Ling-Temco-Vought, Inc. Annual Report 1967

Consolidated Results in Brief (in Thousands) **For the Year Ended December 31:**	1967	1966 As Reported	Increase	1966 Restated for Poolings	Increase
Net sales	**$1,833,259**	$ 468,251	**292%**	$1,630,451	**12%**
Income before taxes & minority interest	**76,160**	30,327	**151%**	66,911	**14%**
Net income	**34,003**	13,683	**149%**	24,535	**39%**
Earnings per common share (1) (2)					
Average outstanding including residual securities (3)	**7.11**	3.24	**119%**		
Pro forma assuming conversion or exercise of all convertible securities, options and warrants	**5.56**	3.05	**82%**		
Average actually outstanding	**7.69**	4.02	**91%**		
Actually outstanding at year end	**5.96**	4.34	**37%**		
Cash dividends paid per common share (1)	**1.16⅔**	.66⅔	**75%**		
Research & development — Company sponsored	**20,435**	16,136	**27%**		

(1) Adjusted for 3-for-2 stock split.
(2) After full provision for preferred dividends, including $1,922,000 representing the equivalent of dividends for the first four months of 1967 on LTV Series A preferred stock issued on consummation of the Wilson merger on which dividends were actually paid only from May 1, 1967.
(3) Includes shares issuable on conversion of 5¾% Subordinated Convertible Debentures and $3 Series B Preferred Stock.

At Year End:	1967	1966 As Reported	Increase	1966 Restated for Poolings	Increase
Working capital	**$276,048**	$ 73,986	**273%**	$163,681	**69%**
Property, plant & equipment — net	**179,389**	54,547	**229%**	119,067	**51%**
Total assets	**845,113**	298,418	**183%**	555,974	**52%**
Shareholders' equity	**245,049**	58,906	**316%**	122,134	**101%**

Highlights

- **Record operating results achieved / All subsidiaries report increases in sales and profits**
- **Wilson acquisition completed / Redeployed into three separate subsidiaries / Public offerings of common stocks successful / All listed on American Stock Exchange**
- **Acquisition of Greatamerica initiated**
- **'Second Generation Diversification' launched with acquisitions by subsidiaries**
- **Recapitalization plan features new class of stock**
- **Common stock split 3-for-2 / Cash dividend doubled / 600,000-share public offering provides additional equity**
- **Okonite, LTV Electrosystems increase capital with convertible debentures**
- **LTV Ling Altec splits stock 2-for-1 / Listed on American Stock Exchange / Climbs into $100 million sales ranks**
- **Corporate staff strengthened through addition of Wilson executives, promotion of eight LTV executives to vice presidencies, new employment**
- **State of Texas awards LTV Governor's Industrial Expansion Award in recognition of dramatic business, economic growth in 1967**
- **LTV climbs to 10th place on list of top defense contractors for first time / A-7 deployed to Vietnam / LTV Aerospace accelerates A-7 production rates**
- **Over-all diversification improves**

1967 Sales and Earnings by Subsidiary (in thousands)

Company	Sales	Percent of Total Sales	Earnings	Percent Contribution to Consolidated Earnings
Wilson & Co., Inc.	$ 985,540*	53.4	$ 11,007*	27.8
LTV Aerospace Corporation	343,696	18.6	9,578	21.3
The Okonite Company	103,238	5.6	9,009	21.2
LTV Electrosystems, Inc.	181,788	9.9	5,354	10.9
Wilson Sporting Goods Co.	89,066*	4.8	4,033*	10.1
LTV Ling Altec, Inc.	102,408	5.6	2,329	4.5
Wilson Pharmaceutical & Chemical Corporation	39,514*	2.1	1,717*	4.2
LING-TEMCO-VOUGHT, INC. (consolidated)	$1,833,259	100.0	$ 34,003**	100.0

**Pro forma based upon historical results of the Company and/or historical results of divisions of their corporate predecessor.*
***Representing LTV, Inc. earnings net of minority interest in its subsidiaries.*

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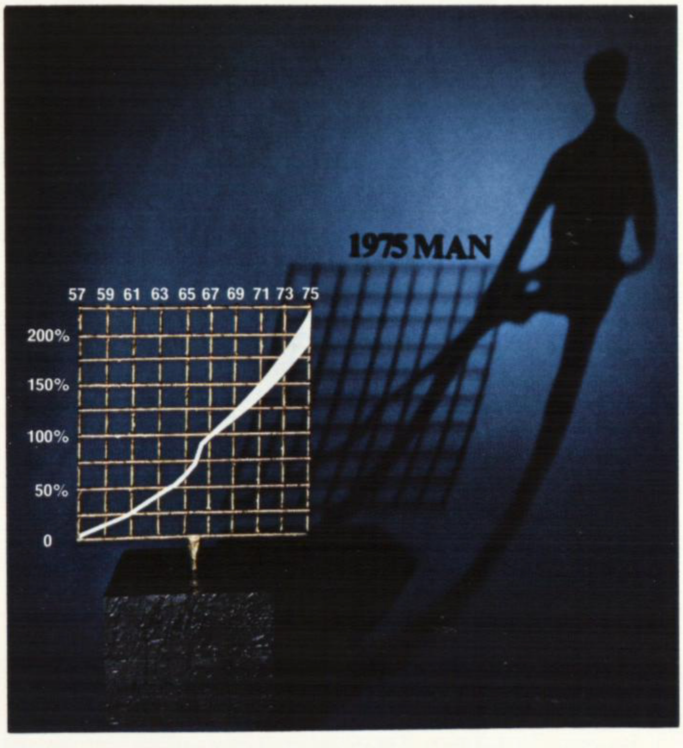
About the cover

1975: What's in Store? LTV's 1975 man is today's American consumer, casting his presence seven years ahead into a future economy that, even now, he is helping to shape and direct.

In choosing a general, long-term projection to set the theme for LTV's 1967 Annual Report, we rest our viewpoint on that of St. Augustine, who saw time as a three-fold present: the past as a present memory, the present as we experience it, and the future as a present expectation. And LTV's present expectations for the economy, for its own future, are founded on the fact that we serve a vast range of demonstrably active markets, especially in the growing consumer portion of the economy. In this report, we single out significant areas of probable growth, and relate LTV's future to the market's future through a look at our past performance in these areas.

As a present expectation, the future is always with us, projected before us like an image. This report is an attempt to bring that image into focus . . . and show you where LTV fits in the picture.

At year end 1967, LTV had a position in eight major market areas. The cover includes a three-dimensional construction of these markets and their growth projected through 1975. Throughout this book we use sculpture and constructions specially designed to set a contemporary, new-generation tone that we feel characterizes LTV's way of operating a large-scale, diversified corporation.



To Our Shareholders:

During 1967, substantial increases were recorded in all operating results and financial strength indices. These achievements, summarized in the highlight tables on the inside cover page, resulted from a combination of factors:

1. **Internal Growth:** Evidenced primarily by the subsidiaries created in 1964 and 1965 as a result of LTV's inauguration of Project Redeployment. Principal factors contributing to this growth were research and development, capital expenditures, growing markets, and highly motivated, increasingly competent subsidiary managements. Acquisitions of previous years also have contributed to internal growth.
2. **External Expansion (Primarily Wilson Acquisition):** Achieved through our corporate technology concept of acquisitions of companies which meet these two, among other, standards:
   - Demonstrably profitable and therefore able to improve LTV's earnings per common share.
   - Possessing capable operating management and serving markets whose growth rate should equal or exceed that of the gross national product (GNP).

A further consideration is that any acquisition we make should strengthen competition and thereby serve the public interest.

In addition to the merger of Wilson & Co. with and into LTV, our subsidiaries consummated or initiated eight other acquisitions during 1967 and two more have been initiated or completed since the year-end.

Of the 292% growth in consolidated sales during 1967 over the 1966 reported total, approximately 80% was derived from external expansion and 20% from internal growth. This record performance reflects the continuing progress which each of our subsidiaries has exhibited over the past four years, as shown below:

Record Internal/External Growth

Company	SALES 1967	SALES 1963	EARNINGS* 1967	EARNINGS* 1963	Percent Increase
	(in thousands)				
Wilson & Co., Inc.**	$985,540	$696,537	$11,007	$3,495	215%
LTV Aerospace Corporation	343,696	203,523	9,578	3,904	145%
The Okonite Company	103,238	50,049	9,009	(405)	∞
LTV Electrosystems, Inc.	181,788	91,753	5,354	1,371	291%
Wilson Sporting Goods Co.**	89,066	66,116	4,033	1,690	139%
LTV Ling Altec, Inc.	102,408	21,372	2,329	551	323%
Wilson Pharmaceutical & Chemical Corporation**	39,514	20,864	1,717	707	143%

**Companies acquired during the period accounted for approximately the following percentages of earnings increases cited: Wilson & Co., 43%; LTV Electrosystems, Inc., 106%; LTV Ling Altec, Inc., 161%.*

***Pro forma based on historical results of the company and/or historical results of divisions of their corporate predecessors.*

We believe such a combination and continuation of internal growth and external expansion is the key to any diversification program.

LTV Improves Its Diversification; Subsidiaries Seek Similar Status

Companies diversify for many reasons, to: • Expand technological and operational capabilities • Enter new markets • Add financial strength • Secure protection against economic dislocations • Prepare themselves to meet tomorrow's requirements • Secure management talent with new skills.

In total, all of these objectives are based on an effort to improve earnings. At LTV we strive for an additional ingredient: the building, to the greatest extent possible, of diversified earnings. Diversification for LTV has been exemplified by our "Project Redeployment" concept, which has been widely publicized. This concept seeks primarily to reduce LTV's dependence on any one product or technology or business. The concept has worked for us and a record of which we are proud has been established for all to see.

The 1967 example was the redeployment of the former Wilson & Co. into three separate subsidiaries which projected LTV into markets for food/meat, sports equipment /toys and pharmaceuticals/cosmetic ingredients/industrial chemicals.

Since diversification exists as an essential key to our growth, we have not hesitated to push duplication of this effort for and within our subsidiaries along the pattern established by the parent company. The 1967 acquisitions by our subsidiaries indicate such efforts are producing results:

- LTV Electrosystems broadened its product lines with the acquisition of Memcor, which produces battlefield radio units and other electronic equipment and components.
- LTV Ling Altec further penetrated European environmental testing markets by increasing to 100% its 45% interest in the common stock of Pye-Ling, changing the English company's name to LTV Ling Altec, Limited.
- Okonite entered the specialty wire and instrument cable markets through the merger of Jefferson Wire and Cable Corporation, Worcester, Mass.
- LTV Ling Altec expanded on a major scale into new areas with the acquisition of wholesale and retail electronic sales through Allied Radio Corporation, Chicago, the nation's largest catalog distributor of electronics equipment.
- Wilson Pharmaceutical & Chemical Corporation has expanded its distribution of emulsifiers and emollients for cosmetics and related products through Goldschmidt Chemical Corporation, New York City.
- Okonite entered the floor covering market through General Felt Industries, Inc.
- Wilson Sporting Goods announced an agreement in principle before the end of the year for the merger of Nissen Corporation, Cedar Rapids, Iowa, in a transaction that joins the world's largest manufacturer of trampolines and other gymnastic equipment to the world's largest maker and marketer of recreational products for athletics and sports.
- LTV Ling Altec significantly broadened its electronics markets and industrial activities with another acquisition initiated before the close of 1967 and now completed — Escon, Inc., a highly diversified participant in electronic manufacturing and other industrial activities. Shareholders of both companies approved this transaction March 12.

At this writing, LTV is in the process of completing another major acquisition, that of Greatamerica Corporation. The exchange offer for any and all of the Greatamerica shares will remain open until April 1, 1968. At this time sufficient shares have been tendered to give LTV control of Greatamerica and its subsidiaries. We call your attention to a more complete discussion of this transaction in another section of this report. (Please see page 26.)

Diversification by Design Topples Domino, "Bigness" Theories

LTV has designed built-in objectives of diversification for parent and subsidiary companies. Each subsidiary, in utilizing the "optimum decentralization" concept of Project Redeployment, has positioned itself to effect such diversification. Each is operationally and financially independent of the other, thereby existing as its own profit and credit center. Each is also generally financially independent of the parent corporation. Should a single subsidiary experience trouble, its adversity would not affect the other subsidiaries, and would affect the parent corporation only incrementally.

Motivation to prompt the top executives of our subsidiaries to do their best is also provided by the "optimum decentralization" concept. Each member of a subsidiary management team has an equity position in his company through stock options and ownership, each takes heed of built-in incentive programs. We avoid one-man operations and we strive to build a bank of strong executive talent. We insist that subsidiary managers excel at their work and we believe they do.

With the completion of the Wilson merger, the LTV Dallas Corporate staff was strengthened by the addition of some eleven experienced executives and staff people from the Wilson Corporate staff, including Mr. Roscoe G. Haynie, and two new LTV Vice Presidents, who were formerly officers of Wilson. Also during 1967, six LTV people were elected vice presidents, another two being added early in 1968. Total employment in LTV reached in excess of 60,000 employees during the year.

As a parent operating company, LTV provides certain services to subsidiary management which they could not provide for themselves without costly duplication to aid them in achieving their goals. Such services include long-range planning, financial planning and controls, legal guidance, industrial relations, public relations, basic research and computer services, and expertise in the area of mergers and acquisitions. We provide these services on a sustained basis and thereby free subsidiary managements to do what they know best: operate their companies in their own competitive markets.

We have found this type of corporate structure mitigates much of the mediocrity and complacency which often comes with "bigness." We have tried, and we believe we have succeeded, to retain the dynamics found in entrepreneur-led companies, by instilling in the subsidiaries much of the spirit that has characterized the growth of LTV since its beginning years. We believe we thus have avoided much of the complacent conservatism and caretaker type of approach to management which so often accompanies "bigness." Project Redeployment, with its attendant principles of responsibility and accountability, plus our own brand of corporate technology, gives us, we believe, an excellent way to properly manage bigness.

Visibility of LTV and Subsidiaries Unprecedented in Major Corporations

None of this is to say that we in any sense consider ourselves infallible. The perfect corporate structure does not exist, and it is not likely that it ever will. Any commercial enterprise is subject to possible adversity, as the history of U. S. business clearly shows. Recognizing this, we have attempted not only to diversify LTV, but to make its component parts clearly visible.

As the term implies, "visibility" indicates openness to public view. In a business sense, visibility leads to easy recognition of outstanding or sub-par performances. In this regard, we believe LTV is one of the most visible companies in the United States today.

LTV and each subsidiary publicly publish quarterly and annual reports and throughout the year make available to the public and to the shareholders a great amount of supplementary financial material. Each of our subsidiary companies, as well as LTV, is publicly-owned, and each has securities listed on a major stock exchange. All of the subsidiary companies are completely responsible to shareholders and provide appropriate information to government regulatory agencies, all shareholders, and the public. We believe this approach displays a degree of visibility found in very few diversified companies.

To further increase this visibility, we would like to submit for your study the unconsolidated balance sheet below as of December 31, 1967. This unconsolidated balance sheet, in our judgment, best illustrates the true financial status of LTV. Oversimplified, it eliminates the consolidation of financial data with the subsidiaries because each of the subsidiaries is an independent, viable enterprise with its own separate credit lines (generally without a parent guaranty) and other separate resources.

Ling-Temco-Vought, Inc. (Parent Only)
Balance Sheet
December 31, 1967

	(In Thousands) Cost	Market
Cash	$ 72,381	$ 72,381
Other current assets	12,309	12,309
Total Current Assets	84,690	84,690
Current Liabilities	11,086	11,086
Working capital	73,604	73,604
Investments and other assets	36,311	36,311
Investment in subsidiaries	171,490	620,000
Property — net	19,913	19,913
TOTAL	301,318	749,828
LESS:		
Bank loans	—0—	—0—
Long-term debt	51,529	51,529
Deferred credits	4,740	4,740
SHAREHOLDERS' EQUITY	$245,049	$693,559

On a conventional basis shareholders' equity totaled $245,049,000, which amounted to almost 4 times the total liabilities and almost 5 times long-term debt. Note that LTV has no outstanding short-term debt. Based upon market values as determined by the investing public on December 31, 1967, the indicated value of LTV's investment in securities of its subsidiaries aggregated over $800,000,000 which, after giving effect to income taxes which would accrue should these securities be sold at such indicated values, would increase LTV's shareholders' equity to $693,559,000, or more than 10 times our total liabilities. While we have no intention of disposing of our subsidiaries, these figures are significant since they are representative of the recognized collateral base we have from which to finance future growth.

LTV's conventional net worth of $245 million increased 316% over our 1966 total of $59 million. The high degree of LTV's liquidity is demonstrated by cash balances of $72,381,000, net working capital of $73,604,000, and the ratio of current assets to current liabilities of almost 8 to 1.

"Potential Dilution" Is a Factor In Determining Earnings Per Share

While most observers will probably agree LTV is indeed a highly visible company, there is less than full understanding about the potential dilution of the LTV common shares. Real and substantial dilution is a proper consideration for the outside observer of LTV, the shareholders, and the LTV management. However, we only ask that due notice be given to all parameters involved in such dilution. For example, some observers ignore the possible redeployment of cash generated through the exercise of warrants and options to provide additional earnings. Others do not totally understand the significance of capital transfer from a debt security to an equity security when conversion takes place.

In 1962, taking into consideration the 3-for-2 stock split in 1967, LTV on a fully diluted basis would have had 8.1 million shares outstanding on a $325 million sales base. At the outset of 1968, on a fully diluted basis, LTV would have 6.6 million common shares outstanding on a $1.8 billion sales base. While potential dilution has *decreased* 19% arithmetically, sales have increased 454% and profits 293%.

One of the most important measurements of the financial operations of a company has been the very meaningful statistic, "earnings per common share." Traditionally, this has been a fairly simple computation — net income, less provision for dividends on preferred stock, divided by common shares outstanding. Your Company has consistently reported earnings per common share to its shareholders on this basis. Information regarding potential dilution has been furnished in the notes to the financial statements (please refer to Notes E and F, page 45) which detail the number of common shares issuable through conversion of debentures or preferred stock and through exercise of stock warrants and options.

The Accounting Principles Board of the American Institute of Certified Public Accountants, in its Opinion No. 9 issued in December, 1966, has set forth new requirements for reporting earnings per share to reflect a "what if" situation. Specifically, the opinion requires that per share computations be made as *if* the common shares outstanding had been increased through the conversion of any senior security which "clearly derives a major portion of its value from its conversion rights or its common stock characteristics" (considered under the opinion to be "residual securities").

The opinion further requires supplementary pro forma computations of earnings per share to include common shares which would be outstanding *if all* convertible securities and *all* stock options and warrants outstanding at year end had been converted or exercised and the common stock issuable upon such conversion or exercise had been outstanding during the entire report period.

Your Company believes that these new methods of measurement are confusing to shareholders and voiced its objections to the Accounting Principles Board before the opinion was issued. This belief is based on the fact that common shares assumed to be issued in making the computations required by the opinion were *not* issued and did *not* exist during the report period, so that any additional equity capital which would have been provided thereby was not available to provide additional earnings. Furthermore, a change in market prices can change a security to or from the "residual security" classification with resulting confusion in the reporting of per share figures to shareholders. Finally, the computations are not consistent with those furnished to shareholders in prior years.

Accordingly, in addition to the computations required by the opinion, per share earnings figures shown in the table on the inside cover and in the 10 Year Financial Summary on pages 34 and 35 include computations based on the average number of common shares actually outstanding for the year and shares actually outstanding at year end.

Results Speak for Themselves

What makes LTV different is also what makes it successful. We believe our success is directly related to our dedication to "building lasting values." For the shareholder — growth in earnings per share. For the employee — incentive, recognition and fair remuneration. For the customer — a superior product at a competitive price. For the communities in which our companies operate— increased employment and the exercise of good corporate citizenship.

1967 was a record year, as was the previous year — and we expect 1968 to be another record year.

Participating in the progress achieved during 1967 and providing strong support were tens of thousands of customers, suppliers and dedicated employees of LTV and its subsidiaries — to each of whom we direct our most sincere appreciation.

It appears 1968 has started off as another year of progress, with the Greatamerica acquisition nearing completion and the anticipated success of the recently announced recapitalization program. A major provision of the plan is to offer shareholders as soon as possible after the annual meeting April 25 an opportunity to exchange their common stock and/or Series A preferred stock for a new class of accumulating convertible stock. The basis of exchange will be share-for-share for common and 1.4 accumulating convertible share for each Series A preferred share. The number of accumulating convertible shares to be exchanged is 3.3 million, if the equivalent of more than that is tendered for exchange, all Series A preferred tendered will be exchanged and the common will be prorated.

Holders of the accumulating convertible stock would not receive any cash dividends but would receive a 3% annual stock dividend in the accumulating convertible shares. The accumulating convertible stock would be convertible into common stock. The conversion rate would be .75 of a common share for the remainder of 1968; .85 in 1969; .95 in 1970; 1.05 in 1971; 1.1 in 1972; 1.15 in 1973; 1.2 in 1974; 1.25 in 1975; 1.3 in 1976; 1.35 in 1977; 1.4 in 1978; 1.45 in 1979, and 1.5 in 1980.

The accumulating convertible stock would not be callable until after Dec. 31, 1977. Thereafter, it would be callable at the liquidating value of the equivalent number of common shares.

New Stock Attractive To Long-Term Investors

We believe the accumulating convertible stock will be particularly attractive to long-term investors. LTV officers and directors will participate in this exchange.

As much as 95 per cent of the stock held by officers and directors is expected to be exchanged.

In the opinion of LTV tax counsel, the exchange of common and Series A preferred for the accumulating convertible stock, as well as the 3% annual stock dividend, would be tax free. Upon a sale of the accumulating convertible stock received as dividends, taxes would be computed at capital gains rates.

LTV and its shareholders will benefit from the accumulating convertible stock exchange through the conservation of cash required to pay dividends on the stock which will be exchanged and enhanced earnings capability from investment of this cash. In addition, earnings available for common also will increase by the amount of the decrease in preferred dividend requirements.

The Series A preferred, which is not callable until 1972, is presently convertible into 1.2 shares of common, has $100 liquidation preference and has a current yield approximating three times the common issuable upon conversion. For these and other reasons, the exchange ratio of 1.4 shares of accumulating convertible stock for each share of Series A preferred was established.

Application would be made to list the accumulating convertible stock on the New York Stock Exchange.

We also called for April 19 redemption both the Series B convertible preferred and the 5¾% convertible debentures. The Series B is redeemable at a price of $75 per share or convertible into 1.875 shares of common, and the convertible debentures are redeemable at a price of $103.10 per $100 face value or convertible into common at $25.56 per share. There were approximately 171,000 shares of the Series B preferred and $1,749,000 face amount of the convertible debentures outstanding at the time of the announcement. A total of 389,496 common shares was then reserved for conversion of the Series B preferred and the convertible debentures. These common shares, when issued on conversion, would be eligible to participate in the exchange for the new accumulating convertible stock.

This amounts to a major recapitalization program. Adding the reductions in cash requirements for dividends on the Series B preferred and for interest on the convertible debentures to the reductions anticipated to be provided by the accumulating convertible stock could result in a cash savings of upwards of $100 million over a 10-year period. We believe it demonstrates our interest in LTV's long-term future.

As attuned as it is to the moment, LTV is, at the same time, "future-oriented." This annual report, for example, takes a look at 1975 and the opportunities that will be available to companies that, like LTV, prove to be good competitors. We invite your attention to the other sections of LTV's 1967 Annual Report, to the essay on 1975 Man in particular.

James J. Ling
Chairman of the Board & Chief Executive Officer

Clyde Skeen
President

March 12, 1968

Clyde Skeen James J. Ling

The 1975 Man and His World

An Introduction

In choosing "The 1975 Man and His World" as a theme, this year's Annual Report presents the current profile and posture of LTV and its subsidiary companies and looks into the future to see how each is geared to meet the expanding markets and growth potential that will exist between now and 1975.

Why 1975? There are several reasons. For one, 1975 will mark the completion of 10 full years of corporate operation under Project Redeployment, a continuing and dynamic approach to decentralization, diversification, "bigness," growth, and the building of lasting values for the shareholders. Project Redeployment began in 1965 with the redeployment of 11 operating divisions into three viable subsidiary companies, with public ownership, each capable of seeking its own destiny. Subsequent acquisitions and continued application of this philosophy have created the LTV that exists today and as we visualize it for the future.

The year 1975 is also a key year related to LTV's own systematized long-range planning cycle. It is a year within grasp, yet still far enough away to require flexibility and imagination.

And there is still another reason. In 1975 the United States will be nearing its 200th year as an independent and free nation. It is challenging to speculate on just what kind of a world the "bicentennial" American will be facing as he reaches this dramatic milestone in his country's history.

Anticipating the needs of four billion people

By the time we get there, the mid-1970's will seem more like than unlike the present. The day-to-day adjustment to a changing world is a subtle process, difficult to discern in the midst of passing moments, and, being gradual, requires little effort to accept and accommodate. But, though *we* move forward only one day at a time, our minds can range ahead, like sensors, tracking and defining future conditions . . . suggesting strategies and alternatives to help guide the profit aim of our business.

LTV is looking at the next decade, naturally, as a *market*. The year 1975 is a mid-point, reasonably a "sample" year of the decade. Many existing studies* use 1975 as a target for their assumptions about the near future. And as we pointed out in our introduction, 1975 will mark the completion of 10 full years under Project Redeployment.

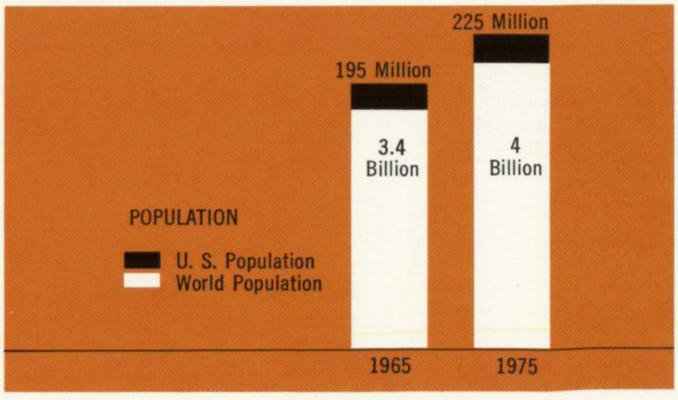
A flexible approach

Project Redeployment created a corporate structure and a system of management that is flexible and capable of quick reaction to the changes and opportunities revealed by long-range planning. Restating LTV's goal: we are organized and managed to grow with the economy . . . in whatever shape and direction it takes. Project Redeployment spurred LTV into a new era of achievement and set the pattern for diversification into growth markets served by the LTV companies.

The market projections in this report deal only with LTV's current marketing mix, not attempting to forecast future areas of market penetration by acquisition or otherwise. We must let our track record suggest the direction of future external growth areas. This is our source of confidence for anticipating LTV's active influence in serving the changing needs of a growing world.

The elbow room gets smaller . . . but incomes grow

The 1975 man will share a planet with almost four billion others.



*Sources listed inside back cover.

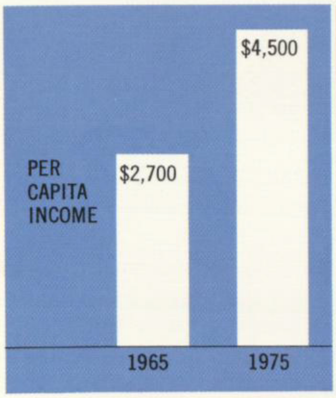
This country's population will be approximately 225 million by 1975. It is anticipated that almost 97 per cent of the civilian labor force will be employed, earning, on the average, higher incomes than ever before in the country's history.

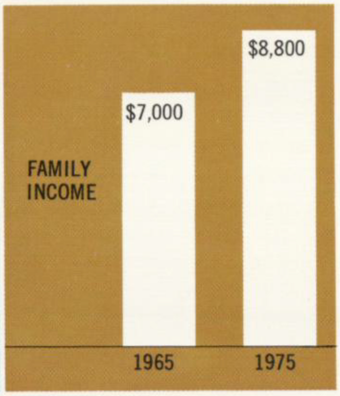
Per capita income in 1965 was $2,700. By 1975, this will have grown to $4,400-$4,600, an increase of roughly two-thirds. (Meanwhile, consumer prices are expected to increase only 20-30%.) Over 42 per cent of 1975 families are projected to have annual incomes exceeding $10,000 (compared with 25 per cent in 1965). And, there will be more families: an estimated 57 million in 1975, up 18 per cent over 1965.

Youth will be served

Relevant to discussion about people, income and income distribution are the age group trends evident in American society. Between 1965 and 1975, the 18-24 year age group is forecasted to increase more than 35 per cent. During the same period, the number of people in the 25-34 age group is expected to increase over 40 per cent. Young adults, earning good income, will set the pace in consumer spending. The number of families in which the husband is under 35 will increase approximately 50% during the decade.

More people, more households, more *disposable* income, more purchasing power per family. Ours is surely the time of the consumer, and in the mid-1970's consumer spending is expected to continue absorbing the major share of a Gross National Product approaching $1.3 trillion.

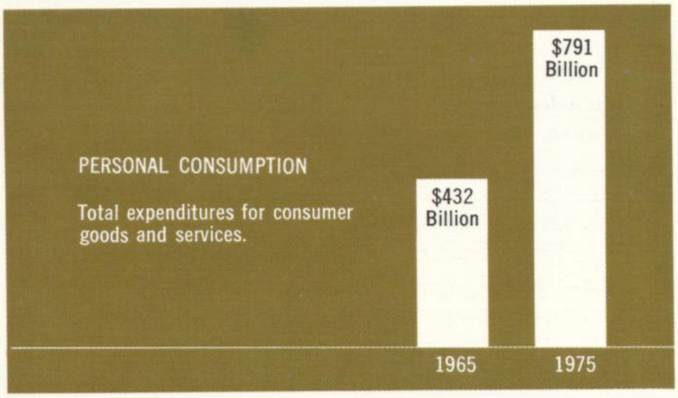




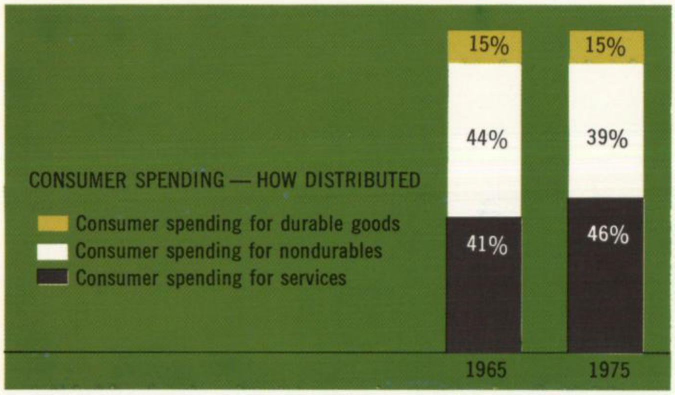
Nearly every economic study of the near future predicts a vigorous consumer spending for durable goods, housing and for services; and for upgraded *quality* in all purchases. The 1975 man, as a consumer, will be good for business . . . especially for a heavily consumer-oriented corporation such as LTV has now become.

LTV and tomorrow's consumer

At the end of 1967, about 64 per cent of LTV's consolidated sales were to *consumer* markets. In 1968, with the addition of the Greatamerica companies (see page 26), LTV's involvement in consumer goods and services will be even greater, and by 1975, based on internal growth only, still greater.



For example, LTV subsidiary Wilson & Co., Inc., is one of the world's leading meat and food processors. Last year Wilson's sales of fresh and processed meat products exceeded $985 million. The 1975 man probably won't eat much more food than today's consumer does, but his higher income will allow him to add more meat to his diet. He'll want, and be able to afford a greater percentage of processed meat products and fancy food items. The long-established trend toward "convenience" food marketing will reach new highs in the next decade. He will demand meals with nutrition, palatability, and quick preparation "built-in" by the food processor.



The 1975 consumer will likely be an even more ardent traveler than today's active, affluent, mobile American. He'll be on the move in his business role and during his vacation and leisure time.

Braniff International Airways (of the Greatamerica acquisition) is a leading domestic and international trunk line, flying, in 1967, more than 4.7 billion revenue passenger miles (one passenger flown one mile is a revenue passenger mile unit), up 55 per cent from the 1966 total. The 22 new jet aircraft Braniff added to its jet fleet last year will be serving 1975 man, along with the jumbo 747's and the supersonics Braniff has on order.

On Braniff's current route structure, today's traveler can fly from the Pacific Northwest to nearly any point in South America (Braniff is the leading U.S. carrier to that continent), to the Eastern Seaboard, throughout the southern half of the country and up through the heartland of the nation. The airline has several route extensions on application with the Civil Aeronautics Board, including requests to serve additional West Coast cities and the developing trans-Pacific area.

More mobility and recreation

The 1975 man will, literally, be able to travel in comfort from New York to Seattle on LTV services. He can drive to the airport terminal in a car rented from National Car Rental (another Greatamerica company), fly to his destination and then drive away in another National car.

Perhaps our hypothetical '75 man is driving to a golf course in his National car. His clubs and entire sports wardrobe could be products of LTV's Wilson Sporting Goods Co., today the world's leading manufacturer of sports equipment and apparel.

Wilson Sporting Goods distributes more than 8,000 items of sports gear. Undoubtedly, they'll be familiar brands to the 1975 man, as they have been to the generations before him.

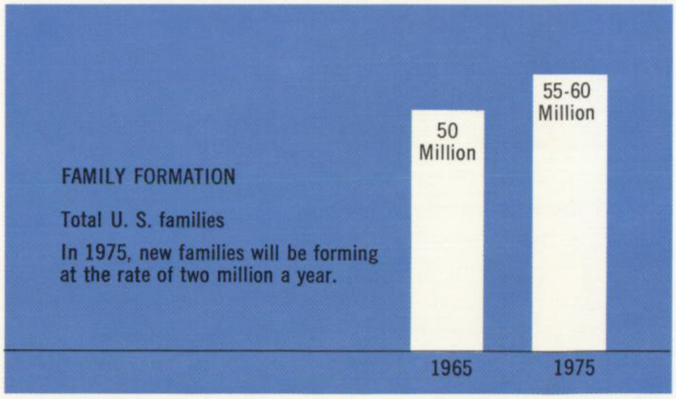
Cleaner decibels and a softer carpet

The great increase in new families and the rise of family incomes will naturally affect housing starts, home upgrading, and all related industries and services. Again, LTV with its *present* product mix will be active in a variety of areas associated with the housing market. For example, Okonite's newly acquired General Felt Industries is a major producer of floor covering and has a competitive position in the growing indoor-outdoor carpeting market. Our man of '75 and his family will have the money to afford and the time to enjoy the best in home stereo systems. LTV Ling Altec and its Altec Lansing and University Sound lines of speakers and receivers will be delivering professional quality sound reproduction to satisfy his discerning taste.

If he's a home electronics buff, the American of 1975 may buy much of his equipment and many of his components and parts from Ling Altec's Allied Radio Corporation.

The unseen share of the bounty

LTV will be serving consumers in an indirect fashion too. Many values added by the LTV companies to the 1975 economy will be through another's end product or service. On his Ling Altec receiver and stereo sound system the 1975 consumer may hear a broadcast or a recording which originated with commercial recording and studio equipment also built by Ling Altec. His radio station may well be transmitting programs with a Continental Electronics broadcast transmitter, built by a unit of LTV Electrosystems, one of the world's leading producers of high-power RF transmitters. When he goes to a movie, or attends the theater, or meets in a convention hall or enjoys a sports event in a large stadium, it's more than likely he'll hear the performance or announcements over huge Ling Altec speaker systems.



When the 1975 man flies, LTV companies may have made major contributions to his trip. The 747 Jumbo Jet he first boarded back in 1970 will intrigue his fancy by, among other features, a huge tail section produced by LTV Aerospace, a tail section towering 6 stories above him. In 1975 he will be anticipating flying in a U.S.-produced Supersonic-Transport, where he may ride within a center fuselage section designed and produced at LTV Aerospace. Aboard his plane, as aboard the 747, our

Boneless Wilson's Certified Festival Hams are lean, fully cooked and low in calories.

While total food intake remains relatively stable, per capita consumption of meat and poultry is clearly growing (207 pounds per capita in 1965; 223 pounds per capita by 1975). People want high-protein, low-calorie diets. They're conscious of the value of better nutrition for themselves and their children. By 1975, it is estimated that meats, poultry, fish, fats and oils will make up almost 40 per cent of total calorie consumption.

Gaining the competitive edge

In addition to upgrading the quality of his diet with greater meat consumption, the modern consumer is putting his food dollar into something more than just a basic food product. He's buying foods with built-in convenience, transferring processing from his kitchen to the factory.

These and other significant trends provide a giant market into which Wilson & Co. already has many excellent competitive edges. Wilson has a long-established leadership in the area of convenience processing. The company pioneered and developed many processing and distribution techniques commonplace today in the marketing of perishable foods.

Another growing factor in Wilson's marketing plans is the mass feeding market: restaurants, hotels, factory and other institutional cafeterias, and vending machines. This changing food system suggests a new era of food processing technology. By 1975, techniques that seem exotic now will be providing the consumer with almost infinite variety to match an increasing sophistication of tastes and life styles.

More people, more money to spend on *quality* and *service,* a hungry world to feed — this will be the 1970's. The food industry is a very good one to be in, now and tomorrow.

Wilson & Co., Inc. & Subsidiaries

	(in Thousands)		
	1967*	1966*	Increase
Sales	$985,540	$948,617	4%
Net Income	11,007	9,730	13%

**Pro forma based upon historical results of the present Company and/or historical results of divisions of its corporate predecessor.*

Highlights

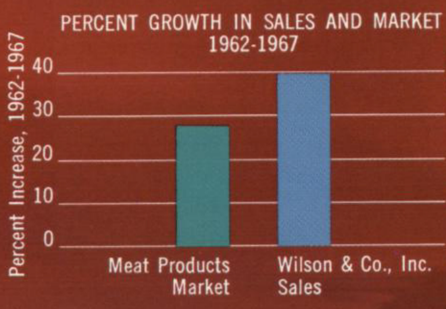
- Business reorganized as new company / Public ownership and market for securities established / Motivation and other benefits of Project Redeployment realized / Listed on American Stock Exchange

- Record operating results

- Increased sales and earnings on grocery products to record levels / Both processed pork and Certified Big Eye Pork Loin sales increased / Increased sales of fresh pork, beef and lamb

- Began construction of major new pork plant in Logansport, Indiana / Announced plans for new beef plant in Hereford, Texas / Completed new processed meat product plant in New Zealand, and fats and oils plant in Birkenhead, England

Fresh Wilson beef for the protein-rich appetites of Americans.



In the bar graph at the far left, Wilson & Co.'s* sales from 1962 to 1967 are compared with the growth of the meat products market during the same five-year period. The right-hand chart illustrates the market's historical growth to 1967 and its projected growth range to 1975.

*Wilson's past performance is based on pro forma results of its predecessor, the Meat & Food Products Division of the former Wilson & Co., Inc. Past market performance based on data from American Meat Institute.

Wilson & Co., Inc.

The 1970's: good times for the world's largest industry

Last year, American consumers spent $96 *billion* for food — more than they spent on all durable goods combined — more than all government expenditures on national defense. Not only is the food business big business, but also it is a rapidly growing industry.

By 1975, meat sales alone will approach $24 billion, more than 30% above 1967 totals (see the market growth chart above). LTV's Wilson & Co., today one of the world's leading meat and food processors, is looking forward to the challenge of feeding the 1975 man.

Proteins and convenience

Theoretically, every consumer industry will grow with the anticipated population growth during the next decade. Wilson & Co. will benefit from numbers, of course. More mouths to feed means more business for food processors; but population increase is only one dimension of the industry's future growth pattern.

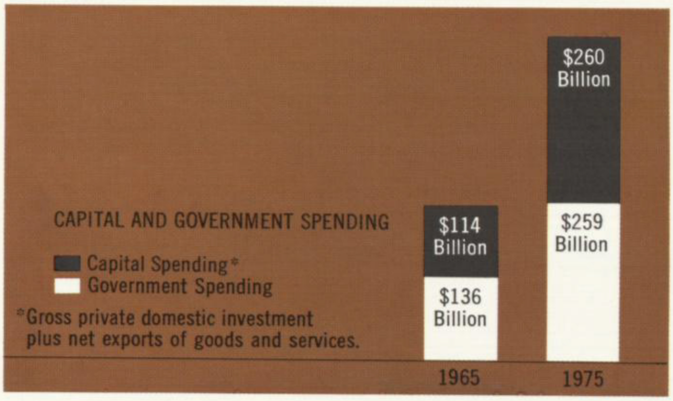
LTV Electrosystems flight control feel system and power control actuators will serve him as he speeds toward his destination. His pilot will appreciate these advanced features every time he chooses to move the flight control against air pressures created around his phenomenally high-speed jet.

A full-course dinner from LTV

When our man seven years hence orders a steak in his favorite restaurant or steakhouse, he could well be dining on prime beef from Wilson & Co. sales to the growing restaurant and institutional markets, a steadily increasing factor in its total marketing profile.

Wilson Pharmaceutical & Chemical Corporation produces bulk chemicals, animal-derived pharmaceuticals, and other ingredients that are used in hundreds of products vital to the nourishment, comfort and health of today's consumers as well as those of 1975.

To the food industry, Wilson Pharmaceutical & Chemical supplies the ingredients used in the production of cake mixes, powdered beverages, chewing gum, candy, gelatin desserts and other edible gelatin products, food coatings, whipped toppings, cake icings, beers, wines and many others.



Behind the scenes: esters, emollients and cable

Wilson Pharmaceutical & Chemical is an important producer of polyester resins, emulsifiers and emollients. Resins are used by manufacturers of polyurethane foam finding hundreds of applications in clothing manufacture, auto and furnace filters, safety foam for fuel tanks, and many more. The emollient agents and proteins are used in soaps and cosmetics, shampoos and other beauty and health products.

The 1975 man's electric utilities, his independent telephone companies, the wiring in his offices and schools, in his computers and other electronic equipment will function more effectively, more durably because of increasing dependence upon LTV quality.

LTV's Okonite Company has been a pioneer in producing quality transmission cable since the 1870's, growing up with the telephone and electric power industries . . . and certain to keep growing with them. These industries promise to be entering one of their greatest periods of expansion and growth. This is especially true of the broadly defined telecommunications market area, as technological developments push these systems and the hardware for them into hundreds of new applications and geographical areas. Okonite has recently entered many new marketing areas with its wide line of cable and wire products.

LTV and the government customer

Federal, state and local government spending for goods and services will increase by 1975 to an estimated total of almost $260 billion. The American citizen, on the threshold of his third century, will want and need more services from his government units and he'll get them.

On the federal level, the need for continually updating our national defense system and defense hardware inventory will be just as strong as it is today. Space and ocean science budgets will be substantially expanded from today's levels as will other non-defense programs, including mass transportation, urban revitalization and air and water pollution abatement.

Two LTV companies, LTV Aerospace and LTV Electrosystems, are among the most experienced government contractors in their respective industries. They know how to create, quickly and well, the highly advanced products and systems required in an ever-changing defense inventory. The 1975 American benefits doubly: first, by having reliable defense technology protecting his nation; and also by the technological "fallout" that inevitably advances the state-of-art in the production of capital and consumer goods. Companies with proven systems capabilities (such as Aerospace and Electrosystems) are accustomed to solving complex "missions" with the systems techniques. It is optimistically suggested by many forecasters of the future directions in technology, that defense and aerospace systems techniques can be applied towards large-scale civilian areas, including oceanography and other ocean sciences, traffic control systems, certain urban problems such as water and air pollution, mass transport systems — anywhere multi-purpose technology can be practically applied towards solving traditional problems and meeting new challenges created by life in the late 20th century.

The Man of 1975

In every department of his life, the man of 1975 will enjoy a degree of prosperity once undreamed of—and with it, a host of new and better products and services for the notable advancement of his health and well-being. It is a source of deep satisfaction to the people of LTV and its affiliated companies that the techniques of production and distribution brought together harmoniously by Project Redeployment have contributed, and hopefully will continue increasingly to contribute, to that advancement.

LTV Aerospace Corporation

Land, sea, air, space — 1975 man's environments.

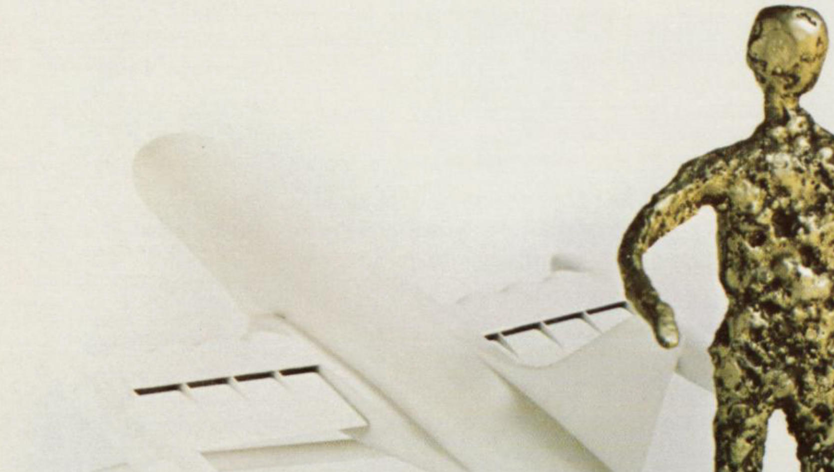
LTV Aerospace Corporation offers a marked contrast to a fundamental age-old business like food processing. Here is a major U.S. company, with better than $343 million in sales last year, succeeding in markets that didn't even exist at the turn of the century.

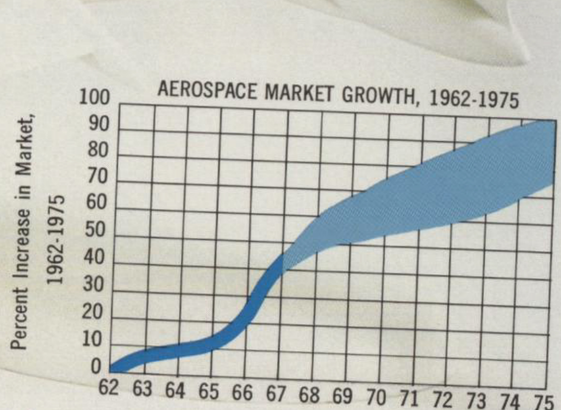
What was once science fiction is now big business. We're aiming to put men on the moon during the next decade. The 1975 man may be participating in the second-generation of moon exploration, and much of his life support equipment and systems, and a variety of services and products that got him to the moon safely, will likely wear the LTV Aerospace label.

The near term is overcast.

For the moment, however, space programs are secondary to the national purpose, overshadowed by Vietnam. In the market growth curve projected below, the uncertainties of future military commitments are reflected by the wide band representing the future market. Regardless of near-term defense spending, the long-range market outlook is clearly up. This company's largest active program at present is, of course, the A-7 Corsair II attack aircraft, now making combat history in Southeast Asia. The A-7 will be probably more familiar to the citizen of the 1970's than it is to the 1967 man.

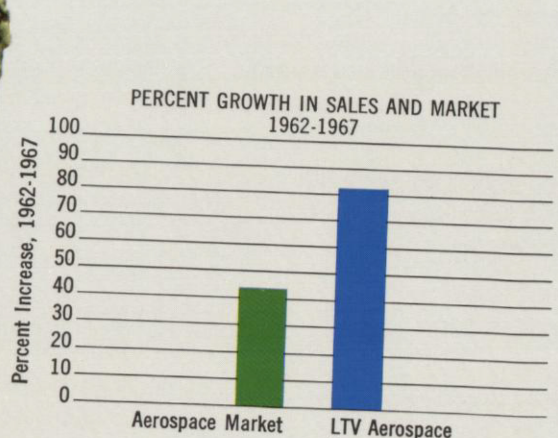
The A-7 program is fulfilling a vital need in the





The Aerospace market* is shown with its actual growth from 1962-67 and its projected growth to 1975. The wide band represents a range of possibilities reflecting the uncertainty involved in future defense spending. The aerospace market includes sales of aerospace products to the government, plus private and commercial aviation.

*Past market data: Aerospace Industries Association



LTV Aerospace has clearly outstripped the aerospace market during the past five years — and this is entirely internal growth. The company has today essentially the same operating units it had in 1962, the base year for this comparison. Sales prior to 1965 (the year of Redeployment) are reported pro forma.

tactical inventory of the Navy now and soon will be operational in the Air Force. Success with the A-7 (and before it, the F-8 Crusader series) implies a continuing need for new generation designs of tactical and other aircraft from LTV Aerospace.

50 years of aerospace know how.

This LTV company, which traces its lineage back more than 50 years in the aviation and aerospace industry, is engaged not only in building the tactical systems of today and tomorrow, but in solving man's struggle with his environment, at all levels of encounter: air, sea, land, and space. The 1975 man will be a high and fast flyer: in the jumbo jet 747 and the Boeing SST, and these aircraft will have major structures designed and built by LTV Aerospace.

The Pacific Fleet's newest attack jet, the A-7, makes an approach for a carrier landing aboard the Ranger.

Over the mountains and into the sea.

LTV Aerospace is developing a number of practical land vehicle *systems* for both military and civilian use. These advanced design, multi-purpose vehicles hold the promise of bringing aerospace technology innovations into the field of surface transportation.

Ocean systems — the hardware for man to live in and on the sea and to exploit its resources — promise to be a multi-billion market. Ocean systems embrace a variety of exploration, exploitation, defense and life-support efforts now being researched and tested — by a number of advance-technology enterprises; LTV Aerospace has the capabilities to be successful in these markets.

LTV Aerospace Corporation & Subsidiaries

(in Thousands)

	1967	1966	Increase
Sales	$343,696	$231,552	48%
Net Income	9,578	5,809	65%

Highlights

- Record operating results / Backlog increases substantially
- A-7 program matures / Corsair II deployed to Vietnam / Authorization received for complete go-ahead on Air Force A-7D model / Working on advanced Navy version
- Substantial increases in F-8 Crusader remanufacturing program
- Commercial aircraft subcontracting grows / Production begun on Boeing 747 empennage and aft fuselage sections / Accepted as subcontractor to Boeing for SST body section
- Teamed with Lockheed to pursue the new VSX antisubmarine warfare aircraft / Initiated joint venture with Kaiser Jeep Corporation to compete for M-561 truck production contract
- Marine Corps purchases MACV (multi-purpose airmobile combat support vehicles) units for test purposes
- Reorganized Range Systems Division as Service Technology Corporation, a subsidiary / Virtually completed larger Apollo Ship Program / Major new service contract awards included the Manned Spacecraft Center facilities, Pacific Underwater Range at Kauai, Hawaii
- Achieved 100% flight success with upper-stages for SPARTA and another space program / Awarded Landing Force Support Weapon (LFSW) development contract with significant potential
- Completed new Missiles and Space Division facility near Dallas and Kentron facility in Hawaii / Substantial facility expansion

MACV, which will traverse roughest terrain, is under development as both military and civilian utility vehicle.

The Okonite Company

Reliable power and telecommunications; a softer tread for the 1975 man.

In late 1967, Okonite took on a dramatic new look in its product structure with the acquisition of General Felt Industries — a large-scale, prosperous manufacturer and distributor of floor covering, including carpet padding and indoor-outdoor carpeting.

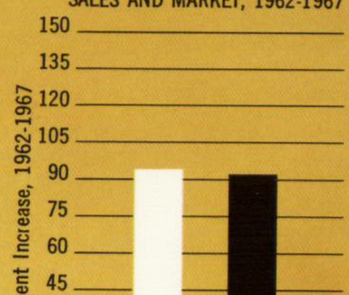
Okonite since the 1870's has been recognized as a leader in the transmission cable and wire industry, and its primary customers have always been independent telephone companies, electric utilities, industrial contractors and builders, and similar heavy-use buyers. The electrical energy transmission and telecommunications markets are in a period of prolonged growth. Prior to 1966, the first year as an LTV subsidiary, Okonite's growth did not keep pace with the market. Since then, however, Okonite has exceeded the market growth rate, and is expected to continue improving its position.

An historical first of its kind

As mentioned in the executive's letter of this

ELECTRICAL ENERGY TRANSMISSION AND FLOOR COVERING MARKET GROWTH, 1962-1975

PERCENT GROWTH SALES AND MARKET, 1962-1967



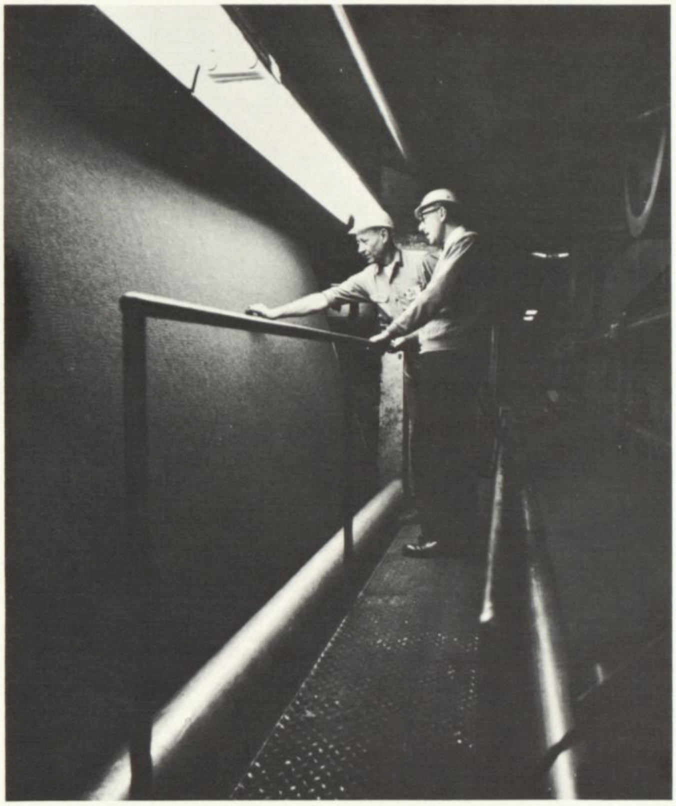
The bar charts above match Okonite's performance during the past five years against the broadly defined "electrical energy transmission" market.* Since becoming an LTV company (first full year of operation under LTV: 1966), Okonite has outperformed its primary market. Its sales to 1967 also do not reflect the recent acquisition of General Felt. This puts Okonite into a new market, floor covering*, which is projected to 1975 in the left hand chart above . . . along with the historical and projected growth of Okonite's traditional market.

*Past market data: Bureau of the Census.

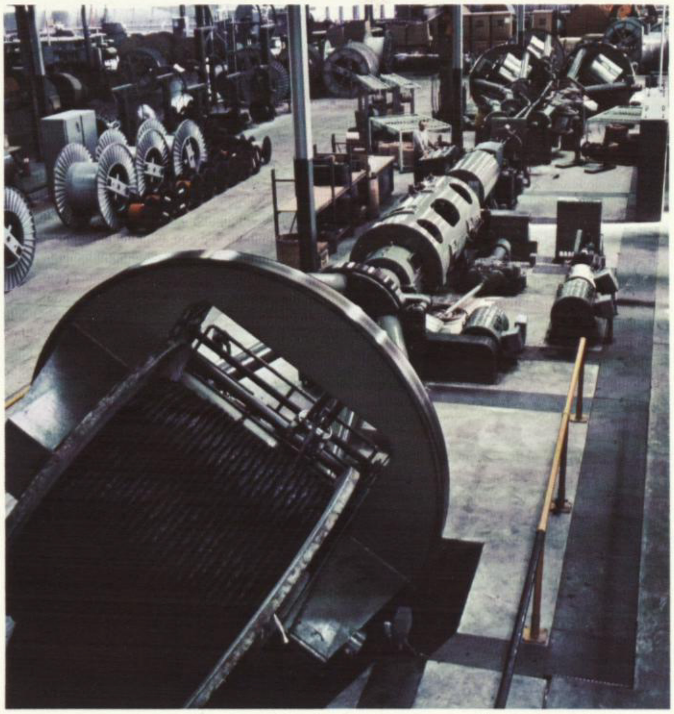
annual report, LTV's subsidiaries have been charged to diversify into areas outside their traditional markets. Okonite's acquisition of the General Felt Industries is first such under this program and overnight it tied Okonite's fortunes to part of the economy directly governed by consumer spending. And, as we've established, this is an area of great anticipated growth during the latter part of the 20th century.

Okonite underground and underfoot

By 1975, new families will be forming at the rate of two million a year. They'll want better housing and more services. Okonite will provide telephone and electrical cable to bring power and communications into these new homes, and it will cover millions of square feet of floor space with the quality products of General Felt.



Indoor-outdoor carpeting speeds around "dancing" rolls at General Felt's Chicago plant.



High speed cabler at Okonite's Paterson plant strands separate wires and insulating material into a single cable.

The Okonite Company & Subsidiaries
(in Thousands)

	1967*	1966**	Increase
Sales	**$103,238**	**$ 90,252**	**14%**
Net Income	**9,009**	**7,715**	**17%**

**Includes Jefferson Wire and Cable Corporation on a pooling of interests basis and General Felt Industries for the month of December only.*
***As reported; does not include Jefferson or General Felt.*

Highlights

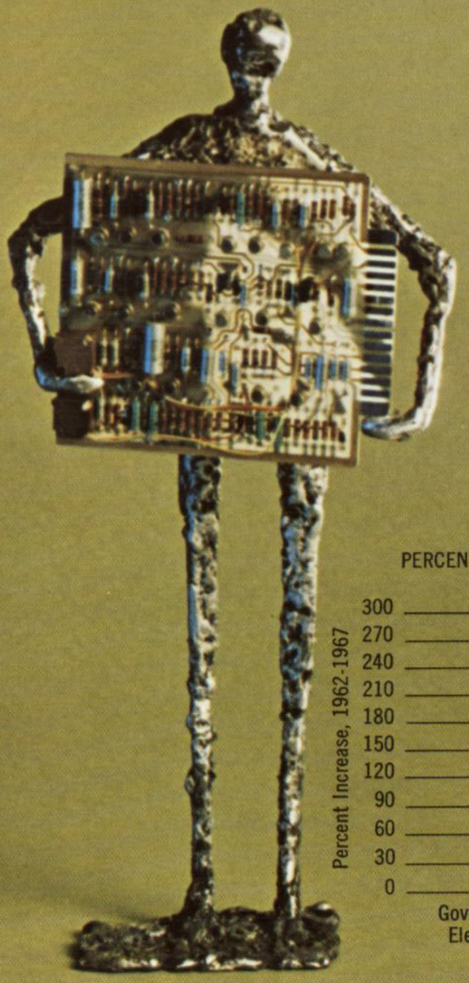
- Record operating results
- Acquired Jefferson Wire and Cable Corporation and General Felt Industries
- Santa Maria power cable plant completed / Production initiated / Kentucky site selected for aluminum conductor plant / Multi-million-dollar facilities expansion-improvement program continued

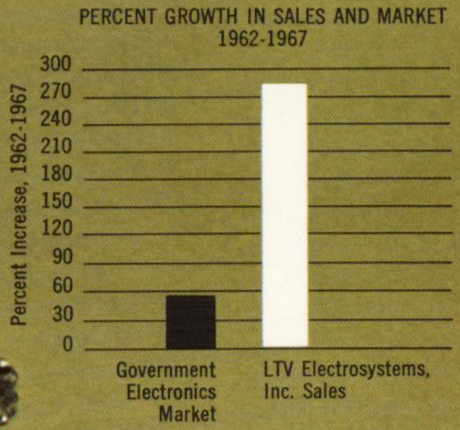
LTV Electrosystems, Inc.

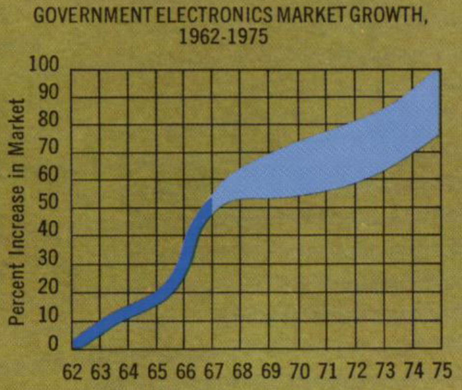
Tomorrow's electronics today: LTV Electrosystems realm.

This company is one of the fastest-growing electronic corporations in the industry. The 1975 man will live in greater security because of special defense electronics programs under way or now being delivered by LTV Electrosystems. These programs cover the broad range of reconnaissance, surveillance, communications, command and control, and guidance systems; although many of the company's current programs are aimed at tactical military applications, much of LTV Electrosystems' long-range R&D effort is directed toward strategic systems. Like LTV Aerospace, the Company's immediate future market is affected by the situation in Southeast Asia. Uncertainties inherent in future defense spending are reflected by the wide market band in the chart below.

In addition, many other non-defense Electrosystems products may serve commerce and industry during the 1970's. These include industrial and commercial market areas such as communications, commercial aviation systems, special high-intensity airborne lighting systems and others.







The government electronics market,* historically from 1962-67 and projected to 1975, is shown in the curve on the right. The wide band reflects future uncertainty in defense spending. An absolute certainty is LTV Electrosystems' five-year performance compared to its major market shown in the bar graphs above. The company's sales growth since 1962 is based on the 1962 sales of its predecessor nucleus enterprise (now a major operating unit). Growth since 1962 includes several acquisitions from the parent LTV and from outside.

*Past market data from Electronics Industries Association.

Super-power; 6,000-mile digits . . .

While many of this company's systems and sophisticated electronics hardware may never be seen, much less recognized or understood by the 1975 layman, other systems will affect many areas of his daily life. Super-power radio and radar transmitters, capable of power generation in the *million*-watt power range, have made this LTV company famous worldwide with national and international broadcasting officials, long-range military communications leaders, radio astronomers, re-entry physics researchers and many others. The anticipated proliferation of communications technologies will incorporate many of Electrosystems' capabilities in addition to its long-established superiority in transmitter design and production.

Antenna radiation patterns are plotted and automatically recorded from any one of 12 ranges at this LTV Electrosystems laboratory.

One capability is a new-generation digital system designed for point-to-point communications over distances up to 6,000 miles . . . and farther in conjunction with a satellite.

. . . a smooth handling airliner and a three-square-mile night light.

LTV Electrosystems electronics components are used in the flight control and fuel-injection systems of aircraft and missiles, including the Titan III and civilian jet aircraft such as the Boeing 727.

These systems will insure the 1975 man smoothly controlled flights and an added factor of safety in air travel.

LTV Electrosystems is continually exploring possible commercial and consumer applications for its successful military-developed systems. One example is an aircraft-mounted, powerful system of xenon arc lamps and controls . . . originally developed for tactical operations and now being directed at civilian markets such as law enforcement, search and rescue, traffic control, dock loading: anywhere an intense, night light is needed to illuminate a large surface area.

A proved profitable winner at solving some of the toughest missions in the military inventory, LTV Electrosystems is just beginning to grow in its anticipated influence in the private sector of the American economy.

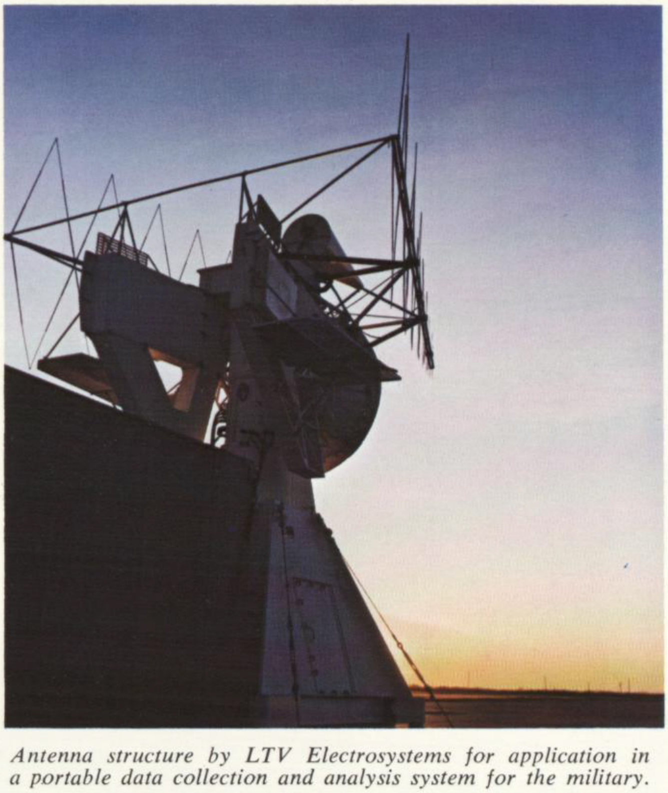
LTV Electrosystems, Inc. & Subsidiaries
(in Thousands)

	1967*	1966**	Increase
Sales	**$181,788**	**$123,564**	**47%**
Net Income	**5,354**	**2,644**	**102%**

**Includes Memcor on a pooling of interests basis.*
***As reported; does not include Memcor.*

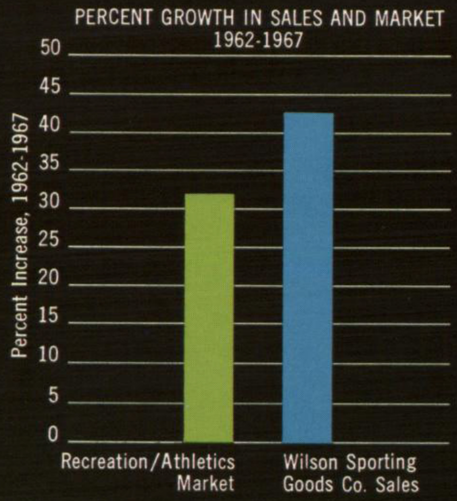
Highlights

- Record operating results / Backlogs also records
- Acquired Memcor / Integrated operations into LTV Electrosystems / 'Back-pack' radio units produced at record rate
- Garland Division continued rapid internal growth
- Greenville Division continued to win new business despite re-scheduling of many programs
- Continental Electronics acquired Pickard & Burns in February, 1968



Antenna structure by LTV Electrosystems for application in a portable data collection and analysis system for the military.

Wilson Sporting Goods Co.



As with Wilson & Co., the performance of Wilson Sporting Goods is based on pro forma results of its predecessor, a division of the former Wilson & Co., Inc. Its growth during this five-year period, however, is largely internal and does not reflect recent acquisition.

Filling the off hours: A multi-billion dollar business.

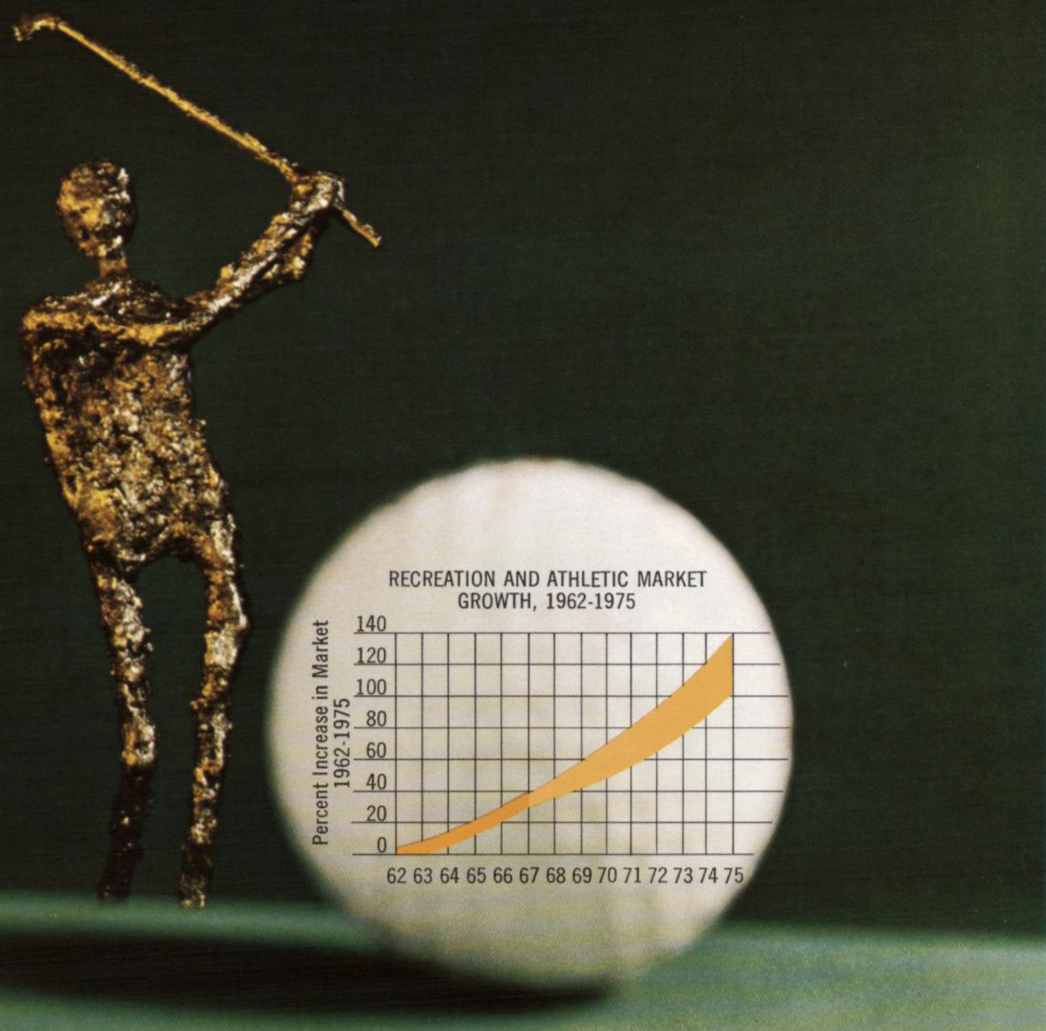
Wilson Sporting Goods Co. is the world's largest manufacturer of sports and athletic equipment and related products. Today, the Company distributes more than 8,000 different items for nearly every type of sport activity. Wilson Sporting Goods also manufactures children's toys and nursery items.

Besides the individual, customers include school and college athletic teams, golfers, tennis players, professional football, baseball and basketball clubs, and many more.

Professional quality for the 1975 man.

Wilson has always insisted on providing its customers with the best quality money can buy. The 1975 man should be as familiar with the proliferating Wilson line of recreational products as have the generations before him.

The so-called leisure time market is a natural for growth. The conditions



This curve represents growth in the broad recreation and athletics market* from 1962-67 and projected to 1975.

*Past market data: Bureau of Census.

that have created the boom in recreational activities are steadily growing and expanding with the general growth and vigor of the American economy.

The outlook is for even more rapid growth through 1975 as a result of the upward trends in disposable income, the increase in leisure time, the growing national interest and involvement in sports and recreational activities, and the growing proportion of young adults in the American social structure.

Top pros, like Chicago Bears' Gale Sayers (40) serve on Wilson's advisory staff, using and evaluating new equipment designs.

Wilson manufactures more than 8,000 different product items.

Wilson Sporting Goods Co. & Subsidiaries
(in Thousands)

	1967*	1966*	Increase
Sales	**$ 89,066**	**$ 83,294**	**7%**
Net Income	**4,033**	**3,804**	**6%**

**Pro forma based upon historical results of the present Company and/or historical results of divisions of its corporate predecessor.*

Highlights

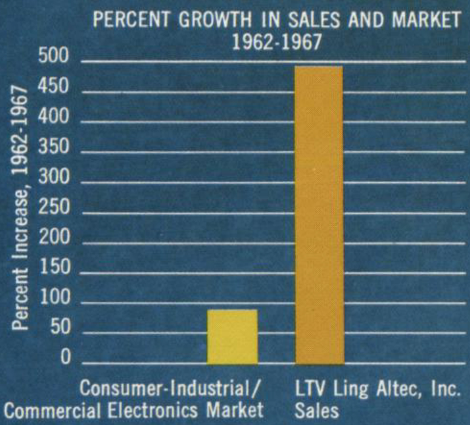
• Business reorganized as new company / Public ownership and market for securities established / Motivation and other benefits of Project Redeployment realized / Listed on American Stock Exchange

• Record operating results / Sales increase in all major product lines

• Acquisition of Nissen initiated

• Began operations in new golf club and golf ball manufacturing facility in Grand Rapids, Michigan, area / Start-up problems overcome relatively quickly / Occupied new sales division branches in Washington, D. C. and Nashville, Tennessee / Expanded capacity and added new equipment at Collierville, Tennessee, golf bag factory to provide manufacturing economies and expansion

LTV Ling Altec, Inc.

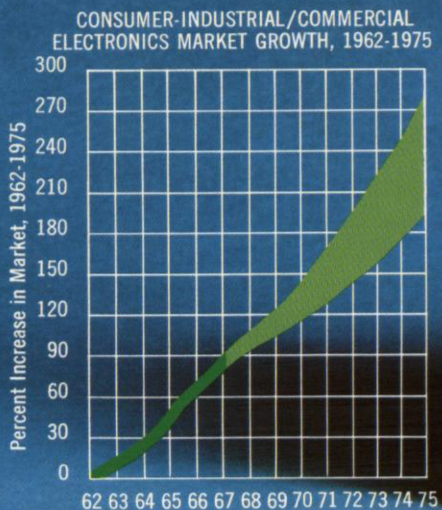


Ling Altec competes in the broad consumer/industrial/commercial electronics market, and has far outstripped the market as shown above. 1962 sales are those of its predecessor operating units. Since Project Redeployment, growth includes acquisitions from outside and from LTV parent.

For the 1975 man: high-quality electronics in all shapes and sizes.

During 1967, LTV Ling Altec expanded into several new areas of the consumer/commercial/industrial electronics market, including wholesale and retail distribution (through the acquisition of Allied Radio Corporation), institutional intercommunication systems, and the introduction of new and improved items in its existing product lines.

Ling Altec now has a base in many active segments of the vast electronics market: home stereo systems, theater and stadium-class sound systems, broadcast and recording systems, industrial radio systems, intercom systems (particularly for hospitals and medical clinics), telecommunications, hobby electronics, vibration test equipment, scientific/industrial power supplies, and related products.



This market* grew rapidly in recent years during the boom period of color television, automatic data processing, and automation. Continued demand for consumer electronics, telecommunications, and industrial/commercial automation should insure its future growth.

*Past market data: Electronics Industries Association.

Stereo sales rise with the living standard.

Home high-fidelity and stereo equipment, including receivers and speaker units are a mainstay product line of LTV Ling Altec — sold under the Altec Lansing and University Sound brands. The anticipated increase in

Items listed in Allied Radio's mail order catalogs may also be purchased in retail outlets, such as this Chicago store.

leisure time, and discretionary income — time and money to invest in personal, quality products — should expand this market considerably.

The same factors will benefit the installation of professional sound systems in theaters, auditoriums, stadiums and other large public buildings. The majority of existing sound systems in U.S. movie houses are by Ling Altec.

Hobby and amateur radio and electronics purchases will increase also — Ling Altec's Allied Radio Corporation is one of the world's leading retailers of hobby, as well as commercial, electronics products.

Reliable electronics for industry.

The balance of Ling Altec's product mix is aimed at serving a variety of industrial and commercial (and some government) markets. In all of these areas, indications are good for continued growth, and will result in greater market penetration for Ling Altec's non-consumer electronics products.

Allied Radio, for example, is also an important retailer and wholesaler of its huge line of radio and other electronics products. Hospital and medical clinic construction will boost sales of Ling Altec's special intercom systems. And the broad and growing market of telecommunications will also help stimulate sales of the company's telephone products.

LTV Ling Altec, Inc. & Subsidiaries

(in Thousands)

	1967*	**1966****	**Increase**
Sales	**$102,408**	**$ 29,242**	**250%**
Net Income	**2,329**	**859**	**171%**

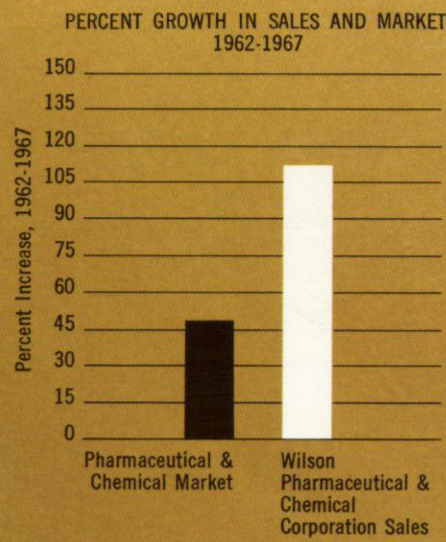
**Includes Allied Radio Corporation on a pooling of interests basis.*

***As reported; does not include Allied.*

Highlights

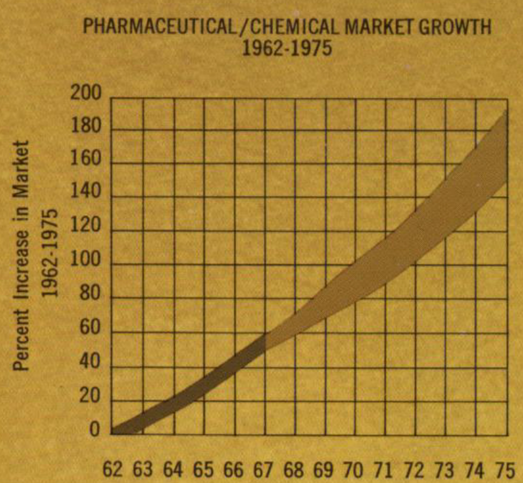
- Record operating results
- Acquired Allied Radio to climb into $100-million-a-year company ranks / Acquired Standard Systems Communications Corporation in early 1968 / Acquisition of Escon Incorporated completed in March, 1968 / Reorganized Du Mont Mobile Communications as new division
- Completed new shaker manufacturing plant in Wilmington, Massachusetts / Extended market for environmental technology into special products areas / Introduced new products in environmental test, instrumentation, industrial radio, consumer and commercial sound, audio controls and telephone product areas
- Signed new service agreement with Ticket Reservation System Company
- Continued to improve export sales volume, profitability

Altec Lansing high fidelity equipment at its finest in this three-piece cabinet and end table (enclosing a speaker system).



Wilson Pharmaceutical & Chemical Corporation's growth is presented with the same footnote that accompanied the other Wilson companies. Once the Chemical Industries Division of the former Wilson & Co., Inc., WPCC's predecessor performed historically much better than its market. 1967 results reflect a recent acquisition.

Wilson Pharmaceutical & Chemical Corporation



The chemicals, pharmaceuticals and allied products market* has shown a steady growth in the five years measured. Future growth is projected to follow a general uptrend as consumer and industrial demand continues to grow.

*Past market data: Bureau of the Census.

The 1975 man's world will be healthier, tastier, softer, safer . . .

The next decade holds great promise for this diversified and technologically sophisticated LTV company. Increasing consumer demand for medical services, convenience and fancy food products, better quality clothing, housing materials and other items should be reflected by rising sales for Wilson Pharmaceutical & Chemical Corporation. It is the consumer area of the economy this company ultimately serves . . . even though the consumer rarely sees the WPCC label.

In addition to some 140 different pharmaceutical products, WPCC produces bulk chemicals and ingredients sold to manufacturers of plastics and synthetics; soaps, detergents, cleaners, etc.; perfumes, cosmetics, shampoos and toiletries; paint; food products; industrial gelatin products; gum and wood products; agricultural chemicals, and many, many others.

Testing for Salmonella contamination: one of many industry services offered by the new Bio-Scan Laboratories Division.

Wilson Pharmaceutical & Chemical Corporation & Subsidiaries

(in Thousands)

	1967*	1966*	Increase
Sales	$ 39,514	$ 38,609	2%
Net Income	1,717	1,463	17%

**Pro forma based upon historical results of the present Company and/or historical results of divisions of its corporate predecessor.*

Highlights

- Business reorganized as new company / Public ownership and market for securities established / Motivation and other benefits of Project Redeployment realized / Listed on American Stock Exchange
- Record operating results / Increased sales of polyester resins, oleum, reprocessed acid, pepsin, vegetable hard butters, gelatin, cosmetic proteins
- Acquisition of Goldschmidt Chemical Corporation
- Facilities expansion included new R&D laboratory at Wilson-Martin Division
- Formation of new Bio-Scan Laboratories Division

... cleaner, sweeter, better dressed ...

This broad market has outstripped the GNP growth for many years and WPCC has grown faster than the market (see page 24 at left) with its 8.5% annual growth rate. No single factor can be isolated as a prime cause of continued anticipated growth. Included, naturally, is the increased population ... again, causing heavy demands for consumer goods and services ... breakthroughs in chemical processes and large R&D expenditures by the industry as a whole.

As presently constituted, WPCC produces relatively few *end* products, but, its bulk pharmaceutical, chemical and other ingredients will be present in hundreds of the 1975 Man's products. WPCC present food ingredients go into gelatin (and all products that use gelatin, such as canned hams, marshmallows, chewing gum, icings, toppings, etc.), beer, wine, candies, cakes, and other pastries and desserts ... on and on.

... more fragrant, appetizing and interesting.

The markets for cosmetics, perfumes, toiletries and related products are almost as diversified as those for pharmaceuticals. WPCC products are used in many manufacturing processes as active surface agents, lubricants, emulsifiers, binders, dyes, coatings, additives, etc. An important growth area is the increasing use of polyurethane foam as lining in clothing, automotive and air conditioning filters, safety filling for gas tanks, padding, gaskets, and household items such as paint rollers. WPCC produces the polyester resins sold to the manufacturers of these foam products.

Wilson's reputation for high quality, and stringent federal and industry standards are assured in this quality control operation.

Greatamerica Corporation

The acquisition of Greatamerica Corporation extends the business base of LTV into several interesting fields which provide services to the public.

These include airline travel (Braniff Airways); financial institutions (First Western Bank and Trust Company); insurance services (American-Amicable Life Insurance Company; Gulf Life Insurance Company; Stonewall Insurance Company), and ground transportation (National Car Rental Systems, Inc.).

Braniff's "new look" features distinctive, modern design throughout its entire operations, including departure gate areas.

Ownership interests of the Greatamerica group in these varied businesses, as of March 15, 1968, were:

Braniff	80.06%	Stonewall	100.00%
National Car	90.64%	American-Amicable	57.19%
First Western	99.48%	Gulf	19.71%

These significant additions to LTV's areas of interest further broaden the company's business base and will have at least modest effect upon 1968 earnings per share. And, over the long term, the companies which make up Greatamerica holdings are expected to provide ever-increasing strength to the equity values of LTV shares.

Braniff International

. . . with 1967 operating revenues exceeding $256 million, is the largest of the Greatamerica holdings. This airline, which introduced the "new look" in air transportation in 1966,during the past year achieved its first objectives as an expanding factor in jet travel — to become truly competitive over its increased routes, and to establish a firm foundation upon which to grow. The year saw consolidation of the acquired Panagra (Pan-American Grace) interests into Braniff International's operations, plus the introduction of 22 new jet aircraft. Expenses associated with these achievements had the effect of considerably reducing earnings as compared to the record year of 1966 despite an increase of 55.8 per cent in revenue passenger miles and 77.5 per cent in cargo ton miles.

During 1968, Braniff will be in the second phase of its planned expansion and growth program, with the goal of becoming a true leader in world transportation. Although Braniff has moved its record of on-time departures and arrivals up to fourth place among the nation's major airlines, it will seek to greatly improve this mark by eliminating delays over which the airline has some control. Braniff also is leading an attack on one of the industry's chief problems — the airport congestion which delays landings and departures and accounts for a major portion of late arrivals.

As one of the key steps in its growth plan, Braniff announced in February a major recapitalization program which includes a 3-for-1 common stock split. Shareholders can exchange common stock for a new convertible stock series. This financial restructuring is planned to expand Braniff's financial strength and increase the company's flexibility in growth projects.

Braniff International President Harding L. Lawrence stated that "in 1968, with a new turbine fleet fully operational and no new aircraft coming into our schedule patterns during the year, we anticipate that rising traffic revenue levels combined with declining ton mile cost will produce marked improvement in financial results."

The airline is the leading air carrier (68 flights each week) between the United States and South America, the "in" continent for many of today's sophisticated travelers. During 1967 it started servicing a new route between Texas and the Pacific Northwest. Braniff also is a major contract charter operator for the Military Airlift Command, making regular trans-Pacific trips to Southeast Asia and to Caribbean and North Atlantic installations. Braniff jets now touch all continents with the exception of Africa and Australia.

Braniff is a vigorous contender in several new route cases pending before the Civil Aeronautics Board, including the Transpacific Route case involving service from 17 U.S. cities to Hawaii, Australia, New Zealand, Japan, Okinawa, the Philippines and other Pacific and Far Eastern points. It is hoped that successful pursuit of these routes will provide Braniff a new level of achievement.

National Car Rental System, Inc.

. . . also is a part of the growing travel industry, but in the providing of reliable ground transportation. Third largest of the car rental services which have grown in proportion to the increasing level of business trips, National prides itself on making its customers "No. 1" and giving them what they need. National has a full line of General Motors cars available at approximately 1,219 locations, including 200 airports. The company also is represented in more than 40 countries by TILDENinterNATIONAL.

National Car Rental also has announced plans for a recapitalization of its financial structure to provide strength for further expansion. The plan includes a 5-for-1 stock split and a new convertible stock which will be offered in exchange for common shares.

During 1967, National increased the number of its credit card holders by more than 300 per cent and also completed arrangements with other companies which issue credit cards. National estimates that Americans now hold more than 300 million cards acceptable at the company's reservations desks. The company is conducting a national advertising campaign to acquaint potential customers with its new credit policies and with its expanded line of General Motors cars.

First Western Bank and Trust Company

. . . is one of six state-wide banks in California, operating 83 branch offices. About half of the branches are in Los Angeles and surrounding areas and 21 in the San Francisco Bay area. Others are located in such strategic cities as Sacramento, Santa Barbara, Fresno and Bakersfield.

First Western ranks 57th in total deposits among the nation's commercial banks (based on June 30, 1967, as listed by the American Banker) and is a member of the Federal Deposit Insurance Corporation. Deposits exceed $750 million, of which approximately 62 per cent are in savings and time deposits, 34 per cent in checking accounts and the remainder miscellaneous.

Main operations and maintenance center for Braniff International.

In addition to general public banking services, First Western offers personal and corporate trust services and participates as an underwriter or dealer in issues of California municipal securities.

First Western has embarked upon an aggressive expansion program and has received approval from the California Superintendent of Banks for 12 additional branch

GREATAMERICA CORPORATION
Home Office • Dallas, Texas

BRANIFF AIRWAYS, INC.	NATIONAL CAR RENTAL SYSTEMS, INC.	FIRST WESTERN BANK AND TRUST COMPANY	STONEWALL INSURANCE COMPANY	AMERICAN-AMICABLE LIFE INSURANCE COMPANY	GULF LIFE INSURANCE COMPANY
Dallas, Texas	Minneapolis, Minnesota	Los Angeles, California	Birmingham, Ala.	Birmingham, Ala.	Jacksonville, Fla.
Percent of ownership 80.06%	Percent of ownership 90.64%	Percent of ownership 99.48%	Percent of ownership 100%	Percent of ownership 57.19%	Percent of ownership 19.71%

banks to be opened by the end of this year. First Western also is developing recapitalization plans similar to those of Braniff and National, including a stock split, a new convertible stock, and an opportunity for shareholders to exchange their common shares for the new stock.

American-Amicable Life Insurance Company

. . . with headquarters at Waco, Texas, is authorized to write insurance in 19 states, as well as in the Panama Canal Zone and on government installations.

The company was formed in 1965 through a merger of American Life Insurance Company (of Alabama, founded in 1931) and Amicable Life Insurance Company (organized under Texas laws in 1909). On June 30, 1967, it had $2,381,441,000 of insurance in force, of which approximately 50 per cent was group life. The remainder consisted of whole life and endowment; individual term, and credit life policies.

American-Amicable participates in a variety of investments, including mortgages on real estate, common stocks, bonds, collateral loans, policy loans and real estate.

Gulf Life Insurance Company

. . . organized under the laws of Florida in 1911, had approximately $2,610,240,000 in policies in effect on June 30, 1967. Late in 1967, Gulf occupied its new Gulf Life Center at Jacksonville, Fla. The building's 27-story Tower is the tallest structure in Florida.

One of Braniff's 727-QC (Quick Change) transports can be switched from passenger service into a cargo plane in less than 30 minutes.

National Car Rental System is among the top three car rental services, offering a full line of GM cars at 1,200 locations.

Gulf writes whole life, term and endowment policies for individuals, industries and groups, and also has accident and health insurance. Although authorized to write policies in 16 states and the District of Columbia, more than nine-tenths of the policies in force are in the states of Florida, Georgia and Tennessee. Gulf has increased its total insurance in force each of the past several years.

Gulf reinsures some portions of its risks with other companies. It invests in bonds, mortgages on real estate, policy loans, real estate and in common and preferred stock.

The Gulf Life Insurance Company owns real estate with a book value of approximately $25 million, including the new home office building and several branch office buildings.

Stonewall Insurance Company

. . . is a fire and casualty insurer incorporated in Alabama. It writes various lines of fire and casualty coverages, with automobile liability and automobile physical damage policies predominating.

Stonewall has a subsidiary, Dixie Auto Insurance Company, which specializes in auto insurance. Although Stonewall's business is widespread, South Carolina, Texas and Hawaii each account for more than 10 per cent of the policy coverage.

The company invests in bonds, stocks, real estate mortgages and in savings and loan association shares.

The Greatamerica companies all operate in highly competitive environments. Some of them can become even more vigorous competitors in their fields after the recapitalization programs mentioned previously are completed. Interests in these endeavors add to LTV a further measure of diversification and extra earnings power. LTV, in turn, can provide management services and greater financial strength, as needed, to help each of these enterprises achieve its goals.

Travelers can pick up National Car Rental autos at 200 airports as well as at more than 1,000 other locations.

Research and Development

The Robert McCulloch Research Laboratories provide the most modern facilities available for the Dallas Division of LTV Research Center. They are located in Grand Prairie, adjacent to the new Missiles and Space Division facilities of LTV Aerospace Corporation.

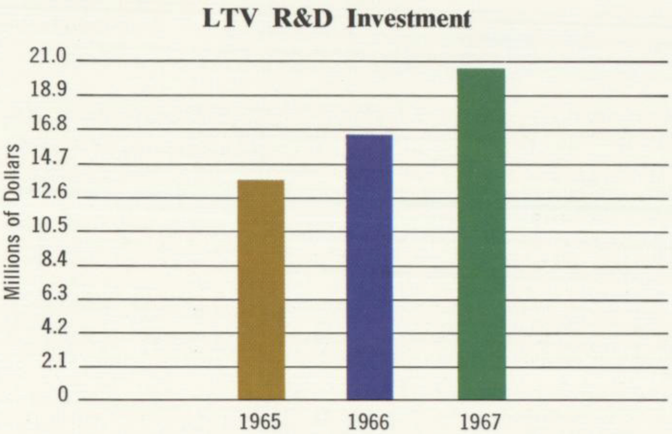
In 1967, Ling-Temco-Vought, Inc., increased its annual company-sponsored technical expenditures 27% — from $16,136,000 the previous year to $20,435,000 — and provided the physical means for the LTV Research Center to continue to grow at a rate comparable to the company as a whole. LTV occupied a new $2.5 million research and development facility, the Robert McCulloch Research Laboratories in Grand Prairie, Texas.

Through the new facility the company has created an environment for the scientific talent at the LTV Research Center which is a blend of the academic and industrial atmospheres and thus consistent with the center's efforts to fill the technological gap that tends to exist between the long-range fundamental research of academic institutions and the faster-paced applied research and development of LTV's subsidiary companies.

The year 1967 saw extensive growth experienced by the LTV Research Center and its three divisions: the Dallas Division (based at the Robert McCulloch Research Laboratories), the Western Division (based in Anaheim, California), and the Hawaiian Division (based in Honolulu). The center's operating budget increased approximately 39% over 1966, and contract sales from government agencies and LTV subsidiary companies, as in past years, accounted for approximately half of the total. The remainder of the 1967 operating budget supported research in basic scientific fields underlying the products of the subsidiaries.

In addition to the Research Center's programs, each LTV subsidiary conducted extensive applied research and development programs in support of current and future product lines.

The growth of the LTV Research Center in 1967 also was reflected in facility expansions by the Western Division and the Hawaiian Division. To accommodate growth in the telecommunications field, the Western Division installed a unique new laboratory in which study and analysis of paired wire telecommunications systems are con-



LTV has increased its company-sponsored technical expenditures 55% since 1965.

ducted. The Hawaiian Division moved into larger quarters in the Kentron Hawaii building in Honolulu.

Dallas Division

Significant technical advances were achieved in 1967 by each of the Dallas Division's groups: the Aerophysics Group, the Electronics Sciences Group, the Materials Sciences Group and the Nuclear Sciences Group.

Technicians align an electron beam from the 3-million-volt Van de Graaff accelerator in the Nuclear Sciences Laboratory at the LTV Research Center. They are preparing to measure bremsstrahlung radiation from specimen spacecraft materials.

The Aerophysics Group obtained very promising results from its VTOL (vertical take off and landing) research program, especially in the high-lift portion of the program which yielded information that justifies an expanded program in 1968. Similarly, the non-Newtonian fluids investigations appear to have demonstrated that dramatic reductions in the drag of certain marine vehicles can be accomplished in a feasible, economical manner.

A new and proprietary technique for the optical recording of information which could have important applications in the long-wave-length infrared portion of the spectrum was developed by the Electronics Sciences Group in 1967. This group also assumed the research responsibility for the microelectronics facility at the Garland Division of LTV Electrosystems, Inc.

The Materials Sciences Group made important advances in its proprietary processes for synthesizing carbide and ceramic materials, and the Nuclear Sciences Group continued to provide vital instrumentation to the National Aeronautics and Space Administration (NASA) in the areas of micrometeoroid detection. The latter group also assisted various LTV subsidiary companies in the field of radiation damage and protection.

Western Division

The Western Division initiated new programs in 1967 which were directed toward Southeast Asia requirements. They concerned the attenuation of sound emitted by small arms, sound locating systems, and trail monitoring devices.

The largest new program, however, involved the establishment of the division's unique telecommunications laboratory, which aided in the development of two new telecommunications products, an in-line repeater and a signal converter. These products will make feasible the use of finer gauge cable in the field.

In the telecommunications laboratory is installed more than three million circuit feet of the Okonite Company's Ken-Tel cable. It has been arranged to permit the interconnection of various lengths of all currently used and projected wire gauges.

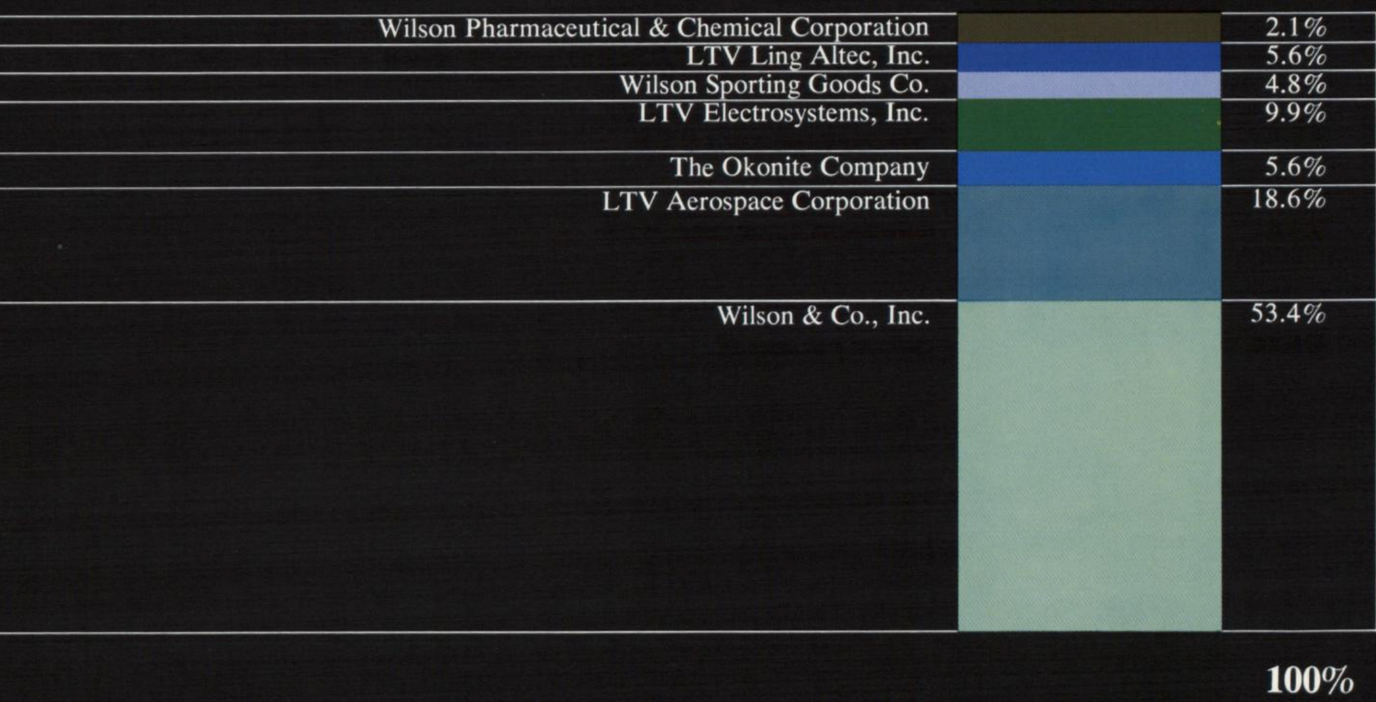
Hawaiian Division

A recording sound velocimeter is lowered toward the ocean floor by a diver for the Research Center's Hawaiian Division.

The Hawaiian Division doubled in size during 1967 due primarily to increased government contract work.

The Naval Air Systems Command awarded the division a contract to demonstrate the feasibility of the Shore-Operated Deep-Ocean Research Facility (SODORF) concept, and the Hawaiian Division's continuing program to provide analytical support to the Commander of ASW Forces, Pacific, was expanded during 1967 to embrace at-sea data collection and laboratory data processing. A new independent research and development program resulted in the evaluation of a proprietary concept for a new sonar system which should lead to significant contract work in the future.

Distribution of 1967 Consolidated Sales Dollar



Financial Section

Distribution of 1967 Consolidated Earnings per Common Share

$ .30	Wilson Pharmaceutical & Chemical Corporation
$ .32	LTV Ling Altec, Inc.
$ .72	Wilson Sporting Goods Co.
$ .77	LTV Electrosystems, Inc.
$1.51	The Okonite Company
$1.51	LTV Aerospace Corporation
$1.98	Wilson & Co., Inc.

$7.11

10-Year Financial Summary — Ling-Temco-Vought, Inc. and Consolidated Subsidiaries

Operating Results	1967	1966	1965
Sales	**$1,833,259,000**	$468,251,000	$336,206,000
Earnings (loss) before income taxes and minority interests	**76,160,000**	30,327,000	11,533,000
Income taxes	**35,628,000**	13,984,000	5,134,000
Minority interests	**6,529,000**	2,660,000	415,000
Net Earnings (loss)	**34,003,000**	13,683,000	5,984,000
Earnings (loss) per common share (A) (B)			
Average outstanding including residual securities (C)	**7.11**	3.24	
Pro forma assuming conversion or exercise of all convertible securities, options and warrants	**5.56**	3.05	
Average actually outstanding	**7.69**	4.02	1.87
Actually outstanding at year end	**5.96**	4.34	1.92
Dividends paid:			
To preferred shareholders	**3,260,000**	1,147,000	1,001,000
To common shareholders	**4,537,000**	3,447,000	912,000
Per share of common stock (A)	**1.16⅔**	.66⅔	.33⅓

Financial Position — at year end	1967	1966	1965
Working capital	**276,048,000**	73,986,000	21,616,000
Ratio of current assets to current liabilities	**1.80**	1.59	1.17
Property, plant, and equipment — net	**179,389,000**	54,547,000	44,582,000
Total assets	**845,113,000**	298,418,000	202,384,000
Notes payable to banks	**160,938,000**	47,640,000	57,000,000
Long-term debt	**202,586,000**	95,773,000	40,274,000
Shareholders' equity	**245,049,000**	58,906,000	30,534,000

Other Information	1967	1966	1965
Employment — at year end			
Total	**60,316**	26,158	20,670
Engineers and scientists	**7,992**	6,944	5,743
Expenditures for property, plant and equipment (D)	**39,634,000**	17,018,000	6,800,000
Floor space occupied at year-end (square feet):			
Company owned	**6,944,000**	2,434,000	2,429,000
Leased	**7,343,000**	1,532,000	1,500,000
Government owned	**4,711,000**	4,360,000	4,360,000
Company funded research and engineering expenditures	**20,435,000**	16,136,000	13,198,000
Common and preferred shareholders	**24,519**	16,368	15,422
Common shares outstanding at year-end (A)	**4,669,276**	2,904,132	2,646,915

(A) Prior years adjusted to give effect to 3-for-2 stock split in 1967.

(B) After full provision for preferred dividends, including $1,922,000 representing the equivalent of dividends for the first four months of 1967 on LTV Series A preferred stock issued on consummation of the Wilson merger on which dividends were actually paid only from May 1, 1967.

(C) Includes common shares issuable on conversion of 5¾% Subordinated Convertible Debentures and $3 Series B Preferred Stock considered to be "residual securities" commencing in 1966.

(D) Excludes expenditures for leased plant and equipment (approximately $48,200,000 in 1967).

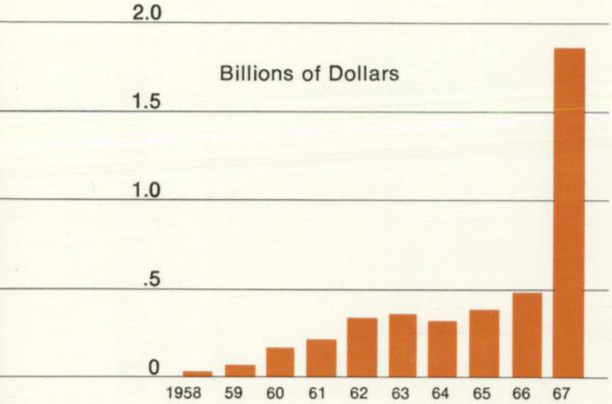
(E) As restated.

(F) Year ended July 31, 1958.

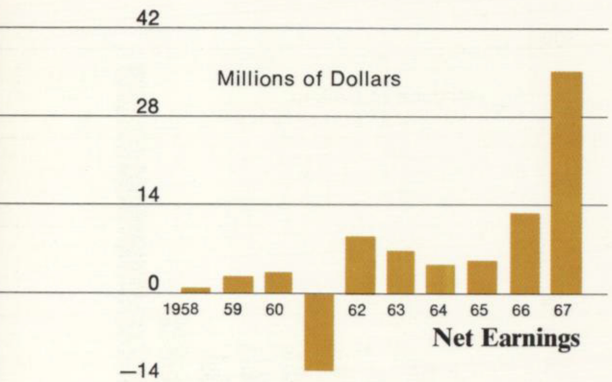
1964	1963	1962	1961	1960	1959	1958(F)
$322,859,000	$329,002,000	$325,439,000	$192,847,000	$148,447,000	$48,087,000	$6,923,000
9,030,000	8,393,000(E)	8,797,000	(14,527,000)	5,737,000	3,140,000	452,000
4,120,000	2,206,000(E)	147,000	(1,368,000)	2,686,000	1,274,000	225,000
6,000	—	—	—	—	—	—
4,904,000	6,187,000	8,650,000	(13,159,000)	3,051,000	1,866,000	227,000
1.21	1.42	2.03	(3.33)	.83	.87	0.17
1.54	1.41	2.02	(3.16)	.80	.75	0.14
602,000	204,000	—	—	—	46,000	25,000
1,185,000	347,000	—	—	—	—	—
.33⅓	.08⅓	—	—	—	—	—
35,507,000	38,119,000	46,268,000	36,031,000	22,558,000	7,761,000	875,000
1.62	1.55	1.66	1.41	1.45	1.51	1.27
20,127,000	20,853,000	35,461,000	40,820,000	12,596,000	5,111,000	1,431,000
126,968,000	140,880,000	164,226,000	174,142,000	93,460,000	32,530,000	6,428,000
21,700,000	26,800,000	39,000,000	48,600,000	29,340,000	7,201,000	1,527,000
37,012,000	34,592,000	64,199,000	64,948,000	14,639,000	7,614,000	461,000
28,562,000	32,862,000	26,656,000	17,917,000	28,533,000	9,793,000	2,695,000
16,513	17,533	18,392	18,729	10,303	2,500	800
4,750	4,000	3,700	2,700	1,040	180	60
4,292,000	4,783,000	3,447,000	3,511,000	2,599,000	1,267,000	703,000
666,000	545,000	745,000	1,298,000	753,000	159,000	146,000
901,000	1,316,000	1,601,000	1,897,000	1,135,000	168,000	124,000
3,700,000	3,700,000	3,700,000	3,717,000	807,000	—	—
12,822,000	13,641,000	9,583,000	4,941,000	2,846,000	179,000	45,000
19,923	20,620	22,471	22,841	24,361	12,000	8,199
2,774,973	4,237,158	4,175,400	4,162,777	3,829,560	2,416,143	1,425,142

These tabulations summarize data relative to the Company as it was constituted in each of the indicated years. Operations of businesses acquired under the pooling of interests concept are included from the beginning of the year in which the pooling occurred, while operations of companies purchased are included from date of purchase.

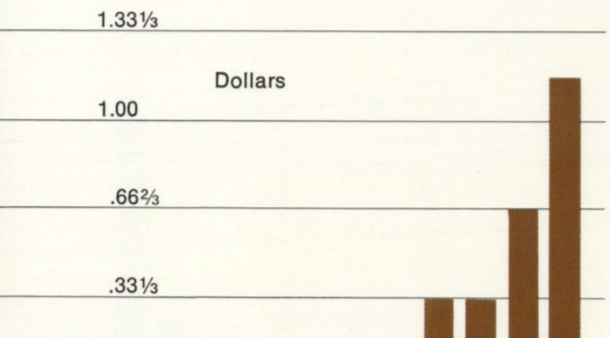
1967 Financial Review



Sales



Net Earnings



Cash Dividends Per Common Share

Sales

Consolidated sales totaled $1,833,259,000 in 1967, up 292% over the $468,251,000 reported for 1966. Included in 1967 figures are full year sales for companies acquired during 1967 in transactions accounted for as poolings of interests, namely, Wilson & Co., Inc., Memcor, Inc., Jefferson Wire & Cable Corporation and Allied Radio Corporation. On the basis of a restatement of 1966 figures to include results of those companies, 1966 consolidated sales would have totaled $1,630,451,000.

The acquisitions of these commercially-oriented companies helped boost the ratio of commercial business to 72% of total sales in 1967, compared with 27% in 1966. Although government business accounted for a much smaller percentage of the total than in previous years, the dollar amount of government sales increased sharply to $518,713,000 for the year versus $340,033,000 in 1966. Government sales were again distributed quite favorably among the various government customers, as shown in the following table:

Navy	**$239,078,000**	**46%**
Air Force	**97,101,000**	**19**
Army	**97,914,000**	**19**
NASA	**40,711,000**	**8**
Other	**43,909,000**	**8**
Total	**$518,713,000**	**100%**

Earnings

Consolidated net earnings for the year were $34,003,000, after provision for taxes and minority interests in the earnings of subsidiaries, approximately two and one-half times the net earnings of $13,683,000 reported in 1966. On the basis of figures as restated to include the above listed companies acquired during 1967, consolidated net earnings for 1966 would have been $24,535,000.

Earnings per common share comparisons are shown in the Statement of Consolidated Income and Retained Earnings on Page 42 and in the table on the inside cover page and the 10 Year Financial Summary on pages 34 and 35 in the manner prescribed by Opinion 9 of the Accounting Principles Board. In addition, comparative figures are shown in the latter two tables based on the average number of common shares actually outstanding during the respective years, and on shares actually outstanding at year end. Reference is made to the discussion on Page 5 of this report regarding these presentations of earnings per common share.

Dividends

The dividend rate on common stock was doubled during 1967, effective with the second quarterly payment. This was the second consecutive year during which the dividend rate was doubled.

Dividends totaling $1.16⅔ per share, after adjustment for the 3-for-2 stock split in July 1967, were paid during the year, compared with 66⅔¢ per share paid in 1966.

Dividends totaling $3 per share were paid to holders of Series B Preferred Stock and the first two quarterly payments of $1.25 per share were paid to holders of the new $5 Series A Preferred Stock issued in June 1967 to former shareholders of Wilson & Co. upon its merger into LTV.

Shareholders' Equity

Consolidated shareholders' equity climbed to $245,049,000 at December 31, 1967, more than 4 times the amount reported at 1966 year end of $58,906,000. Important among the items resulting in this significant increase were:

(1) A public offering of 600,000 shares of LTV common stock in November 1967 which added net proceeds of $63,600,000.

(2) The merger of Wilson & Co., Inc. into LTV on June 19, 1967, which added $53,636,000 to shareholders' equity. The new $5 Series A Preferred stock was issued to former Wilson shareholders upon that merger and is listed on the New York Stock Exchange.

(3) Public offerings of common stock by each of the three new Wilson subsidiaries, Wilson & Co., Inc., Wilson Sporting Goods Co., and Wilson Pharmaceutical & Chemical Corporation. Those offerings increased shareholders' equity of those companies by $21,654,000, $16,927,000, and $5,553,000, respectively, and increased LTV's equity in the subsidiaries by an aggregate of $24,285,000.

(4) Net earnings less cash dividends paid by LTV and its subsidiaries increased shareholders' equity $21,403,000.

(5) Other capital stock transactions by subsidiaries resulting from acquisitions, conversions of debentures, and the exercise of options added $11,510,000 to LTV's equity in the subsidiaries.

(6) Conversion of LTV 5¾% Subordinated Convertible Debentures added another $6,141,000. At December 31, 1967, only $1,756,300 principal amount of those debentures was outstanding and on February 13, 1968, the company announced that the remaining amount would be called for redemption on April 19, 1968. The debentures are convertible into common stock at $25.56 per share and are redeemable at $103.10 per $100 face amount.

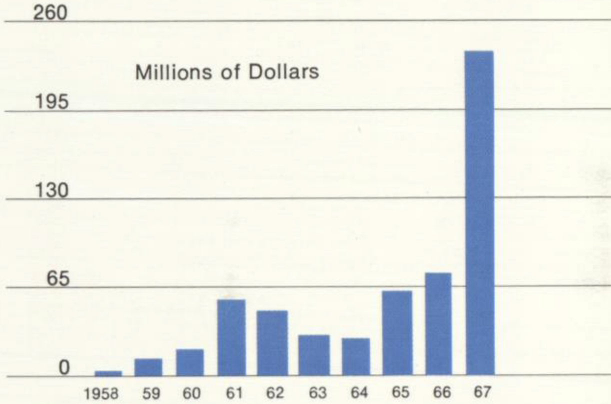
The Company also announced that all outstanding shares of $3.00 Series B Preferred stock will be called for redemption on April 19, 1968. At the end of 1967 there were 175,647 shares of Series B preferred outstanding which are redeemable at $75.00 per share and are each convertible into 1.875 shares of common.

Working Capital

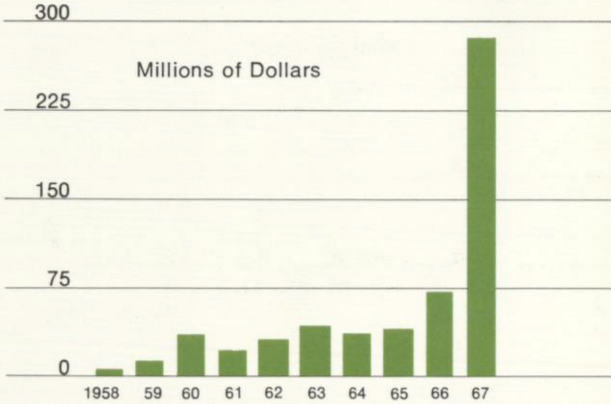
Consolidated working capital climbed to $276,048,000 at December 31, 1967, compared with $73,986,000 as reported for 1966 and $163,681,000 as restated to include the assets and liabilities of companies acquired in 1967 in poolings of interests. The Statement of Consolidated Source and Use of Working Capital appearing on page 43 summarizes the major items which resulted in the increase during 1967, based upon the restated beginning figure.

Property, Plant and Equipment

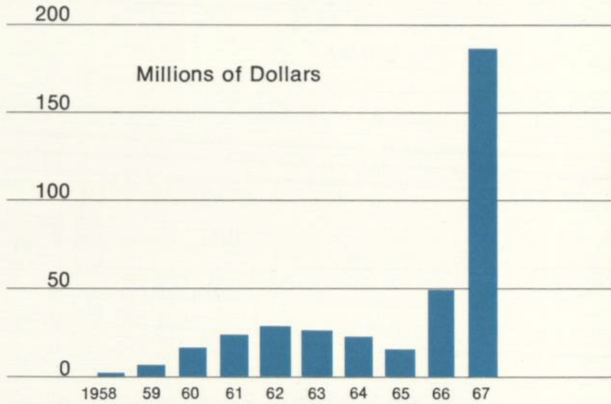
Major expansion programs to provide new laboratory and production facilities for the Company's continued sales growth resulted in record capital expenditures for 1967. Expenditures for company-owned plant and equipment totaled $39,634,000. In addition, new plant and equipment having a value of $48,200,000 were leased or in the process of being leased, bringing the total value of new additions, both owned and leased, to approximately $88,000,000 for the year.



Shareholders' Equity



Working Capital



Properties, at Cost Less Depreciation

Balance Sheet (Unconsolidated)

Ling-Temco-Vought, Inc.

December 31, 1967

Assets

		In Thousands of Dollars
Current Assets		
Cash and temporary investments		$ 72,381
Notes and accounts receivable (including $5,590,000 from subsidiaries)		11,488
Unreimbursed costs and fees under cost-plus-fee contracts		548
Prepaid expenses		273
Total Current Assets		84,690
Investments and Other Assets		
Capital stock of subsidiaries — Note A	$171,490	
Subordinated debentures of subsidiaries — at cost	9,783	
Investments in and advances to affiliated companies — Note A	218	
Notes and accounts receivable and other investments, less $1,052,000 allowances for doubtful receivables	3,211	
Unamortized debt expense	513	185,215
Property, Plant, and Equipment — at cost		
Land	694	
Buildings	19,482	
Machinery and equipment	13,575	
	33,751	
Less allowances for depreciation	13,838	19,913
Intangibles		
Excess of cost over net assets of subsidiaries and businesses acquired	22,506	
Patents and trademarks, less amortization	80	22,586
		$312,404

Liabilities and Shareholders' Equity

		In Thousands of Dollars
Current Liabilities		
Accounts payable		$ 1,097
Payable to subsidiaries		692
Accrued compensation, taxes, interest, etc.		6,650
Federal income taxes		1,135
Current portion of long-term debt		1,512
Total current liabilities		11,086
Long-Term Debt — Note B		51,529
Reserve and Deferred Credit		
Reserve for gain on sale of real estate to subsidiaries	$ 3,840	
Deferred credit	900	4,740
Shareholders' Equity		
\$5 Series A cumulative convertible preferred stock, par value \$5—Notes A, C, F, and I Authorized 1,300,000 shares; outstanding 923,194 shares; (redemption value \$93,089,000)	4,616	
\$3 Series B cumulative convertible subordinated preferred stock, par value \$1 — Notes C and I: Authorized 1,748,000 shares; outstanding 175,647 shares (redemption value \$13,195,000)	176	
Common stock, par value \$0.50 — Notes C, D, E, F, and I Authorized 8,000,000 shares; outstanding 4,669,276 shares	2,335	
Capital surplus	158,687	
Retained earnings (including \$51,351,000 equity in undistributed earnings of subsidiaries) — Note B	79,235	245,049
Commitments and Contingencies — Note G		
		$312,404

See notes to financial statements.

Consolidated Balance Sheet

Ling-Temco-Vought, Inc. and Subsidiaries
December 31, 1967, and December 31, 1966

Assets

	1967	1966 — Note A: As Restated for Poolings	1966 — Note A: As Previously Reported
	In Thousands of Dollars		
Current Assets			
Cash and temporary investments	**$127,430**	$ 43,540	$ 33,516
Notes and accounts receivable, less allowances (1967 — $2,616,000; 1966 — $2,581,000 and $283,000, respectively) for doubtful receivables	**190,450**	136,554	59,817
Unreimbursed costs and fees under cost-plus-fee contracts	**33,330**	28,488	28,488
Inventories — generally at average or accumulated costs, not in excess of market:			
Products	**96,950**	97,037	5,265
Fixed price contracts, etc. in process	**187,613**	121,632	113,731
Materials, purchased parts, and supplies	**86,304**	36,636	26,843
	370,867	255,305	145,839
Less progress payments received	**108,991**	76,010	68,851
	261,876	179,295	76,988
Prepaid expenses	**6,439**	5,288	1,462
Total current assets	**619,525**	393,165	200,271
Investments and Other Assets			
Investments in and advances to affiliated companies	**218**	842	35,462
Notes and accounts receivable and other investments, less allowances (1967 — $1,052,000; 1966 — $90,000) for doubtful receivables	**10,259**	10,002	4,084
Excess of cost over net assets of subsidiaries and businesses acquired, patents and trademarks, less amortization	**33,287**	31,720	2,989
Unamortized debt expense	**2,435**	1,178	1,065
Total investments and other assets	**46,199**	43,742	43,600
Property, plant, and equipment — at cost			
Land	**8,482**	6,960	2,464
Buildings	**53,177**	48,349	16,908
Machinery and equipment	**180,033**	133,242	55,856
Unallocated cost of assets acquired — Note A	**22,649**	—	—
	264,341	188,551	75,228
Less allowances for depreciation	**84,952**	69,484	20,681
Total properties — net	**179,389**	119,067	54,547
	$845,113	$555,974	$298,418

Liabilities and Shareholders' Equity

	1967	1966 — Note A: As Restated for Poolings	1966 — Note A: As Previously Reported
Current Liabilities	In Thousands of Dollars		
Notes payable to banks	**$160,938**	$ 91,734	$ 47,640
Accounts payable	**96,851**	69,296	45,481
Accrued compensation, taxes, interest, etc.	**62,065**	38,725	23,156
Dividends payable	**356**	311	311
Federal, state and foreign income taxes	**19,180**	24,566	7,014
Current portion of long-term debt	**4,087**	4,852	2,683
Total current liabilities	**343,477**	229,484	126,285
Long-term debt — Note B	**202,586**	166,933	95,773
Reserve and Deferred Credits			
Reserve for deferred federal income taxes	**6,275**	4,880	1,437
Deferred credits	**1,610**	2,640	2,640
Total reserve and deferred credits	**7,885**	7,520	4,077
Minority Interests in Subsidiaries	**46,116**	29,903	13,377
Shareholders' Equity			
$5 Series A cumulative convertible preferred stock, par value $5 — Notes A, C, F, and I. Authorized 1,300,000 shares; outstanding 923,194 shares; (redemption value $93,089,000)	**4,616**	—	—
$3 Series B cumulative convertible subordinated preferred stock, par value $1 — Notes C and I. Authorized 1,748,000 shares; outstanding 175,647 shares in 1967 and 434,107 shares in 1966 (redemption value $13,195,000 at December 31, 1967)	**176**	434	434
Common stock, par value $0.50 — Notes C, D, E, F and I. Authorized 8,000,000 shares; outstanding 4,669,276 shares in 1967 and 2,904,132(1) shares in 1966, after deducting 1,031,526(1) shares in treasury in 1966	**2,335**	968	968
Capital surplus — Note A	**158,687**	49,355(2)	30,075
Paid-in capital of pooled companies — Note A	—	11,844	—
Retained earnings — Notes A and B	**79,235**	59,533(2)	27,429
Total shareholders' equity	**245,049**	122,134	58,906
Commitments and Contingencies — Note G			
	$845,113	$555,974	$298,418

(1) After 3-for-2 stock split in 1967.
(2) As restated — see Note A.

See notes to financial statements.

Statement of Consolidated Income and Retained Earnings

Ling-Temco-Vought, Inc. and Subsidiaries

Years ended December 31, 1967, and December 31, 1966

		1966 — Note A	
	1967	**As Restated for Poolings**	**As Previously Reported**
	In Thousands of Dollars		
Net sales, including costs and fees under cost-plus-fee contracts	**$1,833,259**	$1,630,451	$468,251
Other income	**7,793**	4,644	821
	1,841,052	1,635,095	469,072
Costs and expenses:			
Cost of products sold	**1,615,047**	1,449,107	398,284
Selling, administrative and general expenses	**130,675**	109,418	34,755
Interest expense	**17,742**	8,953	5,500
Other expenses	**1,428**	706	206
	1,764,892	1,568,184	438,745
	76,160	66,911	30,327
Federal, state and foreign income taxes	**35,628**	31,192	13,984
Income before following deductions	**40,532**	35,719	16,343
Minority interest in net income of subsidiaries	**6,529**	2,582	2,660
Portion of net income of pooled companies applicable to common stock purchased — Note A	**—**	8,602	—
Net income	**34,003**	24,535	13,683
Retained earnings at beginning of year	**59,533(1)**	59,203(1)	18,269
Increase of equity in net assets of subsidiary companies arising from transactions in subsidiary shares — Note A	**—**	—	14,935
	93,536	83,738	46,887
Deduct:			
Dividends paid in cash:			
On 4½% Series A preferred stock (retired)	**—**	103	103
On $5 Series A preferred stock	**2,644**	—	—
On $3 Series B preferred stock	**616**	1,047	1,047
On common stock — $1.16⅔ a share in 1967 and $.66⅔(3) a share in 1966	**4,537**	2,061	2,061
By pooled companies prior to merger with Ling-Temco-Vought, Inc.	**1,756**	2,889	—
Dividends paid in common shares of Saturn Industries, Inc. — at net book value	**—**	1,386	1,386
Portion of dividends and stock retirement premiums paid to minority interests	**3,985**	1,095	1,009
Decrease of equity in undistributed earnings of subsidiary companies arising from transactions in subsidiary shares — Note A	**763**	1,772	—
Cash paid in connection with surrender of common shares	**—**	13,852	13,852
	14,301	24,205	19,458
Retained earnings at end of year — Notes A and B	**$ 79,235**	$ 59,533(1)	$ 27,429
Earnings per common share —			
Average outstanding including residual securities (2)	7.11	4.26(3)	3.24(3)
Pro forma assuming conversion of all convertible preferred stock and debentures and exercise of all options and warrants	5.56	3.98(3)	3.05(3)

(1) As restated (See Note A).
(2) Includes common shares issuable upon conversion of 5¾% Subordinated Convertible Debentures and $3 Series B Preferred Stock.
(3) Adjusted for 3-for-2 split in 1967.

See Notes to Financial Statements.

Consolidated Source and Use of Working Capital

Ling-Temco-Vought, Inc. and Subsidiaries

Year ended December 31, 1967

	In Thousands of Dollars
Working capital at beginning of year	**$163,681(1)**
Source of working capital:	
Net income	**34,003**
Minority interest in net income of subsidiaries	**6,529**
Depreciation and amortization	**12,648**
Proceeds from sale of capital stock (including $45,138,000 from sale of common stock by subsidiary companies)	**111,245**
Issuance of long-term debt, less retirements	**48,689(2)**
Other	**4,749**
	217,863
	381,544
Use of working capital:	
Cash dividends paid (including $4,803,000 paid by subsidiary companies)	**12,600**
Additions to property, plant and equipment (net of retirements)	**39,634**
Non-current assets of businesses acquired	**36,055**
Redemption of $4.25 preferred stock of Wilson & Co., Inc. (1925)	**15,820**
Other	**1,387**
	105,496
Working capital at end of year	**$276,048**

(1) As restated for "poolings of interests." See Note A.
(2) Exclusive of $46,878,000 debt incurred in January, 1967 for purchase of common stock of Wilson & Co., Inc. (1925), which has been reflected as of December 31, 1966 in the accompanying financial statements.

See notes to financial statements.

Statement of Consolidated Capital Surplus

Ling-Temco-Vought, Inc. and Subsidiaries

	Years ended December 31	
	1967	**1966**
	In Thousands of Dollars	
Balance at beginning of year	**$ 49,355(1)**	$ 8,846(1)
Add (deduct*):		
Excess of proceeds over par value of common shares sold in public offering, less related expenses	**63,140**	—
Increase of equity in paid-in capital of subsidiary companies arising from transactions in subsidiary shares — Note A	**30,231**	19,176
Excess of stated value of common shares of Wilson & Co., Inc. (1925) over par value of $5 Series A preferred shares issued in exchange therefor	**6,450**	—
Excess of proceeds over par value of common shares sold upon exercise of warrants	**1,931**	15,857
Excess of principal amount of subordinated convertible debentures over par value of common shares issued upon conversion	**6,027**	2,858
Excess of par value of preferred stock over par value of common shares issued upon conversion	**1,138**	2,221
Excess of option proceeds over par value of capital stock sold under option plans	**629**	409
Transferred to common stock account pursuant to stock split — Note D	**584***	—
Other capital credits (charges*)	**370**	12*
Balance at end of year	**$158,687**	$49,355(1)

(1) As restated — see Note A.

See notes to financial statements.

Notes to Financial Statements

Ling-Temco-Vought, Inc. and Subsidiaries

Note A — Principles of Consolidation and Companies Acquired

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. The Company carries its investments in subsidiaries at cost plus equity in the increase in net assets since acquisition. The minority interests in subsidiaries have been computed after giving effect to conversion of preferred shares of subsidiaries held by the parent company and accordingly, the restated amounts for the year 1966 as to the increase of equity in net assets of subsidiary companies arising from transactions in subsidiary shares are $2,469,000 greater than the amounts previously reported. The amount of $19,176,000 representing the increase in the Company's equity in paid in capital of subsidiaries arising from transactions in subsidiary shares in 1966 has been reclassified in the restated amounts from retained earnings to capital surplus.

In December, 1966, and January, 1967, the Company purchased 53.39% of the outstanding common stock of Wilson & Co., Inc. (1925) and effective June 19, 1967, Wilson was merged into the Company upon issuance of $5 Series A cumulative convertible preferred stock in exchange for the remaining 46.61% of outstanding Wilson common stock. Upon the merger, the assets and business of Wilson were transferred to three new subsidiary corporations, Wilson & Co., Inc., Wilson Sporting Goods Co. and Wilson Pharmaceutical & Chemical Corporation. The consolidated financial statements have been retroactively restated to include the accounts of Wilson and subsidiaries and the accounts of Allied Radio Corporation and subsidiaries, Memcor, Inc. and Jefferson Wire and Cable Corporation, which were acquired by certain of the Company's subsidiaries during 1967 in transactions involving "poolings of interests." The portion of net income of pooled companies (Wilson and Memcor) applicable to common stock thereof purchased has been deducted in determining consolidated net income for the year 1966.

As of December 1, 1967, the outstanding capital shares of General Felt Industries, Inc. and associated companies were purchased by a subsidiary of the Company, for a consideration consisting primarily of cash and notes, and the accounts of these companies have been included in the consolidated financial statements since that date. Of the total acquisition cost of these companies, $22,649,000 has been temporarily classified with property, plant, and equipment in the accompanying consolidated balance sheet, described as "unallocated cost of assets acquired," pending the allocation of such cost to specific assets, based upon an appraisal study presently in progress.

Note B — Long-Term Debt

Long-term debt due beyond one year comprises the following:

	In Thousands of Dollars	
	1967	1966
6¾% Debentures due January 10, 1970	**$ 30,000**	$ —
5¾% Subordinated convertible debentures due September 1, 1976	**1,756**	7,910
5¾% Subordinated debentures due September 1, 1976	**18,987**	21,361
Sundry mortgage notes payable	**786**	—
Liability for purchase of common stock of Wilson & Co., Inc. (1925)	**—**	81,571
Total parent company	**51,529**	110,842
Convertible subordinated debentures (4½% to 6½%) of subsidiary companies	**66,709**	25,000
Notes (5½% to 7⅞%) of or assumed by subsidiary companies payable 1969-1972	**68,923**	—
Refrigerator car purchase obligations (4⅛% to 5½%)	**5,475**	6,446
Sundry notes payable	**9,950**	15,395
Sinking fund debentures	**—**	9,250
Total consolidated	**$202,586**	$166,933

Maturities and sinking fund requirements amount to $4,087,000 in 1968, and $68,010,000, $36,274,000, $6,212,000, and $6,212,000 during the succeeding four years, including parent company requirements of $1,512,000 due within one year and $2,512,000, $32,512,000, $2,512,000, and $2,512,000, respectively during the succeeding four years.

Certain securities of subsidiary companies are pledged as collateral to the 6¾% Debentures and the 7⅞% notes of subsidiary companies.

The indentures covering the convertible subordinated debentures and bank loan agreements of subsidiaries contain provisions which limit the amount of their retained earnings available for payment of dividends by such subsidiaries. At December 31, 1967, there were no restrictions on consolidated retained earnings as to the payment of dividends by the Company.

Debt discount previously attributable to warrants and to the conversion features of convertible debt has been eliminated from the accompanying financial statements, due to the suspension of paragraphs 8 and 9 of Accounting Principles Board Opinion No. 10. If the suspension is lifted in 1968 and the provisions thereof are made retroactive, there would be no material effect on the net income and earnings per share.

See Note I with respect to the pending issuance of the Company's 5% Subordinated Debentures due January 15, 1988, in exchange for the outstanding common stock or common stock, Class B, of Greatamerica Corporation. The indenture covering such debentures, among other things, contains certain restrictions as to payment of dividends. Also, see Note I with respect to the call for redemption of the 5¾% Subordinated convertible debentures.

Note C — Preferred Stocks

The $5 Series A cumulative convertible preferred stock has a par value of $5 and is convertible into common stock on the basis of one share of preferred stock for 1.2 shares of common, at any time prior to May 1, 1977. The stock is subject to redemption on or after June 30, 1972, at $100 per share plus accumulated unpaid dividends, and 10% of total shares which have been issued are required to be redeemed on May 1 in each of the years 1983 through 1992. However, such redemptions are subject to deferment under certain conditions. The Series A preferred stock is entitled to receive cash dividends at the annual rate of $5 per share, cumulative and payable before any dividends are paid on common stock, subject to the prior payment of dividends for all past periods on Series B preferred stock.

The $3 Series B cumulative convertible subordinated preferred stock has a par value of $1, and is convertible into common stock on the basis of one share of preferred for 1.875 shares of common, to June 15, 1974, and on a reduced basis thereafter. The stock is subject to redemption at $75 per share plus accumulated unpaid dividends, and is required to be redeemed in specified percentages (5% to 10%) of such shares outstanding on June 15 in each of the years 1974 through 1985, with the remaining shares to be redeemed on June 15, 1986. However, such redemptions are subject to deferment under certain conditions. The Series B preferred stock is entitled to receive cash dividends at the annual rate of $3 per share, cumulative and payable before any dividends are paid on common stock, subject to the prior payment of dividends for all past periods on Series A preferred stock.

In the event of liquidation, the Series A preferred stock is entitled to receive $100 a share plus accumulated dividends, and the Series B preferred stock is entitled to receive $75 a share plus accumulated dividends. As of December 31, 1967, the aggregate of such preferences in excess of par value is $101,492,000. In the opinion of the Company's counsel, the existence of this excess imposes no restriction upon retained earnings.

See Note I with respect to the call for redemption of the Series B preferred stock, and the planned offer to issue a new class of accumulating convertible shares in exchange for outstanding common and Series A preferred shares.

Note D — Common Stock Split

In July, 1967, the Company issued one additional share of common stock, par value $0.50, for each two shares outstanding. Such "three-for-two" common stock split has been reflected in the accompanying financial statements and notes to financial statements with respect to the computations of net income and dividends per common share for each year, common stock reserved, and options to purchase capital stock.

Note E — Common Stock Reserved

At December 31, 1967, the Company had reserved shares of its common stock as follows (reference is made to Note F concerning shares reserved for option plans):

RESERVED FOR	NUMBER OF SHARES	PRICE PER SHARE
Conversion of 5¾% debentures	68,713	$25.56
Warrants expiring December 1, 1969	4,076	20.04
	388	25.86
Warrants expiring January 10, 1972	225,000	50.00
Conversion of $5 Series A preferred stock	1,107,832	
Conversion of $3 Series B preferred stock	329,338	

All number of shares and prices are subject to adjustment for anti-dilution provisions. See Note I with respect to the pending issuance of warrants to purchase the Company's common stock, in exchange for the outstanding common stock or common stock, Class B, of Greatamerica Corporation.

Note F — Options to Purchase Capital Stock

The Company has options to purchase common stock outstanding under a plan adopted in 1957 and under plans of predecessor companies. Additional options may be granted only under the 1957 plan. Options have been granted at prices not lower than 85% of market price at date of grant and the terms of such options range from a minimum of two years to a maximum of ten years from date of grant. In addition, options for Series A preferred shares were assumed in 1967 pursuant to the acquisition of Wilson & Co., Inc. (1925), with expiration dates ranging from November, 1968 to March, 1972. At December 31, 1967, the Company had reserved under all plans an aggregate of 167,431 shares of common stock and 62,186 shares of $5 Series A cumulative convertible preferred stock, of which 118,507 common shares were issuable at option prices aggregating $6,220,879, and the preferred shares were issuable at prices aggregating $3,802,832. Under the plans during 1967, options to purchase common stock were granted for 56,100 shares at option prices aggregating $5,639,089 and options were exercised for 19,821 shares at option prices aggregating $202,997. Options to purchase $5 Series A preferred shares were exercised for 11,641 shares at option prices aggregating $496,747.

Note G — Commitments and Contingencies

A substantial portion of sales is subject to renegotiation and other price adjustments. Renegotiation proceedings under the Renegotiation Act of 1951 have been completed for all years through 1965, except 1952 and 1953. The sum in controversy is approximately $1,600,000 (net of federal income tax credits), and the decisions are pending in the Tax Court.

Certain governmental agencies have proposed adjustments affecting allowable costs for 1961 and subsequent years. As a consequence, approximately $4,800,000 is subject to final disposition pending settlement of the issues.

The Internal Revenue Service has proposed income adjustments to the 1961 consolidated tax return of the Company which would also affect subsequent years, and the Company and the Service have begun discussions on the preliminary findings of the Service in its examination of the 1962, 1963 and 1964 consolidated tax returns. The issues involved relate, for the most part, to the same matters giving rise to the proposed adjustments referred to in the preceding paragraph.

While it is not presently possible to predict the outcome of the foregoing matters, in the opinion of management, settlement of the issues should be resolved without a material adverse effect on the financial statements, and accordingly no specific provision has been made therefor.

The Company is contingently liable for indebtedness of subsidiaries aggregating $34,421,000 at December 31, 1967, pursuant to guarantees and other agreements and is also contingently liable with respect to indebtedness assumed from the Company by certain subsidiaries aggregating $25,321,000 at December 31, 1967.

Substantial portions of plant facilities, machinery and equipment and office space are leased. Long-term leases require annual rental payments ranging from $12,199,000 to $8,459,000 to 1977, and diminishing amounts thereafter to 1993.

Note H — Retirement and Pension Plans

The Company and its subsidiaries have retirement and pension plans covering substantially all of their employees. The provision for related costs for the year ended December 31, 1967, including amortization of prior service costs (generally over thirty years), amounted to approximately $18,000,000. The Company's policy is to fund pension costs accrued. The net assets of the various plans are approximately equal to, or in excess of, the actuarially computed value of vested benefits, except for certain plans, with respect to which the total vested benefits exceeded the net assets by approximately $14,470,000 at the most recent valuation dates.

Note I — Subsequent Events

Pursuant to an offer which expires April 1, 1968, the Company offered to exchange its 5% Subordinated Debentures due January 15, 1988, in an aggregate principal amount not to exceed $510,111,600, and its warrants expiring January 15, 1978 to purchase up to 1,700,372 shares of common stock of the Company at $115 per share, for all of the outstanding common stock and common stock, Class B, of Greatamerica Corporation. At February 29, 1968, shares representing approximately 64% of the voting power of Greatamerica Corporation had been tendered in exchange for debentures aggregating $268,604,700, and warrants to purchase 895,349 shares of the Company's common stock.

On January 26, 1968, the stockholders approved an amendment to the Certificate of Incorporation of the Company which increased the authorized number of shares of common stock, par value $0.50 each, from 8,000,000 to 20,000,000.

LTV Ling Altec, Inc., a subsidiary of the Company, has entered into an agreement to acquire the net assets of Escon, Inc. for a consideration consisting of $15,296,991 in cash and 899,823 shares of a new series of convertible preferred stock of Ling Altec. The transaction is subject to approval of stockholders of Ling Altec and Escon, at special meetings to be held March 12, 1968.

On February 13, 1968, the Company announced plans to offer issuance of up to 3,300,000 shares of a new accumulating convertible class of stock in exchange for outstanding common and $5 Series A cumulative convertible preferred shares, and to call for redemption on April 19, 1968, its outstanding $3 Series B cumulative convertible subordinated preferred stock and its 5¾% subordinated convertible debentures. The proposed exchange is subject to approval of the stockholders, and would be on a share-for-share basis with respect to common stock and at the rate of 1.4 shares of the new stock for each $5 Series A preferred share. If the number of common and $5 Series A preferred shares tendered should exceed the equivalent of 3,300,000 new accumulating convertible shares of stock, the new shares would first be distributed to the $5 Series A preferred shareholders at the exchange ratio, and the remaining new shares would be pro-rated among the tendered common shares. The new class of stock would be convertible into common stock; the conversion rate would be .75 of a common share for the remainder of 1968 and would rise incrementally for the next twelve years to 1.5 in 1980 and thereafter. Such shares would not receive any cash dividends but would receive a 3% annual stock dividend in the new shares.

Officers:

James J. Ling,
Chairman of the Board and Chief Executive Officer

Clyde Skeen,
President

Joseph G. Bacsik,
Vice President and Controller

Bernard L. Brown,
Vice President and Treasurer

John L. Cockrill,
Vice President — Administration

Robert McCulloch,
Chairman Emeritus

Roscoe G. Haynie,
Chairman of the Executive Committee

R. C. Blaylock,
Vice President — Technical Director

Dan Burney,
Vice President, Secretary and General Counsel

J. W. Dixon,
Vice President — Plans

Directors:

J. H. Bond,
Regional Director of U.S. Department of Health, Education & Welfare, Dallas, Texas

J. F. Chambers,
President — Dallas Times Herald Dallas, Texas

Van A. Davidson, M.D.
Real Estate & Investments Dallas, Texas

R. B. Gilmore,
Chairman of the Board, De Golyer & McNaughton, Geologists, Dallas, Texas

Harding L. Lawrence,
President, Braniff Airways Dallas, Texas

D. H. Byrd,
D. H. Byrd Enterprises Dallas, Texas

James D. Cooney,
Retired Chairman — Wilson & Co., Inc. Chicago, Illinois

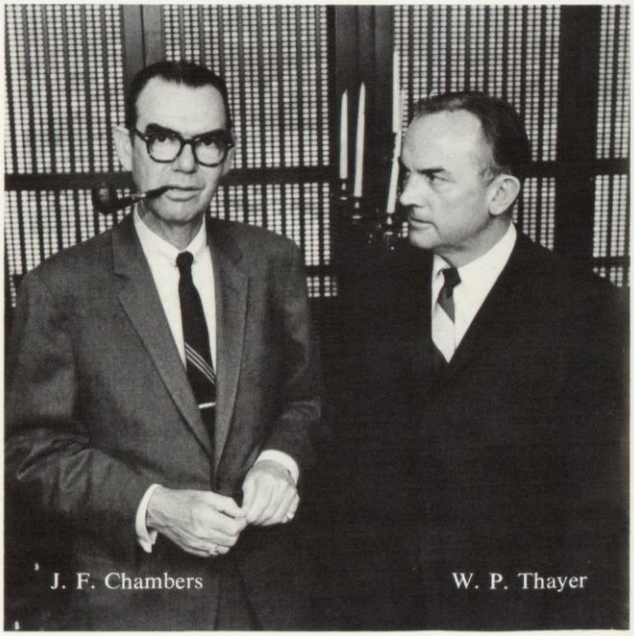
E. Grant Fitts,
President, Greatamerica Corporation Dallas, Texas

Roscoe G. Haynie,
Chairman of the Executive Committee, Ling-Temco-Vought, Inc. Dallas, Texas

Gustave L. Levy,
Partner, Goldman, Sachs & Co., New York, N.Y.

L. T. Potter James J. Ling R. B. Gilmore

J. H. Bond James D. Cooney Gustave L. Levy



J. F. Chambers W. P. Thayer

Ling-Temco-Vought, Inc.

JAMES J. LING
Chairman of the Board and Chief Executive Officer
CLYDE SKEEN
President

LTV Research Center

LTV Computer Center

WILSON & CO., INC.

Roy V. Edwards, President
Roscoe G. Haynie, Chairman
LTV Ownership: 81.8%
Products:
Fresh Meats/Processed Foods
Dairy Products
Grocery Products
Freeze-Dried Meats
Poultry
1967 Sales: $985,540,000
1967 Net Income: $11,007,000
Current Employment: 16,466
Headquarters:
Wilson & Co., Inc.
Room 900 — Prudential Plaza
Chicago, Illinois 60601

LTV AEROSPACE CORPORATION

W. Paul Thayer, President
LTV Ownership: 81.9%
Products:
Aircraft
Missiles
Ground Vehicles
Range Management Services
Electronic Installations
Divisions:
Vought Aeronautics
Missiles & Space
Subsidiaries:
Kentron, Hawaii, Ltd.
Service Technology Corporation
1967 Sales: $343,696,000
1967 Net Income: $9,578,000
Current Employment: 22,711
Headquarters:
LTV Aerospace Corporation
P. O. Box 5907
Dallas, Texas 75222

THE OKONITE COMPANY

Paul Dashine, President
LTV Ownership: 87.2%
Products:
Power Cable
Signal Cable
Telephone Cable
Control Cable
Wire Products
Carpeting and Carpet Padding
Subsidiaries:
Jefferson Wire & Cable Corporation
General Felt Industries, Inc.
1967 Sales: $103,238,000
1967 Net Income: $9,009,000
Current Employment: 3,279
Headquarters:
220 Passaic St.
Passaic, New Jersey 07055

LTV ELECTROSYSTEMS, INC.

E. F. Buehring, President
LTV Ownership: 71.1%
Products:
Advanced Electronic Systems
Command and Control Systems
Guidance Systems
Super-Power Radio/Radar
Reconnaissance/Surveillance Systems
Navigation Equipment
Tactical Radio Equipment
Divisions:
Greenville
Garland
Memcor
Subsidiaries:
Continental Electronics Companies
1967 Sales: $181,788,000
1967 Net Income: $5,354,000
Current Employment: 8,804
Headquarters:
LTV Electrosystems, Inc.
P. O. Box 1056
Greenville, Texas 75401

WILSON SPORTING GOODS CO.

William P. Holmes, President
Roscoe G. Haynie, Chairman
LTV Ownership: 75%
Products:
Sports and Athletic Equipment
Athletic Clothing
Plastic Products
Spring "Hobby" Horses
1967 Sales: $89,066,000
1967 Net Income: $4,033,000
Current Employment: 4,631
Headquarters:
Wilson Sporting Goods Co.
2233 West Street
River Grove, Illinois 60171

LTV LING ALTEC, INC.

Alvis A. Ward, President
LTV Ownership: 72.0%
Products:
Commercial/HiFi Sound Systems
Telephone Equipment
Environmental Test Systems
Two-Way Radio
Modulators
Divisions:
Altec Lansing
Ling Electronics
University Sound
DuMont Mobile Communications
Subsidiaries:
Altec Service Corporation
Allied Radio Corporation
Standard Systems Communications Corporation
LTV Ling Altec, Limited (England)
1967 Sales: $102,408,000
1967 Net Income: $2,329,000
Current Employment: 3,907
Headquarters:
LTV Ling Altec, Inc.
1515 South Manchester Avenue
Anaheim, California 92803

WILSON PHARMACEUTICAL & CHEMICAL CORPORATION

George J. Binder, President
Roscoe G. Haynie, Chairman
LTV Ownership: 77.9%
Products:
Sulfuric Acid
Organic Chemical Derivatives
Polyester Resins
Pharmaceuticals
Edible Gelatin
1967 Sales: $39,514,000
1967 Net Income: $1,717,000
Current Employment: 799
Headquarters:
Wilson Pharmaceutical & Chemical Corporation
Room 2300 — Prudential Plaza
Chicago, Illinois 60601

12/31/67

H. M. Eitel,
Vice President

John W. Johnson,
Vice President —
Public Relations
& Advertising

D. J. Lawson,
Vice President —
Executive Assistant to the
Chairman of the Board,

Forbes Mann,
(Washington, D.C.)
Vice President —
Government & Foreign Relations

M. E. Roth,
Vice President —
Assistant to the President

George E. Griffin,
Vice President —
Financial Plans

Virgil B. Pettigrew,
Assistant Controller

Francis X. Reilly
Assistant Treasurer

James J. Ling,
Chairman of the Board & Chief Executive Officer, Ling-Temco-Vought, Inc.
Dallas, Texas

Robert McCulloch,
Chairman Emeritus,
Ling-Temco-Vought, Inc.
Dallas, Texas

W. H. Osborn, Jr.,
Partner, Lehman Bros.
New York, New York

Clyde Skeen,
President —
Ling-Temco-Vought, Inc.
Dallas, Texas

J. O. Weldon,
Chairman of the Board,
LTV Electrosystems, Inc.
Dallas, Texas

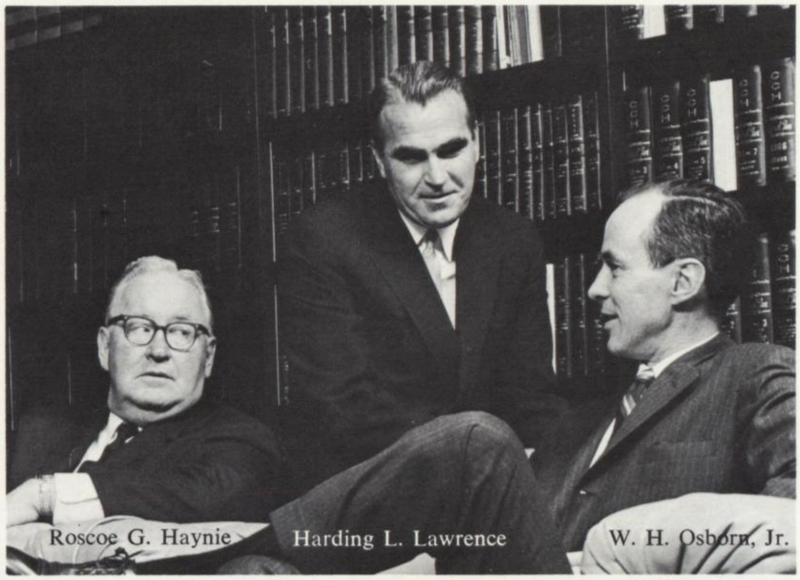
A. D. Martin,
Chairman of the Board,
A. D. Martin Properties
Dallas, Texas

O. R. Moore,
Chairman of the Board,
American Security Insurance Company
Atlanta, Georgia

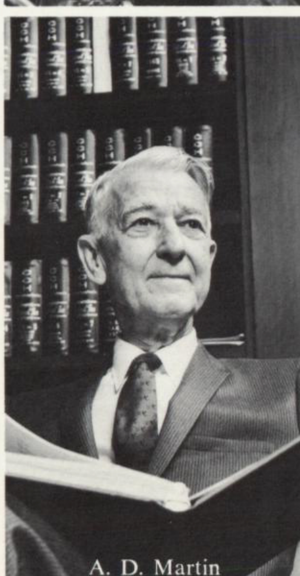
L. T. Potter,
President,
Lone Star Gas Co.
Dallas, Texas

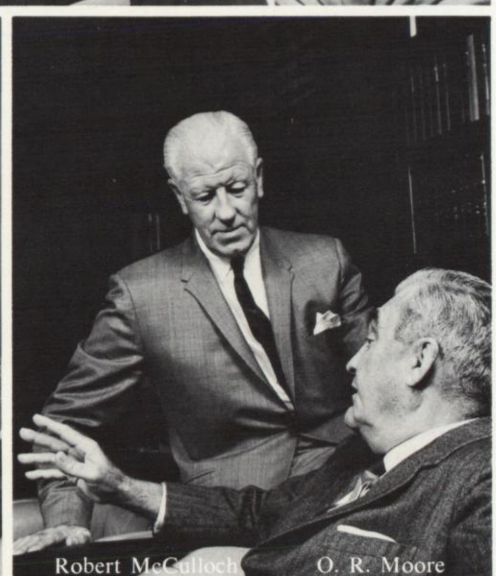
W. P. Thayer,
President —
LTV Aerospace Corporation
Dallas, Texas


E. Grant Fitts J. O. Weldon Clyde Skeen


Roscoe G. Haynie Harding L. Lawrence W. H. Osborn, Jr.


D. H. Byrd Van A. Davidson


A. D. Martin


Robert McCulloch O. R. Moore

Transfer Agents

Republic National Bank of Dallas, Dallas, Texas
The Chase Manhattan Bank (National Association), New York, New York
Bank of America National Trust and Savings Association, Los Angeles, California
First National City Bank, New York, New York

Registrars

First National Bank in Dallas, Dallas, Texas
Bankers Trust Company, New York, New York
Texas Bank & Trust Company of Dallas, Dallas, Texas
Security First National Bank, Los Angeles, California
Marine Midland Grace Trust Company of New York, New York, New York

Trustees, Conversion and Paying Agents

Bank of America National Trust and Savings Association, Los Angeles, California
5¾% Subordinated Convertible Debentures
5¾% Subordinated Debentures
First National Bank of Dallas, Dallas, Texas
5% Subordinated Debentures
First National City Bank, New York, New York
6¾% Subordinated Debentures

Auditors

Ernst & Ernst

Common, Series A, and Series B Preferred Stocks and 5¾% and 5% Debentures listed on the New York Stock Exchange

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Accountants' Report

ERNST & ERNST
1700 LTV TOWER
DALLAS, TEXAS 75201

To the Shareholders and Board of Directors

Ling-Temco-Vought, Inc.

Dallas, Texas

We have examined the consolidated balance sheet of Ling-Temco-Vought, Inc. and subsidiaries as of December 31, 1967, and the related statements of consolidated income and retained earnings, capital surplus and source and use of working 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. It was not practicable to confirm by direct correspondence amounts receivable from United States Government departments, but we satisfied ourselves as to such amounts by means of other auditing procedures. We did not examine the financial statements of Wilson & Co., Inc. (1925) (merged into Ling-Temco-Vought, Inc. on June 19, 1967) or of Wilson & Co., Inc., which statements were examined by other independent accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the aforementioned companies, is based solely upon such reports.

In our opinion, the accompanying consolidated balance sheet and related statements of income and retained earnings, capital surplus and source and use of working capital present fairly the consolidated financial position of Ling-Temco-Vought, Inc. and subsidiaries at December 31, 1967, and the consolidated results of their operations and source and use of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, which we approve, in acounting for amounts arising from transactions in subsidiary shares as explained in Note A to the financial statements.

We have made a similar examination of the accompanying balance sheet of Ling-Temco-Vought, Inc. as of December 31, 1967. In our opinion, such balance sheet presents fairly the financial position of Ling-Temco-Vought, Inc. as of December 31, 1967, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, which we approve, in accounting for amounts arising from transactions in subsidiary shares as explained in Note A to the financial statements.

Ernst & Ernst

Dallas, Texas
February 15, 1968, except as to Note I, as to which the date is February 29, 1968

Sources

For the essay, **The 1975 Man and His World,** page 8

Many books, reports, and articles served as sources of information for the forecasts used in the essay about the 1975 man. The works listed below contain a wealth of valuable information about general and specific trends affecting America's people, its technology and its economy. Most of the economic data came from #2. From these, LTV has drawn a consensus: points upon which most studies agree, and appear most likely to come to pass.

Studies and Reports

1. **U. S. Domestic Outlook and International Outlook 1968-1975** July, 1967; LTV Corporate Plans Department
2. **"U.S. Economic Growth to 1975: Potential and Problems,"** Study Prepared for the Subcommittee on Economic Progress of the Joint Economic Committee, Congress of the United States, 1966.
3. **1985/Corporate Planning Today for Tomorrow's World Market** July, 1967; Business International Corporation
4. **The American Economy to 1975** by Clopper Almon, Jr.; 1960; Harper & Row Publishers, New York
5. **"The American Economy Prospects for Growth Through 1980";** September, 1965; McGraw-Hill Publications
6. **Statistical Abstract of the United States, 1966.** Bureau of the Census, U.S. Department of Commerce.
7. **"The Conference Board Record,"** May, 1967; The National Industrial Conference Board, Inc.
8. **"The World of 1975 by Stanford Research Institute."**
9. **"Toward the Year 2000: Work in Progress"** Daedalus — Summer 1967; American Academy of Arts and Sciences
10. **Here Comes Tomorrow!** 1967; Dow Jones Books, Princeton, New Jersey
11. **"The Exchange Community in 1975"** December, 1965; The New York Stock Exchange
12. **"The United States Food and Fiber System in a Changing World Environment,"** Technical Papers; August, 1967; National Advisory Commission of Food and Fiber, Volume IV

Articles

1. "The Road to 1977" by Max Ways, January 1967; **Fortune,** p. 93
2. "Where the Industries of the Seventies Will Come From" by Lawrence Lessing; January 1967; **Fortune,** p. 96
3. "What Input-Output Tells Industry" December 9, 1967; **Business Week,** p. 88
4. "Tracking the Habits of Consumers" December 30, 1967; **Business Week,** p. 60

LTV's annual shareholders meeting for 1968 will be at 10 a.m., Thursday, April 25, in the 8th floor auditorium of the Republic National Bank of Dallas. All shareholders are cordially invited to attend and urged to be represented by proxy if they are unable to attend.

Original sculpture: Reed Hoover

LTV
LING-TEMCO-VOUGHT, INC.
P.O. BOX 5003-DALLAS, TEXAS 75222

See Organizational Chart Inside Fold

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Ling-Temco-Vought, Inc. Annual Report 1967