York 15, New York
Security-First National Bank
215 West Sixth Street
Los Angeles 14, California



Litton Industries Annual Report of 1959
was designed by Robert Miles Runyan,
with photography by Ovid Neal

