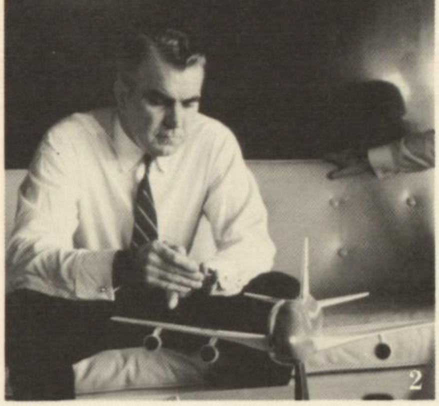
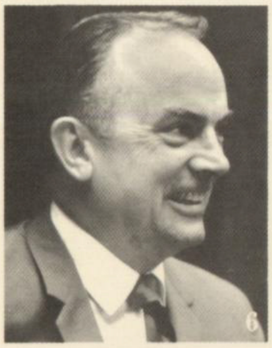
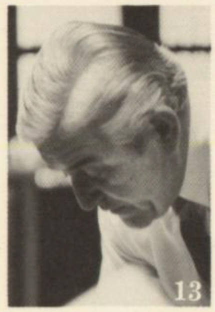
Depth in Management through Modern Entrepreneurship

Ling-Temco-Vought, Inc. Annual Report 1968







About the Cover

In choosing "Depth in Management through Modern Entrepreneurship" for the theme of its 1968 Annual Report, Ling-Temco-Vought focuses attention upon one of the strongest elements of its approach to Corporate Technology. By virtue of its structure and operating philosophy, LTV has never been, nor can it ever be, a "one-man operation" at either the parent or subsidiary level. Rather, LTV places the emphasis upon the highly motivated individual management of each LTV company to manage and operate their publicly owned companies with complete visibility, accountability and responsibility.

This modern, entrepreneuring approach to management has resulted in providing LTV with professional management in depth at all operating levels.

LTV entrepreneurs on the cover are: (1) Roscoe G. Haynie, chairman, executive committee, Ling-Temco-Vought; (2) Harding L. Lawrence, president & chief executive officer, Braniff International; (3) Roy V. Edwards, president & chief executive officer, Wilson & Co.; (4) William J. Stephens, chairman of the board & chief executive officer, Jones & Laughlin Steel Corporation; (5) Clyde Skeen, president, Ling-Temco-Vought; (6) W. P. Thayer, president & chief executive officer, LTV Aerospace Corporation; (7) William P. Holmes, president & chief executive officer, Wilson Sporting Goods Co.; (8) Blake H. Hooper, president & chief executive officer, Wilson Pharmaceutical & Chemical Corporation; (9) E. F. Buehring, president & chief executive officer, LTV Electrosystems; (10) John L. Cockrill, president & chief executive officer, LTV Ling Altec; (11) Robert McCulloch, chairman emeritus, Ling-Temco-Vought; (12) James J. Ling, chairman of the board & chief executive officer, Ling-Temco-Vought; (13) Paul Dashine, president & chief executive officer, The Okonite Company.

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Highlights

Record Consolidated Sales, Second Highest Operating Earnings in History

Diversification Through Acquisitions, New Business Ventures

- 63% Jones & Laughlin Steel Common Stock Acquired
- Greatamerica Acquired
- Computer Technology Inc. Formed

Redeployment of Assets & Resources to Build Lasting Values

- LTV Recapitalization Program
  - 1,947,000 Common Shares Acquired through Exchange Offer
  - 171,233 (all) Series B Preferred Shares Called for Redemption
  - $36.9 Million of Debt Retired through Exchange Offer
  - $1.8 Million (all) 5¾% Convertible Debentures Called for Redemption
- 1,673,630 Class AA Shares Exchanged for
  - 1,241,408 Common Shares
  - 308,730 Series A Preferred Shares
- Subsidiaries Raised $191.5 Million
  - $165 Million Subordinated Debentures with Warrants

The annual meeting of shareholders of Ling-Temco-Vought, Inc. for 1968 will be held at 10 a.m., Tuesday, April 29, in the 3rd floor Theater of the Apparel Mart, 2300 Stemmons Freeway, Dallas. All shareholders are cordially invited to attend or be represented by proxy if unable to be present.

Consolidated Results in Brief (in Thousands) For the Year Ended December 31:

	1968	1967[1]	% Increase (Decrease)
Net sales	$2,769,737	$1,871,534	48
Income before interest, taxes, minority interests, and extraordinary items	114,602	98,002	17
Equity in earnings of unconsolidated subsidiaries	8,899	—	—
Net income	36,332[2]	33,899	7
Net income per common share			
Average including residual securities[2][3]	6.39	7.08	(10)
Pro forma fully diluted, assuming conversion or exercise of all convertible securities, options, and warrants[2][4]	4.46	5.58	(20)
Cash dividends paid per common share	1.33⅓	1.16⅔	14

[1] Restated to include operations acquired in 1968 on a "pooling of interests" basis.
[2] Extraordinary items included in net income in 1968 amounted to $8,620,000 or $1.67 per share ($.94 per share on a fully diluted basis).
[3] Includes shares issuable upon conversion of Series B preferred stock and 5¾% convertible debentures (neither of which were outstanding at December 31, 1968), and of Special Stock, Class AA (on a 1-for-1 conversion ratio although the actual ratio was .85-for-1 on December 31, 1968, increasing to .95-for-1 on December 31, 1969).
[4] For this computation, the Class AA shares have been converted into common stock at the maximum conversion ratio of 1.5-to-1.

To Our Shareholders:

1968 RESULTS; 1969 OUTLOOK

Consolidated operating earnings for 1968 were the second highest in LTV's history, $27.7 million compared to $33.9 million in 1967. Including non-recurring gains of $8.6 million, 1968 income of $36.3 million was the highest in LTV history. On the basis of income applicable to common, earnings per average residual share in 1968, including the non-recurring gains, were $6.39 on 5,154,000 average shares (only 3,795,000 were outstanding December 31, 1968) compared to 1967's record $7.08 on 4,016,000 average residual shares.

Although LTV's operational earnings growth trend of recent years was interrupted, we are confident it will be resumed this year.

Four areas primarily were involved in the downturn from 1967's record results:

(1) Jones & Laughlin Steel Corporation made no significant contribution to consolidated earnings in 1968. J&L attributed the decline in its earnings during the last half of 1968 – the period of LTV's ownership – to: (i) heavy start-up and break-in costs (including an unexpected strike) at new facilities; (ii) equipment installation delays requiring the purchase of semi-finished steel from other producers; (iii) costly wide swings in production and shipments as customers liquidated steel inventories built up to hedge a threatened industry strike; (iv) higher employment costs effective August 1; (v) price instability, particularly for hot-rolled sheet which makes up a higher percentage of J&L's product mix than the industry's average; (vi) a $6.4 million smaller investment tax credit.

J&L anticipates a more profitable year in 1969.

(2) The Okonite Company experienced a decrease in earnings due primarily to residual effects of the copper strike.

While current earnings continue depressed, improved performance is anticipated in the latter part of 1969.

(3) LTV Electrosystems reported an earnings decline attributable to higher-than-anticipated costs on certain fixed-price contracts.

Progress is being made to correct this problem, and improved operating results are anticipated in 1969.

(4) LTV's operational earnings were adversely affected to the extent of $17 million in additional net after-tax charges to service debt incurred in the acquisitions of Greatamerica Corporation and J&L Steel.

EARNINGS GROWTH RATE

As a result of these 1968 acquisitions, internal growth, and improvements in operations, we expect to return to a growth rate in earnings per share similar to that experienced during the 1965–1967 period. Earnings increased from $1.34 to $7.08 per share, on the basis of the average number of shares including residual securities, as adjusted, in this period. This established profitability growth rate was generated both internally and by acquisitions, and we believe that we can return to it over the next four years, and it is our objective to do so, barring, of course, any unforeseen general economic downturns or other unexpected business disturbances.

FINANCIAL OBJECTIVES

There has been much written and said about the unique character of the corporate structure of LTV. Upon close observation it becomes quite apparent that it is this very structure which enables LTV to react quickly to desirable opportunities. It is this structure which has enabled LTV to develop the funds needed to finance external expansion. The same structure provides LTV the means to eliminate or reduce its long- and short-term debt. Specifically, it was this structure which provided the funds used to acquire a controlling interest in Jones & Laughlin Steel Corporation in 1968. The original short-term bank loan incurred for this purpose amounted to $225 million; this has subsequently been reduced to $114.7 million. We expect to generate in excess of $100 million from our current program of public offerings and private placements of portions of our investments and holdings in securities of subsidiaries and affiliates. As of this time LTV has no plans for further disposition of any of its equity interests in subsidiaries. In fact, LTV may from time to time increase its equity ownership in its subsidiaries.

Other short-term bank debt amounting to $52.7 million at year-end, assumed at the time of the liquidation of Greatamerica Corporation, has since been reduced to $45.2 million, and we expect the remainder will be renewed on the basis of a term pay-out over the next several years.

With respect to LTV's long-term debt, this aggregated $748 million at the end of 1968, including $76 million payable to a subsidiary (LTV International, N.V.) in support of its debentures, which are due in 1988, guaranteed by LTV, and convertible into LTV common stock. Total maturities of LTV debt over the next 10 years aggregate $154.8 million (principally $28 million in 1970 and $116 million in 1973), or less than 21% of the amount currently outstanding. Furthermore, there are presently outstanding common stock purchase warrants with an aggregate exercise price of $604 million. We expect that most of these warrants will be exercised in the next few years either by cash payment or by surrender of those of our debentures which are usable at face value in the exercise of warrants. Assuming exercise of all warrants and conversion of the LTV International issue, $680 million of our long-term debt would be eliminated. In other words, on a pro forma basis assuming such exercise and conversion, the financial position of the LTV parent company at December 31, 1968, would have shown long-term debt of only $68 million and shareholders' equity of $855 million.

Looked at in another way, comparison of the long-term debt of LTV with its balance sheet equity position requires that consideration be given to the quoted market values of the investments in our publicly held subsidiaries. If allowance is made for the excess of such market values over the carrying values of these investments, the LTV parent company's equity would amount to $545 million at the end of 1968.

We are keenly aware of the substantial cash flow requirements of a corporate structure such as LTV's. To place the picture in proper perspective, however, we would point out the substantial amount of cash available to the parent company at year-end and the fact that a consolidated income tax return is filed with certain of LTV's subsidiaries.

The short-term bank debt reduction program discussed earlier will significantly reduce interest requirements. Dividends from subsidiaries will further augment cash flow in 1969. In the initial phase following *Project Redeployment,* it was LTV's policy not to accept dividends from the subsidiaries, and this was accomplished by confining LTV's common holdings to a non-dividend paying series of stock in each subsidiary. Since a majority of the subsidiaries had achieved a strengthened financial condition with improved earnings capacity, a second phase had been reached in which dividend payments to the parent company could be commenced. Accordingly, early in 1969 LTV converted 25% of its ownership in five subsidiaries to dividend paying common stock, and as a result annual cash in-flow will be improved by $4 million, net of applicable income taxes. As the subsidiaries further develop, additional shares may be converted and it is possible that in the near future the cash in-flow to LTV from this source will be in the range of $16 to $20 million annually.

It is our objective that LTV achieve a breakeven cash flow position by the end of 1970. We are confident that the actions accomplished to date, together with others available to us, will provide ample cash flow as well as add strength for future growth.

FORMATION OF NEW COMPANY

Jones & Laughlin Industries (JLI) was organized as a wholly owned subsidiary of LTV in January, 1969 to make an exchange offer for J&L Steel common stock and to seek additional diversification. J&L Steel made a 100% stock distribution to holders of its common shares (in effect a 2-for-1 stock split), and the following figures have been adjusted for that distribution. LTV provided JLI with $25 million ($10 million in cash and a $15 million 1-year note) in exchange for 250,000 JLI common shares and warrants to purchase 4 million JLI common shares exercisable at $37.50 per JLI common share. LTV also exchanged its 10,023,672 shares of J&L Steel common stock for 6,023,672 JLI common shares, $170 million principal amount of JLI 6¾% 25-year debentures, and an additional 2 million warrants exercisable at $37.50 per JLI common share.

JLI is now making the exchange offer for J&L Steel common stock. Each share of J&L Steel common stock may be exchanged for $42.50 principal amount of the JLI 6¾% 25-year debentures, ½ of a JLI warrant exercisable at $37.50 per share and expiring April 1, 1979, and 1/10 of a share of JLI common. It is anticipated that the exchange offer will result in JLI owning a substantial portion of J&L Steel (with LTV owning more than 90% of JLI).

We believe that the combined resources of JLI and J&L Steel will enable inauguration of an aggressive diversification program to achieve additional growth both internally and externally for both JLI and Jones & Laughlin Steel Corporation.

COMPUTER TECHNOLOGY

Computer Technology Inc. also was formed in 1968, jointly by LTV and LTV Aerospace. Computer Tech, as a separate business entity, entered the still young computer "software" industry – with 2,700 employees and extensive sophisticated computer and data processing facilities in 432,000 square feet of floor space – as a going business. CT's strength is provided primarily by existing technical and administrative personnel supplemented by well qualified leadership recruited for the new company.

LTV Aerospace Corporation will retain a 71% interest in Computer Technology after completion of LTV's current program for disposing of its direct interest in CT.

EXCHANGE OFFER

Equity dilution, as a function of growth, is a consistent special concern of LTV's management. Our continuing review of the financial environment and LTV's posture provided a timely opportunity in the second half of 1968 to take a dilution reduction step, and the decision was made to make an exchange offer for LTV common stock which became effective October 31.

Available for the exchange offer were assets that could be deployed more effectively, these being the securities of some of our subsidiary companies in young industries with relatively small book values and good price/earnings ratios, with relatively small earnings at this point in time but strong prospects for better futures.

We believed we should also give our long-term debt holders an opportunity to participate in the exchange; however, we did not offer a premium.

The exchange package included LTV warrants which provided the exchanging LTV shareholder with an opportunity to reinvest, if he so chose, in the long-term future of LTV. From LTV's point of view, this also was constructive since there were created some two million warrants, which, when exercised, would produce in excess of $240 million in new equity.

As an overall result of the exchange offer, LTV's total number of common and Class AA shares were reduced approximately 35%, to 3,795,000 on December 31. Consequently, LTV now has almost two million common shares that can be deployed, if desirable, at some future time to produce additional diversified earnings.

The management of LTV intends to continue to use innovative corporate practices which have proven successful in the past. This may include offers or direct purchases from time to time to retire additional LTV common shares from the market.

"CONGLOMERATES"

Wide attention has been brought to bear upon the new form of diversified business commonly referred to by the faddish term "conglomerate." As you know, we recently made a public statement of our record and response to the generalized and unspecific criticisms in an open letter to shareholders. We believe that use of the label only adds to existing semantic confusion, and we would not attempt to discuss the "conglomerate" phenomenon as a whole in any context as brief as this letter, but we would like to address a few lines here to the subject of management.

Much has been said about the capability of conglomerates to manage multi-industry, multi-technology, multi-market enterprises. Our response to this is quite basic.

We ascertain first that the companies which we propose to acquire have competent management in depth. After acquisition, LTV contributes motivation to the management of that company, establishing as the basic objective the responsibility to produce higher profits for the benefit of the company and the individual shareholders. This in no way detracts from the contributions that the company and its management make to their local communities. Additionally, it is LTV's objective to enable the management teams of each LTV affiliated company to experience personal success proportional to the achievement of overall company objectives.

LTV's role is to support the leadership of each of the individual companies with LTV corporate expertise in the areas of financing, acquisitions, and long-term plans and objectives.

We believe we have dedicated leadership of our companies, because the individual company management's personal objectives and goals are in harmony with the achievement of major corporate objectives. Leadership, as a combination of awareness, knowledge, integrity, dedication, responsibility, long-term experience in the field of endeavor, and other factors, thus is provided where it should be, at the head of each individual enterprise.

Further, LTV, as the major shareholder in each of its subsidiaries, can properly exercise its responsibility and accountability if and when the leadership of any of the underlying companies should falter, based upon the overall results over an extended period of time.

There is no reciprocity and no significant interdependence between the LTV companies; in 1968, inter-company sales amounted to only approximately $20 million, less than 1% of total consolidated sales.

SOCIAL CONSCIOUSNESS

The enlightened leadership of LTV managers also benefits the local communities in which the LTV companies operate, for these manager-leaders make many positive contributions to all types of local improvement projects. Regional, national, and international socio-political programs and projects also benefit similarly, for the LTV manager-leader has a social conscience, and his experience and energy help make possible many improvements to both the physical and psychological environments.

The involvement of the management of LTV and its affiliated companies in socio-political programs ranges from leadership of the National Alliance of Businessmen on a large regional basis to serving as treasurer of a local chamber of commerce, from hiring hundreds of "hard-core unemployed" to finding a science teacher for a rural school, from chairmanship of a local urban renewal-beautification project to heading up a national fund-raising drive for medical institutions.

LTV manager-leaders, like many other businessmen, have adapted to the new emphasis on environment improvement, because they are convinced that the long-range benefit of the company and its shareholders is served best by good corporate citizenship. LTV is fully aware that the primary purpose of business still is to make a profit, but it also recognizes that it is important to make a profit next year and in all of the years to come. Business and businessmen cannot take the short-range view. Having a social conscience is not incompatible with having long-term profit motivation.

BUSINESS/GOVERNMENT INTERFACE

We believe that it also is important that government take the long-range view. Many of the long-range socio-political problems cannot be solved unless business and government work together.

In particular, we feel that some people in government should reexamine their basic attitudes toward business. We believe that a realistic appraisal must show that America's interests will be served best in an economic environment that maximizes incentives and minimizes restraint.

We would like to express our appreciation to all who helped us in 1968 – our employees, our customers, our suppliers.

Your attention is invited to the next section of this report which discusses in some depth what modern entrepreneurial management means at LTV.

James J. Ling

Clyde Skeen

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

Clyde Skeen
President

March 21, 1969

Modern Entrepreneurship...Hallmark of LTV

In a modern and dynamic context, Entrepreneurship is the hallmark of Ling-Temco-Vought. Bearing little relationship to concepts of an earlier business era, Entrepreneurship as expressed at LTV denotes management as risk takers and equity holders and expresses the essence of the Company's approach to motivation, to visibility of operating results, to meshing accountability with authority and responsibility.

LTV's emphasis of the entrepreneurial approach —combined with the high degree of professionalism in its managers — lies at the heart of its continued ability to grow — and certainly at the heart of its management philosophy.

The proliferation of mergers and acquisitions during the decade of the 1960's gave rise to the term "conglomerate" as a convenient, over simplified means of categorizing companies that sought broad-scale diversification through entry into multiple markets and industries in response to modern economic conditions.

As the term gained currency, it quickly became an all-encompassing label used indiscriminately to describe enterprises that are highly diverse in both philosophy and approach to management. Forgetful that nearly all large, successful U. S. corporations are highly diversified — serving both different markets and different industries — commentators on the business scene attempted to classify "conglomerates" as an industry.

LTV does share common characteristics with other diversified companies — including some of the so-called conglomerates — primarily in the stress placed upon good management at all levels. There is no accurate way, however, to classify LTV as part of an "industry." Even in its approach to management of diversification, LTV is perhaps unique among American companies.

No single question is asked more often than "how can you manage a highly diversified company?" The question is a welcome one, because an understanding of LTV's approach to management is essential to any real understanding of the Company.

At the heart of this approach — as stated in the introduction to this essay — is a dedication to building and instilling a modern-day entrepreneurial spirit in the highly experienced, professional managers who are responsible for the continued growth and success of LTV.

Under this concept, which forms the basis for our free enterprise system, the president of each subsidiary company is an entrepreneur in his own right. Operationally, each LTV company is a competitive entity, standing on its own, seeking its own markets, its own acquisitions and its own internal growth. If one subsidiary falters, it has no effect on the others.

BECAUSE the quality of decision making has always depended to a large extent on the quality of information available, LTV in 1968 designed and developed one of the most advanced Information and Control Centers in existence. Here, information from myriad sources is gathered, assembled, organized and presented through a highly sophisticated complex of audio-visual equipment. This photograph was taken as Paul Dashine (third from right), president and chief executive of The Okonite Company, and his staff met with LTV President Clyde Skeen (second from right) and corporate-level officers to review plans and operations.

Each is its own profit center and credit center. Each has minority public ownership and is listed on a major stock exchange.

And each, because its leadership has an equity stake in the company, is operated in the interests of shareholders.

This combining of professional management with motivation, public visibility, public accountability and equity interest is what LTV means by entrepreneurship.

Its clearest manifestation is in the presidents of LTV's subsidiary companies. Proved and efficient professionals, they are experienced in their companies and/or in their industries. In almost every instance they grew up in the enterprises which they now head. In all instances they are dedicated to the growth and progress of their companies.

As operating leaders of viable, visible enterprises they increase, rather than lessen competition; add to economic efficiency rather than detract from it.

Encouragement of the entrepreneuring spirit has characterized LTV since the Company's inception in 1956, but came into sharpest focus in 1965 with the inauguration of Project Redeployment, the revolutionary concept for restructuring LTV.

Prior to Project Redeployment, LTV had evolved into a monolithic, multi-divisional aerospace and electronics company, with more than 90 per cent of its sales committed to the military and space agencies. It was obvious that such an over-reliance on defense business made the Company vulnerable. The government recognized the hazards in such over-dependence on a single customer, and a year earlier had encouraged defense-oriented companies to seek diversification.

In LTV's somewhat traditional, complex structure lay the seedbed for future growth, but several vital areas needed improvement: top management was overly committed to operating problems, communications were unwieldly, there was not enough close contact with customers, and, of paramount importance, there was the need to increase executive motivation.

Project Redeployment provided the answer and completely reshaped and revitalized LTV. The Company's multi-divisions were redeployed along like marketing and technological lines into three wholly owned subsidiaries, each with compatible product lines, customers and objectives.

Later in 1965, public ownership of each new subsidiary was created by an exchange offer of subsidiary stock and cash for outstanding shares of LTV common stock.

Executives who formerly had been highly competent general managers now were highly motivated presidents of very visible companies with public ownership and public accountability. Each had an equity stake in the company he headed and for whose fortunes he was clearly responsible. Each had stock options tied to his operating performance.

A new sense of the entrepreneurial spirit was injected into all levels of this parent-operating company and its publicly held subsidiaries.

Additionally, LTV now had a concept for badly needed diversification from its base of reliance on the cyclical nature

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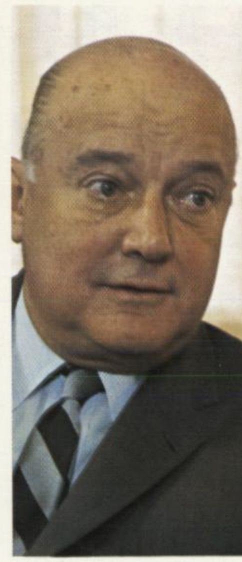

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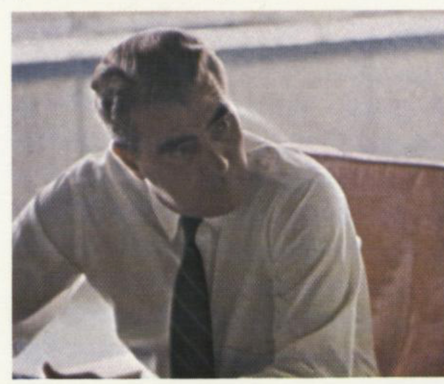

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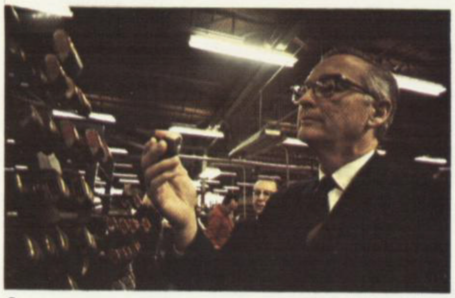
THE CLEAREST manifestation of LTV's modern entrepreneurship is in the chief executive officers of the subsidiaries: (1) Roy V. Edwards, Wilson & Co., Inc.; (2) William P. Holmes, Wilson Sporting Goods Co.; (3) Blake H. Hooper, Wilson Pharmaceutical & Chemical Corporation; (4) John L. Cockrill, LTV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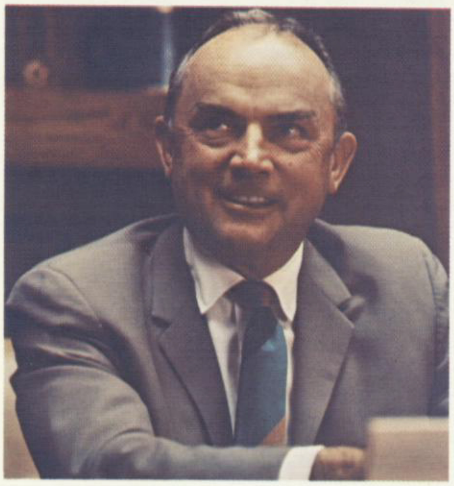
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Ling Altec, Inc.; (5) William J. Stephens, Jones & Laughlin Steel Corporation; (6) W. Paul Thayer, LTV Aerospace Corporation; (7) Harding L. Lawrence, Braniff International; (8) Paul Dashine, The Okonite Company; (9) E. F. Buehring, LTV Electrosystems, Inc.; and (10) G. W. Woerner, Computer Technology.

of the defense industry — an approach that could operate at the subsidiary as well as the parent level.

In the past, other companies had decentralized their operations into subsidiaries, but few, if any, had taken this approach to a logical conclusion by creating minority ownership with its attendant obligations and advantages.

The validity of this approach from a management standpoint was tested in the four acquisitions that LTV made following Project Redeployment. In every instance the operating management of acquired companies did not oppose the acquisition and chose to remain with the company.

This is a vital point in LTV's approach to external growth, because a premium is placed upon selecting companies with strong, efficient management.

The acquisition of Wilson & Co. stands as a classic case in point of LTV's concept.

Wilson was approximately a one-billion-dollar company when it was acquired, doing business through three divisions in the relatively unrelated fields of meat and foods, sporting goods, and chemicals and pharmaceuticals.

Under the leadership of its very able President and Chief Executive, Roscoe Haynie, Wilson & Co. had approached the point of a Project Redeployment and was ideally structured for further development through the LTV approach.

Following the merger with LTV, each of the divisions of Wilson was formed into a separate company with minority public ownership. Mr. Haynie and his staff joined the top management team of LTV, greatly strengthening parent company capacities in its larger role, and the head of each of the three major Wilson divisions became president of his own, viable company.

The new Wilson companies, with their operating managements intact, were listed on the American Stock Exchange; each became completely visible to its shareholders and to the public through reporting requirements.

The management teams of the Wilson companies developed an equity stake in their enterprises, with stock options tied to profit performance. They became *entrepreneurs* — highly motivated, profit-conscious, competitive managers of assets, who also play important roles in their communities.

As a parent-operating company, LTV encourages the entrepreneurial spirit in its subsidiary managements, urging and supporting them to do what they know best: production and marketing of quality products and services at a profit, while working with and providing them with a wide range of specialty services.

In this fashion, there is a genuine cross-fertilization of management talent and experience — through the common bond of entrepreneurship — that provides unusual depth and a successful approach to responsible leadership in a highly diversified enterprise.

LTV thus has created a company with exceptional capacity to respond positively to the swiftly changing environment of the American business scene.

ABOVE, W. P. Thayer (right), president and chief executive officer of LTV Aerospace Corporation, and Guillermo E. Perez, a former migrant worker, discuss the many benefits of the LTV Aerospace training program that prepared him for his new job as an aircraft assembler.

FREQUENT in-plant visits are not uncommon for the top executives of LTV subsidiary companies. In photograph at left, William J. Stephens (second from right), chairman and chief executive of Jones & Laughlin Steel Corporation, and William P. Getty (right), J&L's president and chief operating officer, inspect specifications.

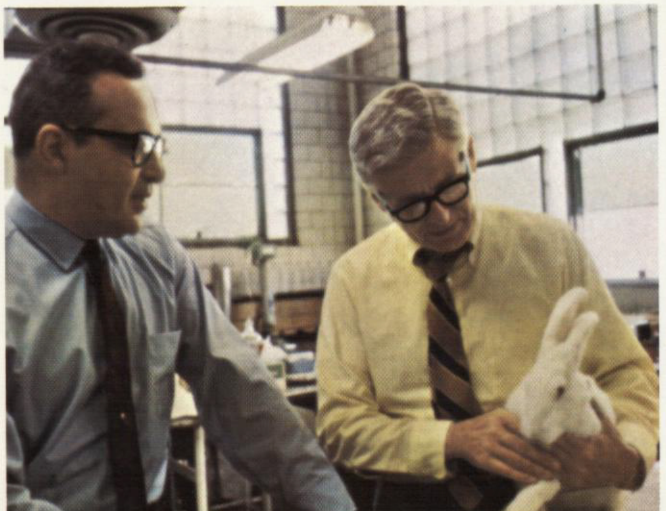
A Gallery Glimpse Of LTV's Modern Entrepreneurs

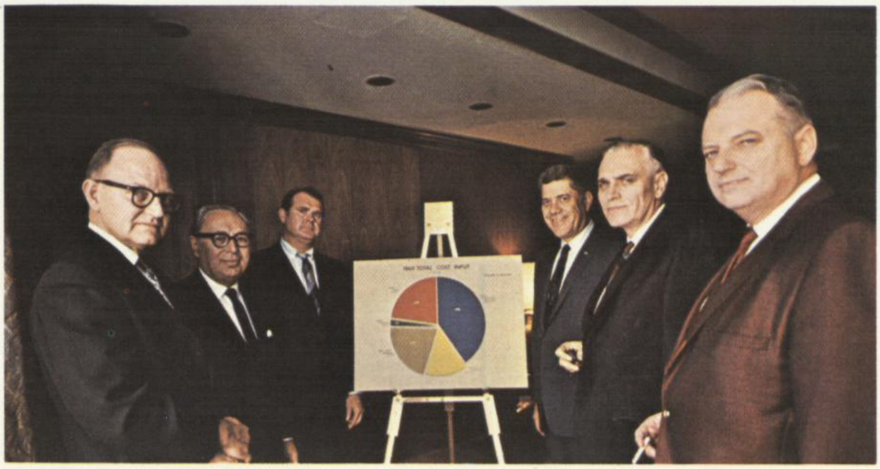
The LTV companies are led by proven, efficient and effective chief executives, most of whom gained their experience in the enterprises they now head.

LTV has developed subsidiary

E. F. BUEHRING, president and chief executive, led LTV Electrosystems, to primacy in highly sophisticated electronics.

BLAKE H. HOOPER (left in center photograph), president and chief executive of Wilson Pharmaceutical, reviews a market survey with three staff members. At right, Mr. Hooper is with Stanley W. Hier, Wilson Laboratories general manager.





GROWTH at LTV Electrosystems, a systems-oriented electronics company, has come as the result of business planning. In photograph above, E. F. Buehring (third from right), the company's president and chief executive, and several key members of his management team surround a cost input chart utilized in a recent management planning session.

TOP QUALITY is a key characteristic of Wilson Sporting Goods products, so management emphasizes quality assurance. In the photograph above right, William P. Holmes (fourth from left), president and chief executive and other key members of the WSG management team take a first-hand view of golf equipment production techniques at the River Grove facility. At right, WSG's chief executive examines one of the warmup jackets made for United States athletes in the 1968 Olympics.

management teams with more depth, more breadth, and more sophistication than ordinarily associated with companies of comparable size by creating an environment in which entrepreneurship is encouraged and highly competent men are elevated to chief executive positions after acquiring managerial expertise at other levels.

DURING a recent visit to Dallas, Roy V. Edwards, (left), Wilson & Co president and chief executive, visits with Roscoe G. Haynie, chairman of the LTV executive committee.

PAUL DASHINE (second from left), president and chief executive of Okonite, and other key Okonite executives prepare to enter LTV headquarters for a meeting of the company's board of directors.

A PIONEER in the sound equipment field, A. A. Ward (above), board chairman of LTV Ling Altec, has been a vital factor in Altec's development as an electronics/communications leader.

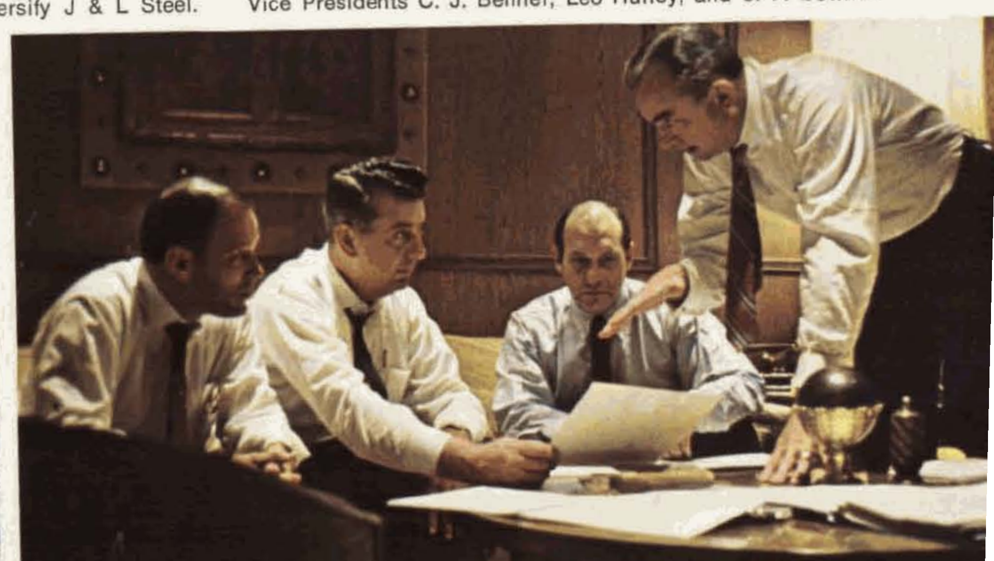
LTV subsidiaries hold board and operational meetings either in the cities in which they are headquartered or in Dallas in the LTV board room where the photograph above was taken during a recent Wilson & Co. meeting. At left, Roy V. Edwards, Wilson president and chief executive, reviews a financial report with Louis R. Simpson, Wilson's secretary and general counsel.

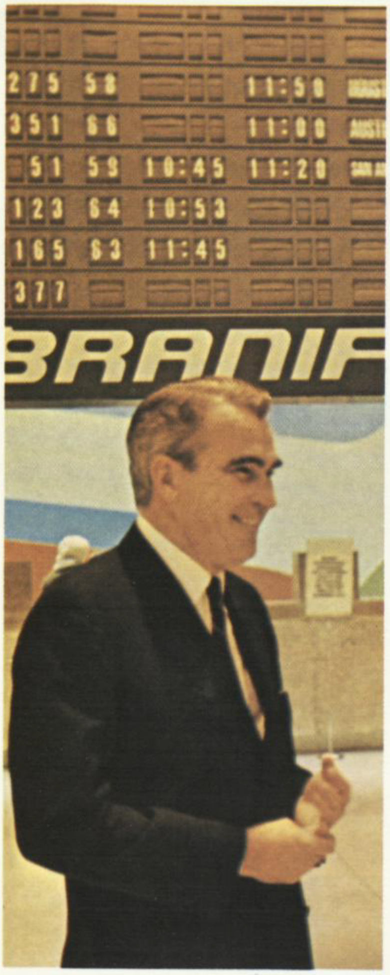
Motivation Through Entrepreneurship

The highly experienced professionals who manage and are responsible for the destiny of LTV's subsidiary companies bear little resemblance to the businessmen who followed the founder/

WILLIAM J. STEPHENS, board chairman and chief executive of Jones & Laughlin Steel Corporation, discusses with H. J. Haughton, vice president-finance, the proposed formation of Jones & Laughlin Industries. As an LTV subsidiary, the new company would seek acquisitions to diversify J & L Steel.

THE outstanding operating results achieved by LTV Aerospace in 1968 can be attributed primarily to the company's dynamic president and chief executive officer, W. P. Thayer (standing), and his management team. With Mr. Thayer are (left to right), Vice Presidents C. J. Benner, Leo Hurley, and S. F. Downer.





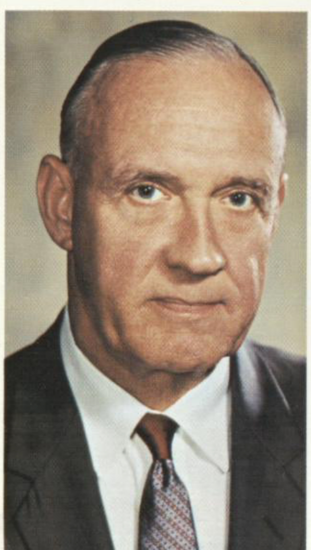
UNDER the dynamic leadership of Harding L. Lawrence, pictured at left in the company's new $9 million terminal at Love Field in Dallas, Braniff International has established a reputation for its innovative approach to serving the needs of the nation's air travelers. Above, the Braniff president and chief executive confers aboard a company airliner with three key vice presidents.

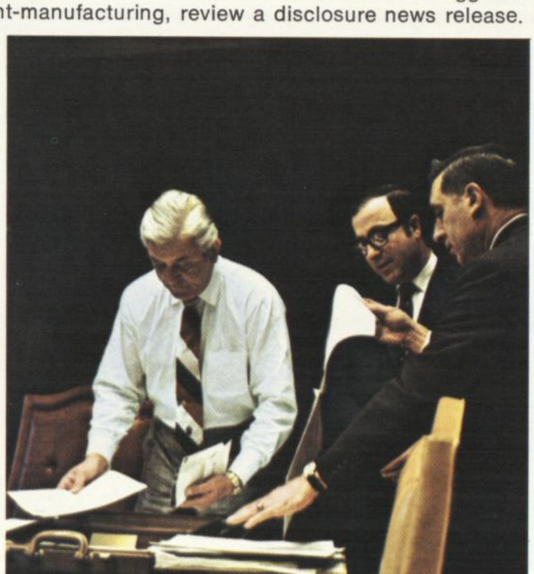
ONE of the newest LTV companies is Chicago-based Computer Technology Inc., a subsidiary of LTV Aerospace Corporation. President G. W. "Bill" Woerner, Jr. (far right in photograph at right) has assembled some of the finest talent in computer industry.

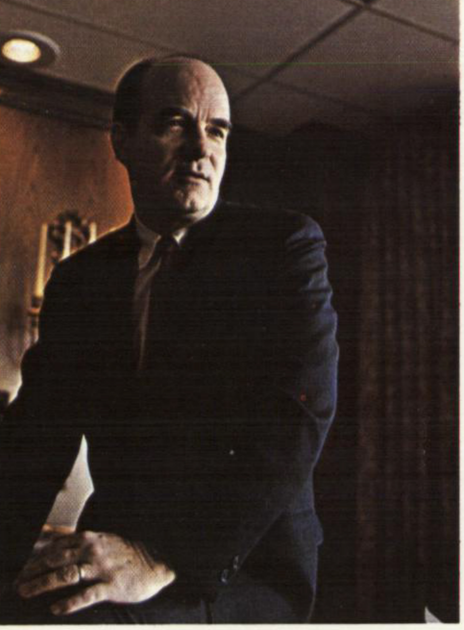
proprietor/familial concepts of entrepreneurship. As chief executives, they operate their companies in the full glare of public ownership, are accountable and responsible to their shareholders, are highly motivated and because they have an equity interest in their companies, their intent clearly parallels that of their shareholders.

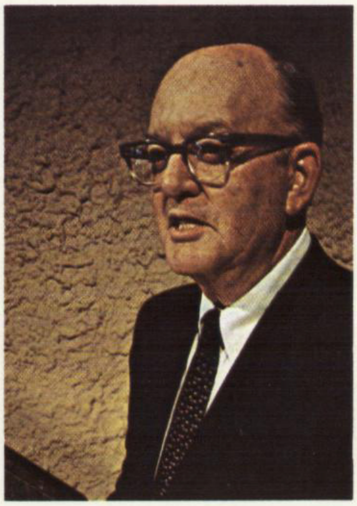
JAMES O. WELDON (left) is chairman of LTV Electrosystems and president of its Continental Electronics subsidiaries. In center photograph, Paul Dashine, president of Okonite; Jordan Issackedes (center), vice president-plans and administration, and Victor A. Viggiano (right), vice president-manufacturing, review a disclosure news release.

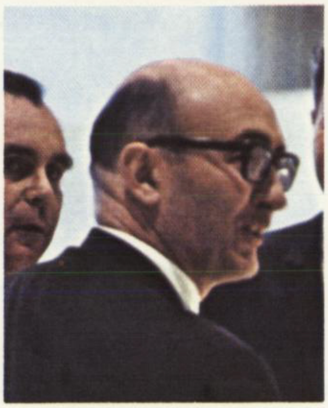
THE VALUE LTV places on recognition of the individual and his contributions to the company was aptly demonstrated by the election of John L. Cockrill (below), formerly LTV's vice president-administration, to post of president and chief executive of LTV Ling Altec.











INTERFACE between subsidiaries and the parent company's staff is of vital importance in LTV's approach to modern entrepreneurship. In the upper center photograph, John W. Johnson (left), vice president-public relations and advertising, reviews Wilson & Co.'s corporate advertising program with Harry D. Barger, Wilson's vice president in charge of merchandising. At upper left is George E. Griffin, vice president-financial plans.

MORRIS E. ROTH (pictured above right), vice president and executive assistant to the president, was instrumental in the design and completion of LTV's highly sophisticated Information and Control Center. At far left, is one of the company's newer vice presidents, Francis X. Reilly, formerly assistant treasurer of LTV and an executive of Wilson & Co.

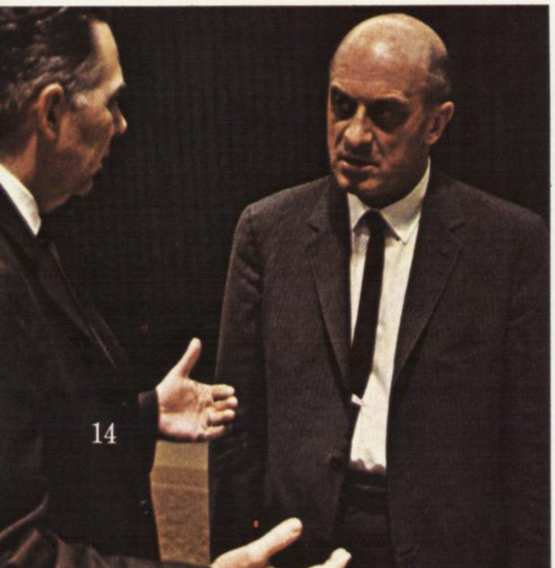
Expertise At The Parent Level

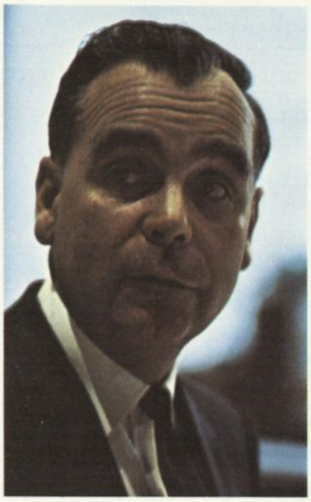
The concept of LTV's corporate structure provides a fine training ground for management. At the parent-operating level, the officers of the corporate staff and their professional

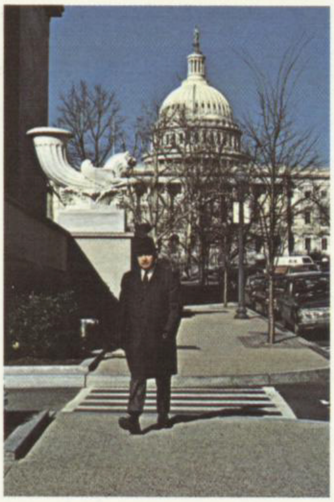
William B. Haack, WPCC's secretary and treasurer, confers with H. M. Eitel, (right) LTV's vice president-administration.

BILL AXNESS is vice president and assistant to the board chairman and chief executive of LTV.

JOHN W. DIXON (right), LTV's vice president-plans, continues over lunch a discussion with Blake H. Hooper that began earlier in the day.

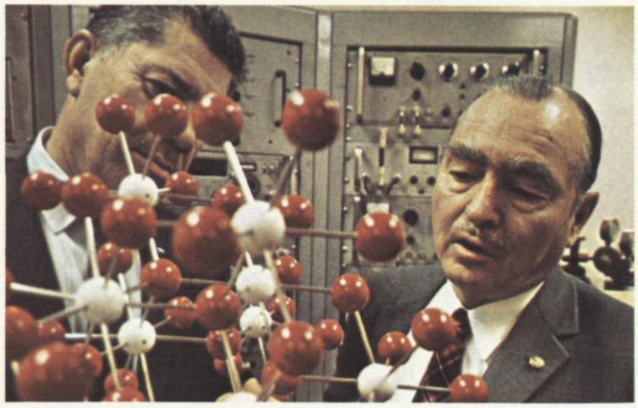






LTV's CORPORATE entrepreneurs play a vital role in providing management in depth at the corporate level. The officers pictured above include B. L. Brown (left), vice president and treasurer; Forbes Mann (center), vice president-government and foreign relations, and Dan Burney (standing at far right), vice president, secretary and general counsel, with three associates.

IN ADDITION to providing basic research, the LTV Research Center assists LTV subsidiaries engaged in research geared to servicing the needs of customers with immediately marketable products and services. Such cross-fertilization is demonstrated as R. C. Blaylock (right), LTV's vice president-technical director, and E. F. Buehring, president and chief executive of LTV Electrosystems, analyze an atomic model of an electronics component.



associates have experienced — in a relatively compressed period of time — a range of corporate development well beyond the normal business expectancy. They have participated in acquisitions, mergers, underwritings, reorganizations, recapitalizations, planning cycles, and a number of other activities that have resulted in an unusual expertise spanning the financial and operations spectrum.

INFORMAL discussion includes (left to right) Joseph G. Bacsik, vice president and controller; Richard L. Thomas, vice president-executive assistant to the chief executive, and Virgil B. Pettigrew.

PHOTOGRAPH of James J. Ling (standing), board chairman and chief executive, conferring with four vice presidents, was taken while enroute by plane to a meeting in New York.

Directors

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

Clyde Skeen
President
Ling-Temco-Vought, Inc.

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

E. Grant Fitts
President, Gulf Life Holding Co.
Vice Chairman of the
Executive Committee
Ling-Temco-Vought, Inc.

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

Charles M. Beeghly*
Chairman of Executive
Committee, Jones & Laughlin
Steel Corporation
Pittsburgh, Pennsylvania

James H. Bond
Investments, Banking and
Government, Dallas, Texas

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

James F. Chambers, Jr.
President, Chief Executive
Officer and Publisher
The Dallas Times Herald
Dallas, Texas

James D. Cooney
Retired Chairman of the Board
Wilson & Co., Inc.

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

Robert B. Gilmore
Chairman of the Board
DeGolyer & McNaughton
Geologists, Dallas, Texas

H. Stuart Harrison*
President, Cleveland-Cliffs
Iron Company, Cleveland,
Ohio, and Director, Jones &
Laughlin Steel Corporation

Harding L. Lawrence
President and Chief Executive
Officer, Braniff Airways,
Incorporated, Dallas, Texas

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

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

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

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

William J. Stephens*
Chairman of the Board and
Chief Executive Officer, Jones
& Laughlin Steel Corporation,
Pittsburgh, Pennsylvania

W. P. Thayer
President and Chief Executive
Officer, LTV Aerospace
Corporation, Dallas, Texas

James O. Weldon
Chairman of the Board, LTV
Electrosystems, Inc., & President
Continental Electronics Co.,
Dallas, Texas

**Became director in 1968.*


James D. Cooney


James J. Ling


James O. Weldon


James H. Bond


William J. Stephens

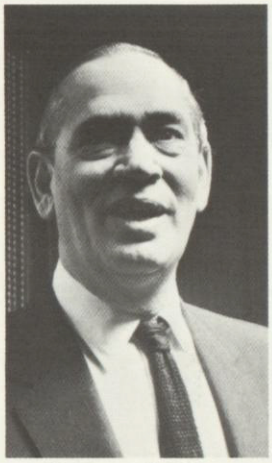

Harding L. Lawrence


D. H. Byrd


W. P. Thayer


Roscoe G. Haynie

H. Stuart Harrison



Gustave L. Levy

Robert McCulloch

E. Grant Fitts

L. T. Potter

Clyde Skeen

Charles M. Beeghly

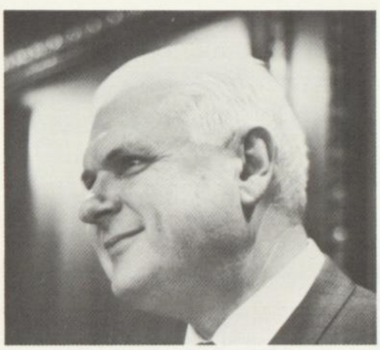
A. D. Martin

Robert B. Gilmore

O. R. Moore

William H. Osborn, Jr.

James F. Chambers, Jr.



V. A. Davidson, M.D.

Officers

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

Clyde Skeen
President

Roscoe G. Haynie
Chairman of the Executive Committee

E. Grant Fitts
Vice Chairman of the Executive Committee

Robert McCulloch
Chairman Emeritus

Willard F. Axness
Vice President-Assistant to the Chairman of the Board and Chief Executive Officer

Joseph G. Bacsik
Vice President and Controller

Raymond C. Blaylock
Vice President-Technical Director

Bernard L. Brown
Vice President and Treasurer

Dan Burney
Vice President, Secretary and General Counsel

John W. Dixon
Vice President-Plans

Hubert M. Eitel
Vice President-Administration

George E. Griffin
Vice President-Financial Plans

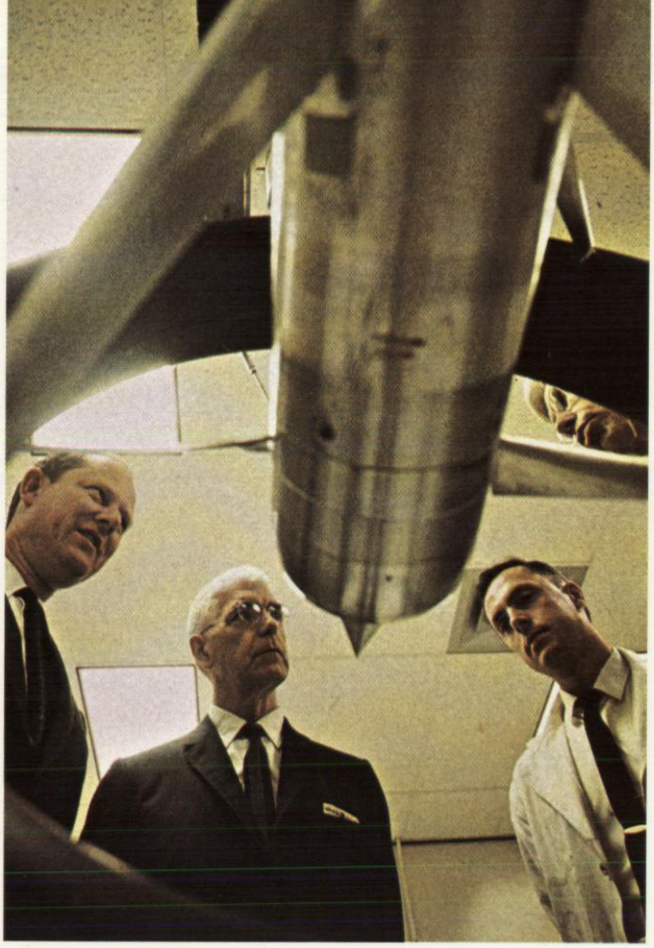
John W. Johnson
Vice President-Public Relations and Advertising

Forbes Mann
Vice President-Government and Foreign Relations

Francis X. Reilly
Vice President

Morris E. Roth
Vice President-Executive Assistant to the President

Richard L. Thomas
Vice President-Executive Assistant to the Chairman of the Board and Chief Executive Officer

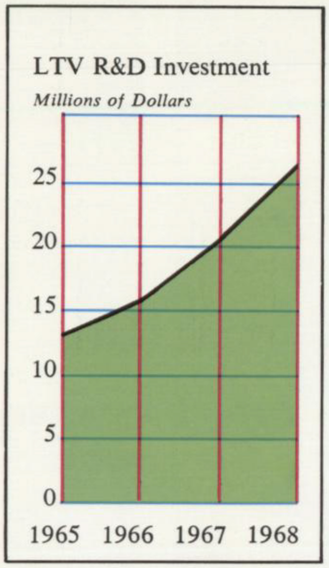


CORPORATE RESEARCH activities are conducted under guidance of H. B. Gibbons (second from left), LTV Research Center director, and Dr. Felix W. Fenter (left), associate director.

Research and Development Efforts Accelerated

Any viable corporation that aspires to meet the technological requirements of this age and of those to come must provide an environment for its scientific talent that is conducive to the inquisitive and productive thinking that fosters creative research. At Ling-Temco-Vought, some of the world's most gifted scientists are thriving in just such an environment as a result of the completion of the Robert McCulloch Research Center which LTV officially dedicated in 1968.

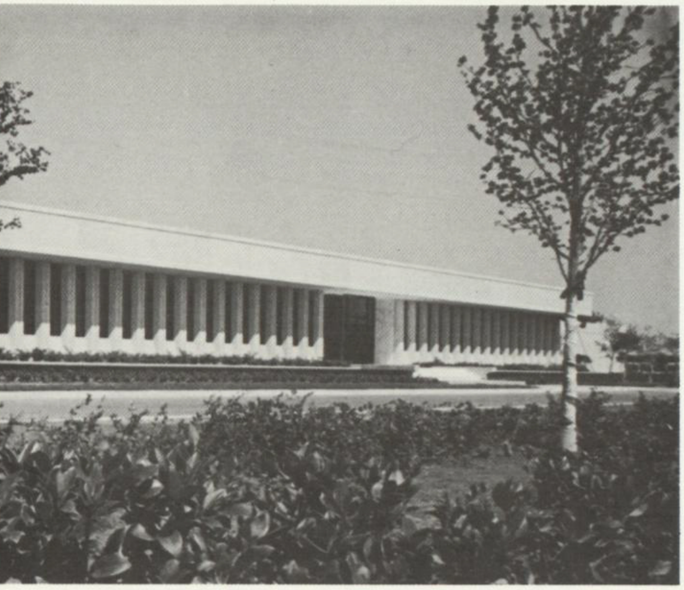
As headquarters for the LTV Research Center, the new 97,000-square-foot facility has become the energizing force behind the company's world-wide research and development efforts. Programs underway there and at other LTV research installations may lead to improved large-screen laser displays with myriad information applications, advanced high-speed holography, city-center-to-city-center air transportation systems or numerous additional outgrowths of scientific discovery.



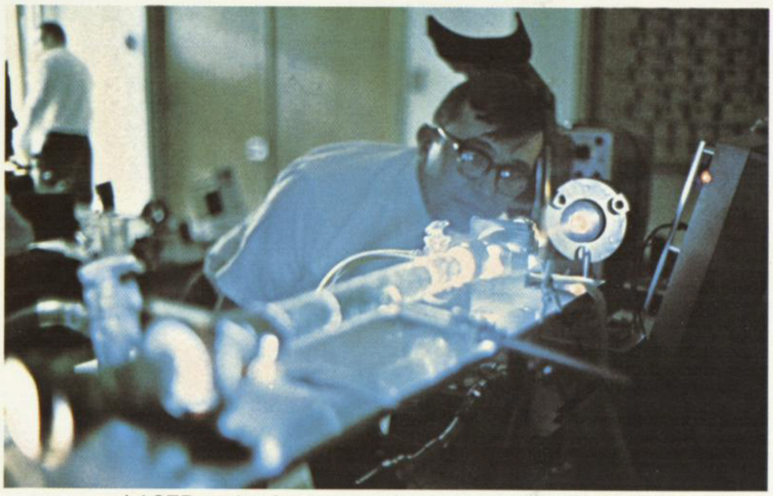
The Robert McCulloch Research Center's advanced laboratories and sophisticated equipment are enabling the Dallas Division, the largest of the LTV Research Center's three operating entities, to accelerate its efforts in four broad scientific areas — *aerophysics, electronics, materials, and nuclear and space physics.* The center's Western Division, based in Anaheim, Calif., delves into new aspects of high intensity sound, electro-acoustics and telecommunications, while its Hawaiian Division in Honolulu is the focal point of the company's activities in ocean sciences and antisubmarine warfare (ASW) research and development.

Subsidiary Interface

Although they concentrate upon providing fundamental information essential to current and future LTV programs, these three divisions also frequently offer assistance to LTV subsidiary companies engaged in research geared to servicing the needs of customers with immediately marketable products and services. Such assistance might manifest itself as specialized technical services or coordination of far-flung research programs throughout the subsidiaries to avoid costly duplication or overlapping projects.



HEADQUARTERS for LTV Research activities is the Robert McCulloch Research Center which the company officially dedicated in September of 1968.



LASER technology was advanced in 1968 through the development of a dramatic technique for making a holographic picture with invisible infrared radiation and projecting a three-dimensional image by means of a laser emitting visible light.

In 1968, total company-sponsored technical expenditures, including those of LTV subsidiaries, increased 29 per cent from $20,435,000 the previous year to $26,382,000. The LTV Research Center's operating budget was up approximately 25 per cent, and, as projected, contract research for government agencies and subsidiary companies accounted for approximately half of the total.

Significant Achievements

The research center's success in 1968 was also measurable in terms of the significant scientific breakthroughs accomplished by each of its divisions.

Laser technology was advanced at the Dallas Division through the development of a dramatic technique for making a holographic picture with invisible infrared radiation and projecting a three-dimensional image by means of a laser emitting light. New-generation large screen tactical displays for battlefield commanders and laser-powered closed circuit television systems are only two of literally hundreds of technological advances that this technique and other LTV laser research activities could help bring a step closer to reality.

The division also is experimenting with lasers to further develop high-speed holography — potentially a substitute for high-speed photography.

This country's ability to produce faster and longer-range submarines could be enhanced as the result of non-Newtonian fluid investigations continued into 1968. A special drag-reducing technique developed by LTV for marine vehicles was among the topics of discussion at a symposium the LTV Research Center hosted in September on viscous drag reduction. Approximately 100 engineers and scientists from the United States and the United Kingdom attended the symposium, which the Office of Naval Research, Research Division of NASA, and the Naval Ship Research and Development Center co-sponsored.

A VTOL (vertical takeoff and landing) aircraft that could virtually eliminate the taxi as a means of transporting passengers from airports on the outskirts of metropolitan areas into the cities is conceivably a not-too-distant product of LTV's aerophysics research.

LTV is striving through several R & D programs to assist man in his conquest of space. A NASA-funded project, for which the company will fabricate a Radiation Meteoroid Satellite (RMS), is aimed at providing astronauts with an added measure of safety by eliminating uncertainties in present space radiation monitoring systems.

Division Activities

The Western Division expanded and refined its unique telecommunications laboratory in 1968 and introduced a new concept in telephone equipment that would provide subscribers in rural and urban areas improved service with finer gauge telephone lines and fewer central stations.

Further west — in Hawaii — LTV's research activities centered around efforts to achieve outstanding technical competence in areas vital to the development of sophisticated Anti-Submarine Warfare (ASW) systems.

The progress of this oceanic venture and the appreciable success experienced by LTV scientists in other research and development programs during 1968 justify the high priority top management places on scientific inquiry — a basic factor in any company's growth.

Wilson & Co., Inc.

President and Chief Executive Officer: Roy V. Edwards

LTV EQUITY: 81%
PRINCIPAL PRODUCTS: Fresh Meats/Processed Foods, Dairy Products, Grocery Products, Freeze-Dried Meats, Poultry
CURRENT EMPLOYMENT: 18,300
1968 SALES: $1,024,567,000
1968 NET INCOME: $10,202,000
HEADQUARTERS: Wilson & Co., Inc., Room 900 Prudential Plaza, Chicago, Illinois 60601

Braniff Airways, Incorporated

President and Chief Executive Officer: Harding L. Lawrence

LTV EQUITY: 66%
PRINCIPAL SERVICES: Civilian and Military Passenger Service, Cargo Transport
CURRENT EMPLOYMENT: 11,200
1968 REVENUES: $294,059,000
1968 NET INCOME: $10,414,000
HEADQUARTERS: Braniff Airways, Incorporated, Braniff Building, Dallas, Texas 75235

LTV Aerospace Corporation

President and Chief Executive Officer: W. Paul Thayer

LTV EQUITY: 69%
PRINCIPAL PRODUCTS: Aircraft, Missiles, Space Systems, Management-Technical-Administrative-Computer Services
DIVISIONS: Vought Aeronautics; Missiles & Space
SUBSIDIARIES: Kentron, Hawaii, Ltd.; Computer Technology Inc.; Service Technology Corporation; LTA Education Systems, Inc.
CURRENT EMPLOYMENT: 30,000
1968 SALES: $527,652,000
1968 NET INCOME: $15,087,000
HEADQUARTERS: LTV Aerospace Corporation, 1525 Elm Street, P.O. Box 5003, Dallas, Texas 75222

The Okonite Company

President and Chief Executive Officer: Paul Dashine

LTV EQUITY: 86%
PRINCIPAL PRODUCTS: Power Cable, Signal Cable, Telephone Cable, Control Cable, Wire Products, Carpeting and Carpet Padding
DIVISIONS: Wire and Cable.
SUBSIDIARIES: Jefferson Wire & Cable Corporation; General Felt Industries, Inc.; Ken-Tel Equipment Company
CURRENT EMPLOYMENT: 3,500
1968 SALES: $190,848,000
1968 NET INCOME: $6,619,000
HEADQUARTERS: The Okonite Company, 220 Passaic Street, Passaic, New Jersey 07055

Wilson Sporting Goods Co.

President and Chief Executive Officer: William P. Holmes

LTV EQUITY: 75%
PRINCIPAL PRODUCTS: Sports and Athletic Equipment, Athletic Clothing, Plastic Products, Spring "Hobby" Horses
CURRENT EMPLOYMENT: 5,000
1968 SALES: $100,819,000 1968 NET INCOME: $4,434,000
HEADQUARTERS: Wilson Sporting Goods Co., 2233 West Street, River Grove, Illinois 60171

Wilson Pharmaceutical & Chemical Corporation

President and Chief Executive Officer: Blake H. Hooper

LTV EQUITY: 77%
PRINCIPAL PRODUCTS: Pharmaceuticals, Organic Chemical Specialties, Polyester Resins, Cosmetic Ingredients, Food Additives, Vegetable Hard Butters, Edible Gelatin, Sulfuric Acid, Edible Fats
CURRENT EMPLOYMENT: 825
1968 SALES: $41,966,000 1968 NET INCOME: $1,513,000
HEADQUARTERS: Wilson Pharmaceutical & Chemical Corporation, Room 2300 Prudential Plaza, Chicago, Illinois 60601

Jones & Laughlin Steel Corporation

Chairman and Chief Executive Officer: William J. Stephens
President and Chief Operating Officer: William P. Getty

LTV EQUITY: 63%

PRINCIPAL PRODUCTS: Carbon, Alloy, and Stainless Steels

DIVISIONS: Stainless and Strip; Conduit Products; Container; Electricweld Tube; Steel Service Center; Wire Rope; and Supply

SUBSIDIARIES: Aliquippa and Southern Railroad Company; The Cuyahoga Valley Railway Company; Gateway Coal Company; Jalore Mining Company, Ltd.; Jones & Laughlin Mining Company, Ltd.; Magdalena Mining Company; The Monogahela Connecting Railroad Company; Normanville Mining Company; and Union Dock Company

AVERAGE EMPLOYMENT: 40,000

1968 SALES: $1,016,011,000   1968 NET INCOME: $27,649,000

HEADQUARTERS: Jones & Laughlin Steel Corporation, 3 Gateway Center, Pittsburgh, Pennsylvania 15230

LTV Electrosystems, Inc.

Chairman of the Board: Jas. O. Weldon
President and Chief Executive Officer: E. F. Buehring

LTV EQUITY: 70%

PRINCIPAL 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

CURRENT EMPLOYMENT: 10,600

1968 SALES: $208,721,000   1968 NET INCOME: $3,639,000

HEADQUARTERS: LTV Electrosystems, Inc., 1525 Elm Street, P.O. Box 6030, Dallas, Texas 75222

LTV Ling Altec, Inc.

Chairman of the Board: A. A. Ward
President and Chief Executive Officer: John L. Cockrill

LTV EQUITY: 74%

PRINCIPAL PRODUCTS: Commercial/Hi-Fi Sound Systems, Intercom Systems, Telephone Transmission Equipment, Environmental Test Systems, High Energy Power Supplies, Test Instruments, Traffic Control Systems, RFI Measurement Instruments, Seismic Equipment, Capacitors, Crystals, Miniature Switches, Transformers

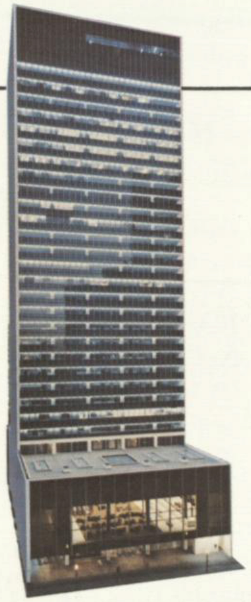
DIVISIONS: Altec Lansing, Ling Electronics, University Sound

SUBSIDIARIES: Altec Service Corporation; Allied Radio Corporation; LTV Ling Altec, Limited (England); Staco, Inc.; Tamar Electronics Industries, Inc., Whitehall Electronics Corp.

CURRENT EMPLOYMENT: 6,500

1968 SALES: $158,474,000   1968 NET INCOME: $2,357,000

HEADQUARTERS: LTV Ling Altec, Inc., 1st Bank & Trust Building, Richardson, Texas or P.O. Box 30385, Dallas, Texas 75230



Ling-Temco-Vought, Inc.

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

CLYDE SKEEN
President

ROSCOE G. HAYNIE
Chairman of the Executive Committee

HEADQUARTERS:
1525 Elm Street
P.O. Box 5003
Dallas, Texas 75222

LTV RESEARCH CENTER
Dallas, Texas
Anaheim, California
Honolulu, Hawaii

1968 CONSOLIDATED SALES: $2,769,737,000

1968 CONSOLIDATED NET INCOME: $36,332,000

TOTAL EMPLOYMENT: 128,000

Data as of December 31, 1968.

Braniff International

Equity Ownership by LTV: 66%

OPERATING RESULTS:

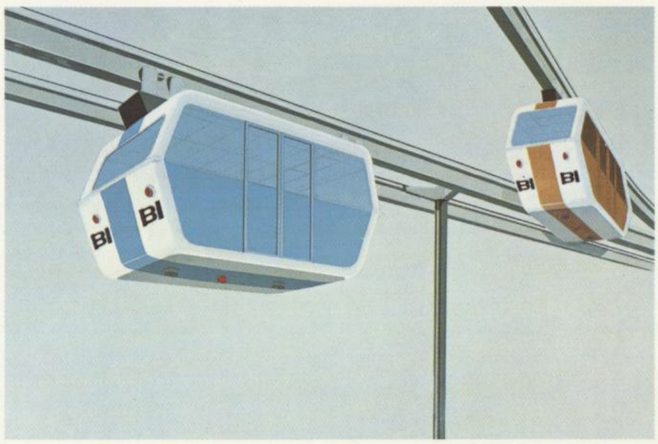
(In Thousands)

	1968	1967	% Increase
Revenues	**$294,059**	**$256,377**	**15**
Net Income	**10,414**	**4,702**	**121**
LTV Equity in Net Income	**7,735***	**—**	**—**

*From February 1, 1968

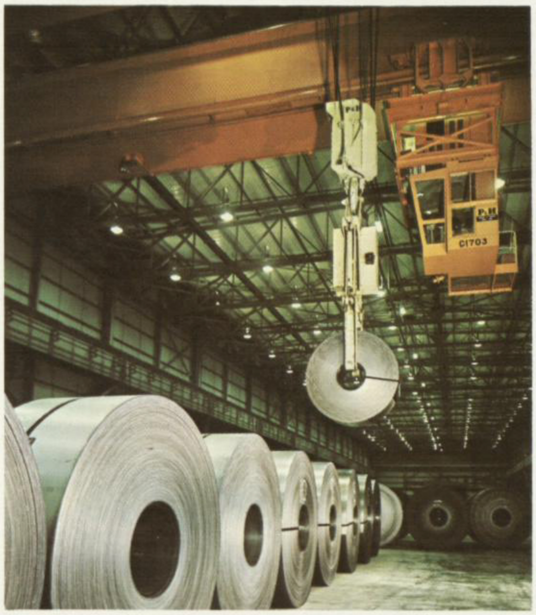
HIGHLIGHTS:

- *New routes awarded to South America*
- *Revenue passenger miles increase 17.5% to approximately 5.6 billion*
- *Cargo ton miles increase 31.8% to 163 million*
- *Opened new $9 million terminal at Love Field, Dallas, and a new terminal in San Antonio*
- *New 100,000-square-foot computer and data processing center opened and operational*
- *Formation of Hotel Associates, S.A. — to provide first class luxury hotels and encourage tourism to major South American cities serviced by BI*
- *Nation's first automated overhead* Fastpark Jetrail *under construction at Love Field*



Braniff International, the nation's most innovative airline, expanded its reputation in 1968 by earning industry leadership in on-time performance and reliability. Already known for passenger convenience, comfort and cuisine, Braniff is a major international air passenger and cargo carrier serving the commercial and military air traffic requirements throughout the United States and South America. As a prime contract operator, the airline makes regular transpacific flights for the Military Airlift Command to the Far East and Southeast Asia.

Braniff's modern jet fleet consists of 63 pure jet and eight turbo-prop aircraft. Eighteen of the jets are *Quick Change (QC)* aircraft capable of being rapidly converted from passenger to cargo service, or vice versa. Domestically, BI serves 34 cities in 16 states, with regular international flights scheduled to major cities in South America and Mexico. During 1968, new records in passenger revenue miles logged, over 5 billion, and in cargo ton miles, over 163 million, were established.



Jones & Laughlin Steel Corporation

Equity Ownership by LTV: 63%

OPERATING RESULTS:

(In Thousands)

	1968	1967	% Increase (Decrease)
Sales	**$1,016,011**	**$903,650**	**12**
Net Income	**27,649**	**35,809**	**(23)**
LTV Equity in Net Income	**2,625***	**—**	**—**

*From June 1, 1968

HIGHLIGHTS:

- *Jones & Laughlin Industries, Inc. formed to seek diversification*
- *$400 million plant modernization and improvement program continues — three new 200-ton basic oxygen furnaces go on stream*
- *New $157 million steel finishing plant at Hennepin, Illinois, operational*
- *Cost efficiencies realized through innovation — J&L patented computerized controls*

Jones & Laughlin Steel Corporation — newest of the LTV family of quality companies — is one of the nation's major producers of steel with an annual sales base of approximately $1 billion and an average employment of approximately 40,000.

Founded in 1853, the firm now produces and markets a diversity of carbon, alloy and stainless steels in a variety of shapes and sizes. The diversified product lines in J&L's product mix include hot- and cold-rolled and coated sheets and strip; tubular products; hot-rolled and cold-finished bars; tin and black plate; plates and structural shapes, and rod and wire products.

J&L has been engaged in an extensive modernization program designed to incorporate the most modern techniques. New basic oxygen furnaces, as replacements for the older Bessemer and open-hearth furnaces, computerized controls, and other faster, more efficient product methods and equipment are being installed.

Meanwhile, the formation of Jones & Laughlin Industries provides for the initiation of a diversification and external growth program.

LTV Aerospace Corporation

Equity Ownership by LTV: 69%

OPERATING RESULTS:

(In Thousands)

	1968	1967	% Increase
Sales	**$527,652**	**$343,696**	**54**
Net Income	**15,087**	**9,578**	**58**
LTV Equity in Net Income	**10,655**	**7,871**	**35**

HIGHLIGHTS:

- *Record net income and sales — increased 58% and 54% over 1967, respectively*
- *Two new subsidiaries formed — Computer Technology Inc., publicly held, and LTA Education Systems, Inc.*
- *Public offering of $40 million in subordinated debentures with warrants*
- *Production accelerated on A-7; F-8 remanufacture continues*
- *Lance battlefield missile transitioning from development to production phase*
- *First 747 aft sections shipped to Boeing*
- *Subcontract award on DC-10 Tri-Jet expanded*
- *Lockheed/LTV Aerospace team awarded VSX (ASW aircraft) definition phase contract*
- *Scout records another year with 100% success delivering payloads into space*
- *Union contracts signed for 3-year period*

LTV Aerospace is an established technological leader in its industry with diversified interests in the computer and educational fields.

Basically, the company provides military, space, and other government and commercial markets with a wide variety of sophisticated products and services — including aircraft, missiles, space exploration "hardware" and concepts, ground transportation systems, and computer, technical, educational, engineering and management services.

Currently, the company's principal manufacturing and development programs include production contracts for the A-7 *Corsair II* and remanufacture of the F-8 *Crusader*, and the production of the tail and aft fuselage sections for the giant Boeing 747 jet and DC-10 transports. These programs are scheduled to extend well into the 1970s.

The *Lance* battlefield missile successfully overcame all major development problems and is rapidly approaching the production phase, while the *Scout* launch vehicle continued to perform faultlessly in launching payloads into space.

Adding to the future business potential, Computer Technology Inc., formed in August, 1968, provides a diversified and expanding range of computer services to the rapidly growing computer industry. Also, LTA Education Systems, Inc., formed in December following the purchase of three Texas business colleges, will inaugurate the company's entry into the field of commercial education and training.

Wilson & Co., Inc.

Equity Ownership by LTV: 81%

OPERATING RESULTS:

(In Thousands)

	1968	1967*	% Increase (Decrease)
Sales	$1,024,567	$985,540	4
Net Income	10,202	11,007	(7)
LTV Equity in Net Income	8,316	9,006	(8)

*Pro forma figures

HIGHLIGHTS:

- *Sales top $1 billion for the first time*
- *Acquisitions: modern pork plant in Illinois, Caroline Foods, fully integrated poultry operation*
- *Completion of new hog processing facility in Indiana; major additions to three other plants*
- *Ground broken for new beef facility at Hereford, Texas*
- *Public offering of $50 million in subordinated debentures with warrants*

Wilson & Co., Inc., a respected world leader in the food industry, achieved the billion-dollar volume mark in sales for the first time. The company continues to attain greater growth internally through increased production capacity, advanced technology, and statistical quality controls and, externally, through selected acquisitions.

Today, Wilson operates 14 meat processing plants, nine poultry processing plants, 42 distribution centers (15 of which have processing facilities), and 13 hotel and restaurant supply houses in the United States. Current employment totals approximately 18,300. During 1968, construction of a new major meat facility was started and major additions were completed at three other facilities.

Overseas, the company has two processing plants, nine sales branches and four cattle ranches in Brazil; a poultry processing plant, a fats and oils processing plant, and five sales branches in England, and two meat processing plants and a wool processing plant in New Zealand.

More than 600 branded products are processed in the Wilson plants, including hams, bacon and other pork products, freeze-dried meats, canned meats, and refinery products. Wilson is also a major supplier of fresh and frozen beef, pork, and lamb to customers throughout the world.

The Okonite Company

Equity Ownership by LTV: 86%

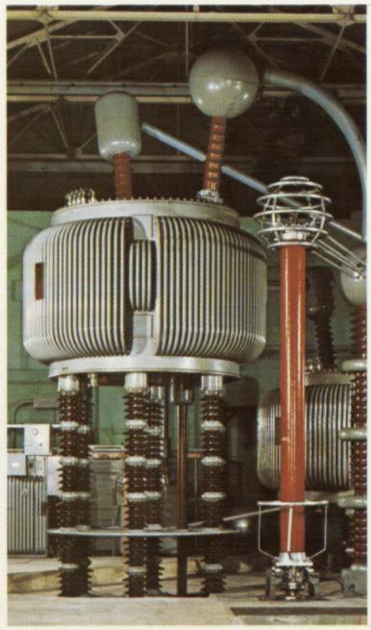
OPERATING RESULTS:

(In Thousands)

	1968	1967	% Increase (Decrease)
Sales	$190,848	$103,238	85
Net Income	6,619	9,009	(26)
LTV Equity in Net Income	5,599	7,855	(29)

HIGHLIGHTS:

- *Operational structure reorganized; management strengthened*
- *General Felt's operations included for full year*
- *Santa Maria and Dallas plants in operation*
- *Cost/price squeeze resulting from prolonged copper strike adversely affected earnings*
- *Public offering of $40 million in subordinated debentures with warrants*

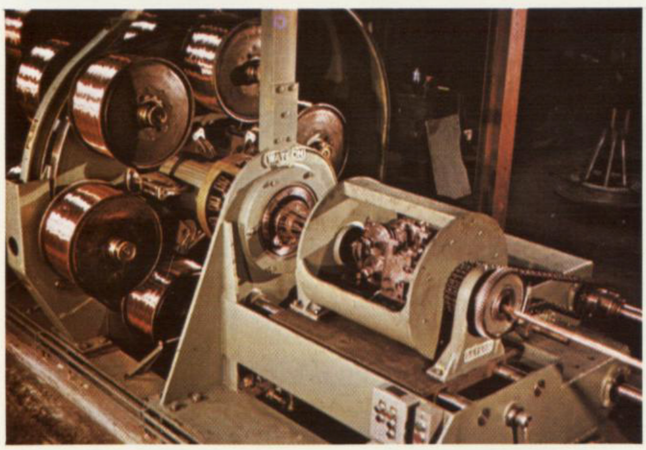


The Okonite Company has a long-established reputation for outstanding products in the high voltage power and communication cable field and is earning a high degree of acceptance in the manufacture and marketing of quality indoor-outdoor carpeting and carpeting underlay.

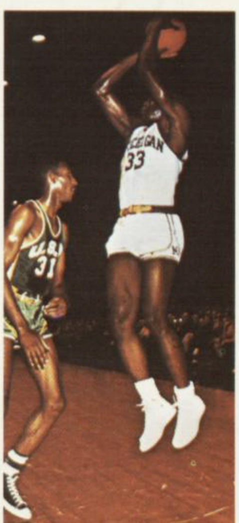
Headquartered in Passaic, N. J., Okonite currently employs approximately 3,500 persons.

Okonite's Wire and Cable Division has developed varied insulated power and communications product lines to serve more than 2,000 heavy-user purchasers such as electric utilities, independent telephone companies, railroads, heavy industry, and industrial contractors.

Major wire and cable manufacturing facilities are in Passaic, North Brunswick and Paterson, New Jersey; Providence, Rhode Island; and Santa Maria, California. The division has under construction an aluminum conductor plant in Richmond, Kentucky. Regional sales offices are maintained in Atlanta, Boston, Chicago, New York, and San Francisco.



General Felt Industries, an Okonite division, is a leading manufacturer of indoor-outdoor carpeting, carpet cushions, felt lining and sisal pads. The introduction of "Four Seasons" indoor-outdoor carpeting and, more recently a higher quality brand, "Niagara," enabled GFI to penetrate the brand-name retail market through distributors, dealers, furniture stores and chain retailers. The products and a new national advertising campaign have received enthusiastic reception at all levels.



Wilson Sporting Goods Co.

Equity Ownership by LTV: 75%

OPERATING RESULTS:

(In Thousands)

	1968	1967*	% Increase
Sales	$100,819	$89,066	13
Net Income	4,434	4,033	10
LTV Equity in Net Income	3,314	3,025	10

*Pro forma figures

HIGHLIGHTS:

- *Sales top $100 million mark, record earnings achieved*
- *New distribution and warehouse facilities opened in Utah and Tennessee*
- *Addition to headquarters facilities constructed*
- *Steel tennis racket accepted "beyond expectations"*
- *Public offering of $35 million in subordinated debentures with warrants*

Wilson Sporting Goods Co., the world's leading manufacturer of sports and athletic equipment, has earned a widely respected reputation for quality. Wilson-made products are the standard of excellence — to both the amateur and the pro. During 1968, sales topped the $100 million mark for the first time.

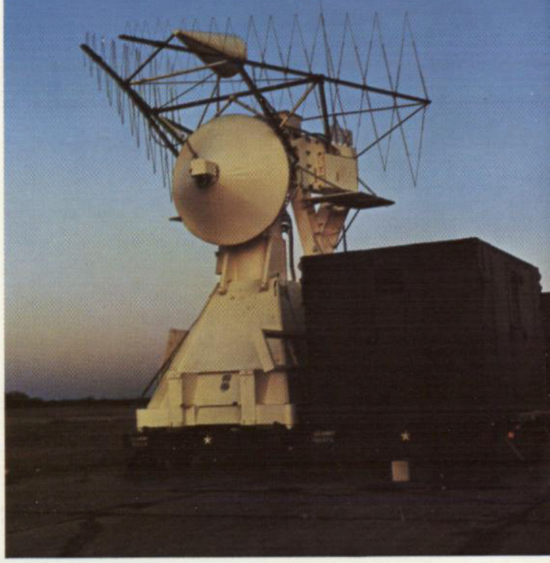
Wilson distributes more than 8,000 individual items of equipment and apparel for golf, tennis, baseball, football, basketball and other participant and spectator sports. Through a wholly owned subsidiary, Wonder Products Company, it produces the world-famous line of spring-mounted hobby horses and other custom-molded plastic products.

Today, Wilson has 13 domestic manufacturing plants, plus one in Puerto Rico, and over 30 sales and warehouse divisions scattered throughout the 50 states employing approximately 5,000.

Overseas, the company has sales and manufacturing facilities in Scotland and sales divisions in Hong Kong, West Germany, England and Japan.

LTV Electrosystems, Inc.

Equity Ownership by LTV: 70%



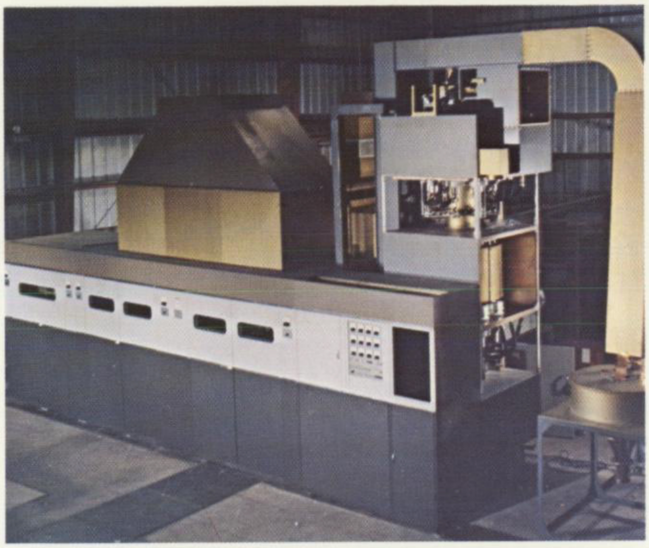
OPERATING RESULTS:

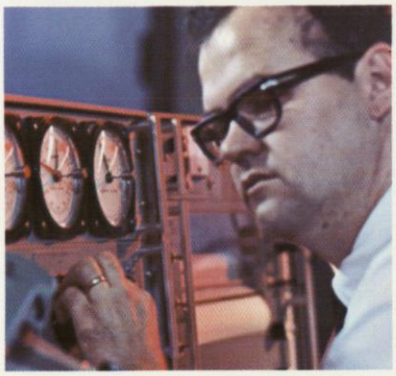
(In Thousands)

	1968	1967	% Increase (Decrease)
Sales	$208,721	$181,788	15
Net Income	3,639	5,354	(32)
LTV Equity in Net Income	2,557	4,017	(36)

HIGHLIGHTS:

- *Significant sales growth over 1967*
- *Classified foreign marketing penetration*
- *Three new military contract awards totaling $12.6 million*
- *Continued strengthening of management and scientific staff*
- *Increase in high-level technical skills*
- *New three year labor contract signed*
- *Technical Achievements:*
  - *— New TACAN system*
  - *— 70 KW Illumination System*
  - *— Ground/Vehicle-Mounted AN/AYA-7*



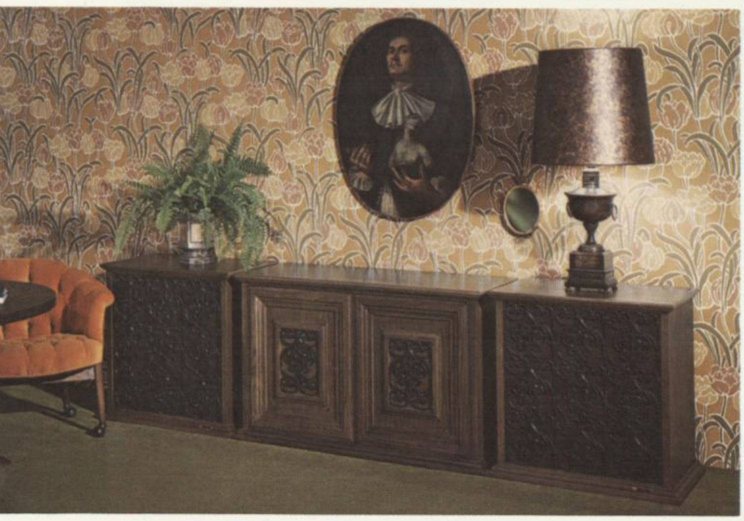


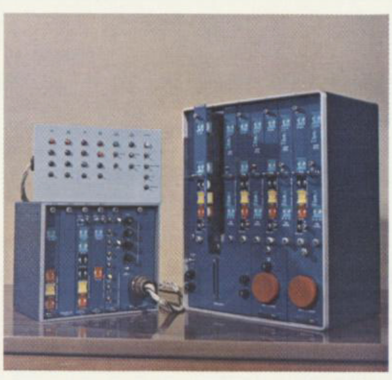
LTV Electrosystems is an advanced technology corporation producing a wide variety of sophisticated electronics systems, components, products, and services for government and industrial markets.

Four operating units — Greenville Division, Garland Division, Memcor Division and the Continental Electronics subsidiaries — have 12 major facilities in six states and six field offices, employing more than 11,000 people.

The company's sophisticated electronics hardware programs cover the broad range of reconnaissance, surveillance, communications, command and control, and guidance systems. LTV Electrosystems also manufactures systems and subsystems for hydraulic flight control, thrust vector control, electronic warfare, guidance display, and digital communications as well as antenna structures and services, shocks and vibration testing services. In addition, the company produces tactical radios, gyros, aircraft indicators and precision instruments, and designs and develops tactical air navigation and control systems. Continental Electronics is a leader in the commercial broadcast field and the free world's premier manufacturer of super-powered transmitting systems.

Noteworthy achievements during 1968 enhanced the company's optimism for further growth and development. Memcor, for example, received a $4 million growth contract for a tactical air navigation transponder beacon system. Garland's digital communications system proved itself in airborne configuration and went into operational concept as a ground vehicle-mounted system. Greenville's airborne illumination system successfully completed field trials in a number of versions and configurations. Newer applications for law enforcement, traffic control, dock loading — anywhere intense, night light is needed to illuminate a large surface area — are being explored. In all operating units new products create optimism for future growth in non-military markets.





LTV Ling Altec, Inc.

Equity Ownership by LTV: 74%

OPERATING RESULTS:

(In Thousands)

	1968	1967*	% Increase (Decrease)
Sales	$158,474	$140,684	13
Net Income	2,357	2,887	(18)
LTV Equity in Net Income	1,209	1,011	21

*Restated for 1968 "pooling"

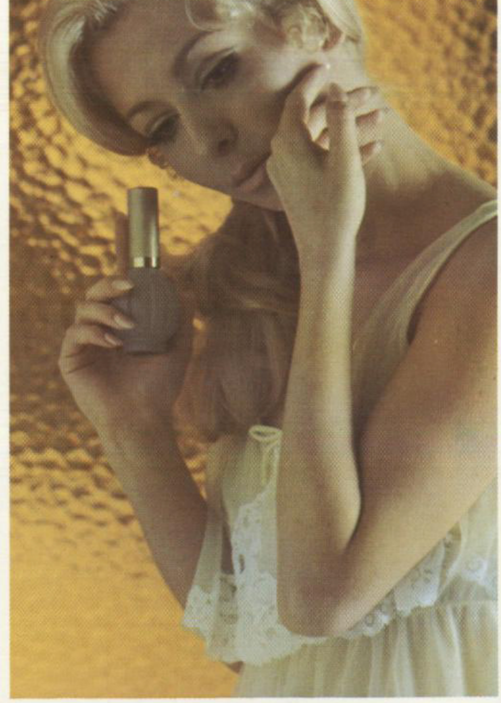
HIGHLIGHTS:

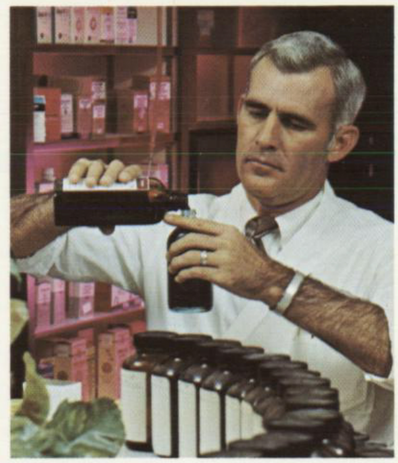
- *Sales increase 13% to $158,474,000*
- *Acquisition of Escon, Inc.*
- *Organization of new management team*
- *Development and initial implementation of the Allied Radio retail store expansion*
- *Development of advanced traffic control product line*
- *Initial contract usage of the Seismic Explorer*
- *Marketing begun on Altecom intercommunication systems for hospitals, nursing homes and schools*

LTV Ling Altec, Inc. is a highly diversified electronics manufacturing, merchandising and service company, comprised of 14 operating entities, including three subsidiaries with public ownership, employing over 6,500 with major installations in 13 states, Canada, Ireland and England and branch offices or sales outlets in every major city in America.

The company's largest single enterprise is the merchandising of electronic systems, equipment and components to consumers and industry through a network of retail stores, a nationwide sales force, and a major catalog/mail-order operation.

A broad spectrum of products also is manufactured to compete in a wide variety of consumer and industrial markets, both domestic and foreign. The principal product lines include professional sound systems, audio controls, intercom systems, hi-fi and stereo systems and components for the individual, telephone transmission products, public address speakers, amplifiers, vibration and acoustic environmental test systems, solid-state modular traffic control systems, radio frequency interference measurement instruments, marine and land seismic exploration services, electrolytic capacitors, radio frequency crystals, aircraft modernization, fixed and variable ratio transformers, electrical education equipment, and miniature lighted and unlighted switches.





Wilson Pharmaceutical & Chemical Corporation

Equity Ownership by LTV: 77%

OPERATING RESULTS:

	(In Thousands) 1968	1967*	% Increase (Decrease)
Sales	**$41,966**	**$39,514**	**6**
Net Income	**1,513**	**1,717**	**(12)**
LTV Equity in Net Income	**1,169**	**1,337**	**(13)**

*Pro forma figures

HIGHLIGHTS:

- *Blake H. Hooper elected President and Chief Executive Officer.*
- *New Wilson-Martin Research Laboratory in Philadelphia*
- *Expanded penetration of vegetable hard butter market*
- *Ester and Polyester product lines enlarged*

Wilson Pharmaceutical & Chemical Corporation is a growing, highly diversified and technically oriented pharmaceutical and chemical company. Its five operating divisions operate nine production plants and four research and new product development laboratories where efforts are concentrated on specific fields for product and profit opportunities.

Pharmaceuticals, convenience packaged foods, cosmetics, plastics and textiles are the chief areas of interest for product applications at Wilson Pharmaceutical & Chemical Corporation. Considered the largest in animal based pharmaceuticals, WPCC's blood anti-coagulants, anti-inflammatory enzymes, pancreatin, pepsin, peptones and many other products are found in hundreds of prescription preparations on druggists' shelves. New, intensified research on clinical diagnostic agents is opening up even broader opportunities for the future in the expanding health care field.

In 1968 record sales were achieved under the guidance of a professionally strengthened management team. Progress was made in the company's continued long-term program of planned growth through internal expansion and selected acquisitions. During the year the firm's acquisition of the Manhattan Vegetable Oil Refinery significantly increased its capability and penetration in the field of vegetable hard butter fats for the emerging field of convenience packaged desserts, confections, baked goods, and snacks.

A new research laboratory, opened last year at the Wilson-Martin Division, has already added new products to its line of specialty products for the cosmetic industry and for its urethane foam polyesters used in bonded textiles for fashion apparel.

These and other developments in the company have led to a record capital expansion budget for the years ahead.

Financial Section

FIVE YEAR FINANCIAL SUMMARY— LING-TEMCO-VOUGHT, INC. AND CONSOLIDATED SUBSIDIARIES

(Dollar Amounts in Thousands)

Operating Results	1968	1967	1966	1965	1964
SALES					
As Originally Reported	$2,769,737	$1,833,259	$ 468,251	$ 336,206	$ 322,859
From Poolings of Interests	—	38,275	1,162,200	967,928	908,867
As Restated for Poolings of Interests	2,769,737	1,871,534	1,630,451	1,304,134	1,231,726
NET INCOME					
As Originally Reported	36,332(4)	34,003	13,683	5,984	4,904
From Poolings of Interests	—	(104)	10,852	5,243	5,365
As Restated for Poolings of Interests	36,332(4)	33,899	24,535	11,227	10,269
NET INCOME PER COMMON SHARE(1) (2) (3)	6.39(4)	7.08	4.26	1.34	0.91
Pro forma fully diluted(2)(3)	4.46(4)	5.58			
DIVIDENDS PAID					
To Preferred Shareholders	3,742	3,260	1,147	1,001	602
To Class AA Shareholders	3,864(5)	—	—	—	—
To Common Shareholders	5,607	4,537	3,447	912	1,185
Per Share of Common Stock(1)	1.33⅓	1.16⅔	.66⅔	.33⅓	.33⅓

Financial Position—AT YEAR END	1968	1967	1966	1965	1964
	(As originally reported)				
Working capital	$ 345,517	$ 276,048	$ 73,986	$ 21,616	$ 35,507
Ratio of current assets to current liabilities	1.42	1.80	1.59	1.17	1.62
Property, plant, and equipment — net	987,702	179,389	54,547	44,582	20,127
Total assets	2,648,150	845,113	298,418	202,384	126,968
Notes payable to banks	413,970	160,938	47,640	57,000	21,700
Long-term debt	1,236,693	202,586	95,773	40,274	37,012
Shareholders' equity	175,453	245,049	58,906	30,534	28,562

Other Information	1968	1967	1966	1965	1964
	(As originally reported)				
Total employment — at year end	114,579	60,316	26,158	20,670	16,513
Expenditures for property, plant and equipment	$ 113,738	$ 39,634	$ 17,018	$ 6,800	$ 4,292
Company funded research and engineering expenditures	$ 26,382	$ 20,435	$ 16,136	$ 13,198	$ 12,822
Common, Class AA and preferred shareholders	25,002	24,519	16,368	15,422	19,923
Shares outstanding at year-end:					
Common(1)	2,071,753	4,669,276	2,904,132	2,646,915	2,774,973
Class AA	1,723,169	—	—	—	—
Preferred	512,054	1,098,841	434,107	344,991	416,824

(1) *Prior years adjusted to give effect to 3-for-2 stock split in 1967.*
(2) *As restated for poolings of interests.*
(3) *As defined in notes 2 and 3 to Statement of Consolidated Income.*
(4) *Including extraordinary gains of $8,620,000, equal to $1.67 per share and on the pro forma fully diluted basis to $0.94 per share.*
(5) *Market value of 50,189 shares of Special Stock Class AA issued as a stock dividend on December 30, 1968.*

1968 FINANCIAL REVIEW

SALES

Consolidated sales climbed to a new high of $2,769,737,000 in 1968, an increase of 48% over 1967 sales of $1,871,534,000. The 1967 sales figures, and all other consolidated financial figures for 1967 referred to below, have been adjusted to include operations of companies acquired during 1968 in transactions accounted for as poolings of interests.

Excluded from the 1968 consolidated sales figures are those of companies accounted for as non-consolidated subsidiaries, the most important of which is Braniff International, whose revenues for the full year 1968 amounted to $294,059,000.

LTV's diversification into the commercial sales area was further broadened by the acquisition of Jones & Laughlin Steel Corporation in 1968. The proportion of commercial business increased to 76% of total sales in 1968, with sales of J & L included for only the last seven months of the year, up from 72% in 1967.

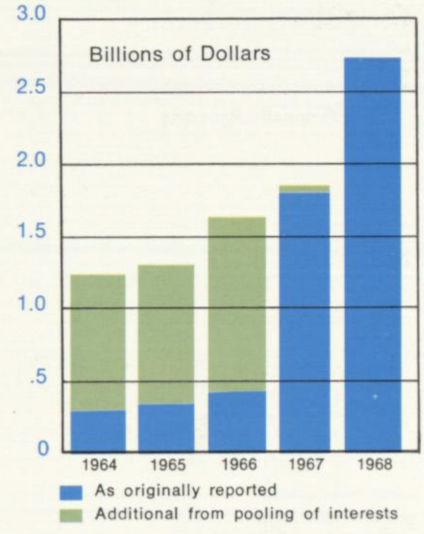
LTV's diversification is illustrated in the following table showing the percentage distribution of 1968 sales and revenues by subsidiary, including Braniff and Jones & Laughlin for the full year, together with the major product areas of each:

Company	Major Product Areas	%
Wilson & Co.	Meat and Food	29
Jones & Laughlin	Steel and Ferrous Metal Products	29
LTV Aerospace	Aircraft, Missiles and Space	15
Braniff	Air Transportation	8
LTV Electrosystems	Government Electronics	6
Okonite	Wire and Cable and Floor Covering	5
LTV Ling Altec	Consumer & Commercial Electronics	4
Wilson Sporting Goods	Recreation and Athletics	3
Wilson Pharm. & Chem.	Pharmaceuticals and Chemicals	1
		100%

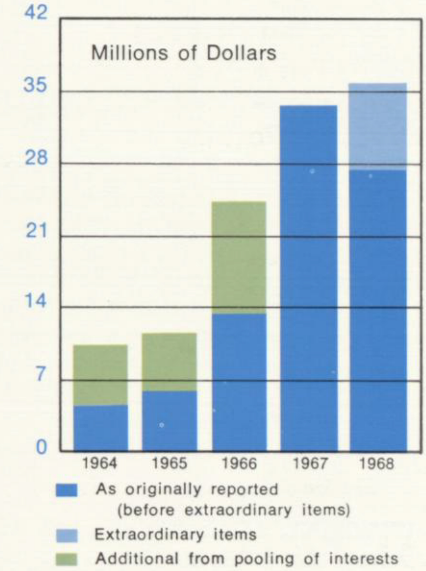
Government business, while accounting for a lesser percentage of the total in 1968 than in the prior year, increased in total dollar amount from $519,000,000 in 1967 to $664,000,000 in 1968. The current year sales were distributed among the various Government agencies as follows:

	Amount (in Millions)	%
Navy	327	49
Air Force	174	26
Army	69	10
NASA	50	8
Other	44	7
Total	664	100%

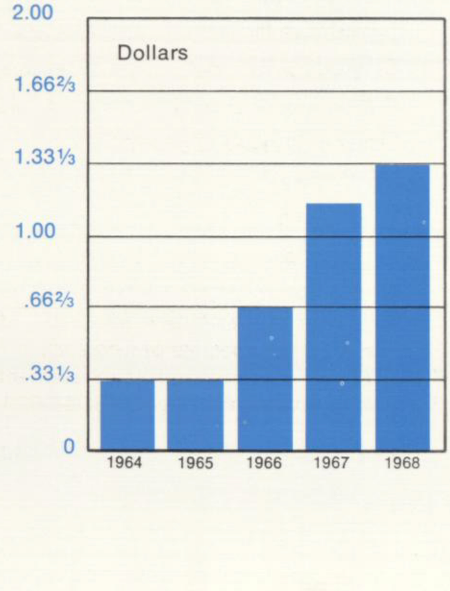
Sales



Net Earnings



Cash Dividends Per Common Share



EARNINGS

Consolidated net income for 1968, after provision for taxes and minority interests in the earnings of subsidiaries, amounted to $36,332,000, including extraordinary gains of $8,620,000 resulting from the sale of property and retirement of debt. Consolidated net income in 1967, with no extraordinary gains, amounted to $33,899,000. LTV's equity interest in the earnings of Braniff International and other non-consolidated subsidiaries are included in consolidated net income.

Net earnings per common share for 1968 were $6.39 including the extraordinary items and $4.72 before such extraordinary items, compared with $7.08 in 1967. These per share figures are based on the average number of common shares outstanding during the year, including residual securities. For these computations, the Special Stock, Class AA is considered a residual security and each share of such stock has been treated as the equivalent of one share of common stock, even though the conversion rate in existence at December 31, 1968, was only .85 shares of common for each share of Class AA.

DIVIDENDS

Quarterly cash dividends of 33⅓¢ per share of common stock were paid in 1968 for a total of $1.33⅓ compared with $1.16⅔ per share paid in 1967. Regular quarterly dividends of $1.25 per share were paid to holders of the $5 Series A Preferred Stock and a 3% stock dividend was paid in December, 1968 to holders of the Special Stock, Class AA. Approximately 50,000 shares of Special Stock, Class AA were issued as a result of this stock dividend.

WORKING CAPITAL

Consolidated working capital amounted to $345,517,000 at December 31, 1968, compared with $265,083,000 at the end of the prior year. The significant items which accounted for this change are set forth in the Statement of Consolidated Source and Use of Working Capital appearing on page 39.

PROPERTY, PLANT AND EQUIPMENT

The acquisition of Jones & Laughlin was responsible for a major portion of the increase in consolidated book value of property, plant and equipment from $184,050,000 at December 31, 1967, to $987,702,000 at the end of 1968. Expenditures for new production and research facilities and equipment during 1968, including Jones and Laughlin's for the period of LTV's ownership, amounted to $113,738,000. Depreciation and amortization for the year was $46,844,000.

SHORT- AND LONG-TERM DEBT

Bank debt of the LTV parent company amounted to $201,363,000 at December 31, 1968, compared with no bank debt outstanding at the end of 1967. Long-term debt of the parent company totaled $748,184,000 at the end of 1968 (including $76,041,000 payable to a subsidiary) vs. $51,529,000 a year earlier.

The combined increase of approximately $900 million is largely the result of short- and long-term debt issued or assumed in connection with the acquisitions of Greatamerica Corporation and Jones & Laughlin Steel Corporation during 1968. Of this amount, approximately $474 million is represented by 5% subordinated debentures due in 1988 which were issued in the acquisition of Greatamerica.

Approximately $37,000,000 of parent company long-term debt was eliminated as a result of the exchange offer discussed earlier in this report.

SHAREHOLDERS' EQUITY

Consolidated shareholders' equity amounted to $175,453,000 at December 31, 1968, as compared with $245,390,000 at the end of 1967.

There were major moves during 1968 affecting shareholders' equity, the most important being the exchange offer made in October to holders of LTV common stock and of four debt securities. As a result of this exchange offer, approximately 1,947,000 shares were acquired and there was a net reduction of approximately $96,000,000 in total shareholders' equity. These shares are now held in the treasury for possible use in future acquisitions.

Partially offsetting the effect of the exchange offer were increases in shareholders' equity of $21,423,000 representing the excess of net earnings for the year over dividends paid, $1,321,000 from the conversion of 5¾% subordinated convertible debentures and $3,335,000 from other capital stock transactions.

An exchange offer involving the new Special Stock, Class AA, was completed successfully with 308,730 shares of Series A Preferred Stock and 1,241,408 shares of common stock being exchanged for 1,673,630 shares of the new Class AA shares. A 3% stock dividend paid in December, brought the total Class AA shares outstanding at December 31, 1968, to 1,723,169.

Common shares outstanding at year-end totaled 2,071,753, compared with 4,669,276 shares outstanding at the end of 1967.

VALUE OF INVESTMENTS

The market value of LTV's investments in those subsidiaries and affiliates whose securities are listed on major exchanges or are traded in the over-the-counter market amounted to $1,387,624,000 as of December 31, 1968. This market value exceeds by approximately $370 million the carrying value on that same date of $1,017,436,000.

STATEMENT OF CONSOLIDATED INCOME

Ling-Temco-Vought, Inc. and Subsidiaries
Years ended December 31, 1968, and December 31, 1967

	In Thousands	
	1968	1967(1)
Net sales, including costs and fees under cost-plus-fee contracts	$2,769,737	$1,871,534
Other income	10,763	8,047
	2,780,500	1,879,581
Costs and expenses:		
Cost of products sold	2,450,332	1,643,639
Selling, administrative and general expenses	215,566	137,940
Interest expense	67,367	18,241
	2,733,265	1,799,820
	47,235	79,761
Federal, state and foreign income taxes — Note I:		
Taxes currently payable, less $6,085,000 recoverable federal income taxes in 1968 arising from loss carry-back	12,021	35,127
Deferred federal income taxes	2,462	1,395
	14,483	36,522
	32,752	43,239
Equity in earnings of unconsolidated subsidiaries	8,899	—
Minority interest in net income of subsidiaries	(13,939)	(8,767)
Portion of net income of pooled companies applicable to common stock purchased	—	(573)
Income before extraordinary items	27,712	33,899
Gain on retirement of debt, less applicable income taxes	5,560	—
Gain on sale of property, less applicable income taxes	3,060	—
Net income	$ 36,332	$ 33,899
Net income per common share:(2)		
Income before extraordinary items	$4.72	$7.08
Extraordinary items	1.67	—
Net income	6.39	7.08
Fully diluted net income per common share:(3)		
Income before extraordinary items	3.52	5.58
Extraordinary items	.94	—
Net income	4.46	5.58

(1) Amounts for 1967 have been restated for "pooling of interests." As originally reported, net sales were $1,833,259,000 and net income was $34,003,000. See Note A.

(2) Earnings per common share are based upon average shares outstanding during each year, assuming for each year conversion of 5¾% Subordinated Convertible Debentures and $3 Series B preferred stock, and further assuming for 1968 conversion of the Special Stock, Class AA, all of which are considered to be residual securities. For this computation, Special Stock, Class AA has been converted at the ratio of 1-to-1. With respect to both years, earnings have been adjusted for the dividend requirements of preferred stock.

(3) Fully diluted earnings per common share have been computed after assuming conversion of preferred stock and debentures, and exercise of warrants and options to purchase common stock.

See notes to financial statements.

CONSOLIDATED BALANCE SHEET

Ling-Temco-Vought, Inc. and Subsidiaries
December 31, 1968, and December 31, 1967

ASSETS

	In Thousands 1968	1967[1]
Current Assets		
Cash and temporary investments — Note C	$ 161,129	$128,661
Notes and accounts receivable, less allowances (1968 — $3,593,000; 1967 — $2,950,000) for doubtful receivables	419,632	198,542
Refundable federal income taxes	15,426	—
Unreimbursed costs and fees under cost-plus-fee contracts	32,880	33,330
Inventories — Note J		
Products	245,243	98,390
Fixed price contracts, etc., in process	322,109	189,686
Materials, purchased parts, and supplies	162,915	89,850
	730,267	377,926
Less progress payments received	224,350	108,991
	505,917	268,935
Accumulated income tax prepayments	11,456	—
Prepaid expenses	24,623	6,833
Total current assets	1,171,063	636,301
Investments and Other Assets		
Investments in and advances to unconsolidated subsidiaries — Notes A, B and C	310,275	299
Notes and accounts receivable and other investments, less allowances (1968 — $1,129,000; 1967 — $1,052,000) for doubtful receivables — Note C	107,827	11,003
Excess of cost over net assets of subsidiaries and businesses acquired, patents and trademarks, less amortization — Note K	59,742	46,848
Unamortized debt expense	11,541	2,435
Total investments and other assets	489,385	60,585
Property, Plant and Equipment — at cost — Note K		
Land and land improvements	62,776	8,768
Plants and equipment	1,932,695	241,188
Unallocated cost of assets acquired	—	22,649
	1,995,471	272,605
Less allowances for depreciation	1,007,769	88,555
Total properties — net	987,702	184,050
	$2,648,150	$880,936

LIABILITIES AND SHAREHOLDERS' EQUITY

	In Thousands 1968	1967[1]
Current Liabilities		
Notes payable to banks — Note C	$ 413,970	$165,170
Accounts payable	181,435	117,207
Accrued compensation, taxes, interest, etc.	159,695	63,879
Dividends payable	1,249	356
Production payments	43,702	—
Federal, state, and foreign income taxes	19,660	19,713
Current portion of long-term debt	5,835	4,893
Total current liabilities	825,546	371,218
Long-Term Debt — Note C	1,236,693	205,100
Deferrals		
Federal income taxes — Note I	31,819	6,275
Employee compensation and benefits	22,300	—
Other	588	1,610
Total deferrals	54,707	7,885
Minority Interests in Subsidiaries	355,751	51,343
Shareholders' Equity — Notes A, C, D, E and F		
$5 Series A cumulative convertible preferred stock, par value $5 (liquidating preference $51,632,000 at December 31, 1968)	2,560	4,616
$3 Series B cumulative convertible subordinated preferred stock, par value $1	—	176
Special Stock, Class AA accumulating convertible, par value $0.50	862	—
Common stock, par value $0.50	1,036	2,335
Capital surplus	130,078	159,822
Retained earnings	40,917	78,441
Total shareholders' equity	175,453	245,390
Commitments and Contingencies — Note G		
	$2,648,150	$880,936

(1) As restated. See Notes A and G.

See notes to financial statements.

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS AND RETAINED EARNINGS

Ling-Temco-Vought, Inc. and Subsidiaries
Years Ended December 31, 1968, and December 31, 1967

	(In Thousands)			
	Capital Surplus		Retained Earnings	
	1968	1967	1968	1967
Balance at beginning of year	$159,822[1]	$ 49,355	$78,441[1]	$58,762[1]
Acquisitions of pooled businesses — Note A	—	1,135	114	81
Add (deduct):				
Net income	—	—	36,332	33,899
Dividends paid in cash:				
On $5 Series A preferred stock	—	—	(3,742)	(2,644)
On $3 Series B preferred stock	—	—	—	(616)
On common stock — $1.33⅓ a share in 1968; $1.16⅔ a share in 1967	—	—	(5,607)	(4,537)
By pooled companies prior to merger	—	—	—	(1,756)
Stock dividend — 3% on Special Stock, Class AA	3,839	—	(3,864)	—
Portion of dividends and stock retirement premiums paid to minority interests	—	—	(4,486)	(3,985)
Increase (decrease) of equity in subsidiaries arising from transactions in subsidiary shares	9,845	30,231	(5,000)	(763)
Excess of proceeds over par value of common shares sold in public offering, less expenses	—	63,140	—	—
Excess over par value of shares issued:				
In exercise of warrants	1,989	1,931	—	—
In exercise of stock options	1,396	629	—	—
In conversion of debentures	1,295	6,027	—	—
In conversion of preferred stock and special stock	535	1,138	—	—
In connection with exchange of Company's stock	1,328	—	—	—
In acquisition of Wilson & Co., Inc. (1925)	—	6,450	—	—
Gain on debt retirement attributable to warrants	13,136	—	—	—
Common stock acquired for treasury, in exchange for certain shares of subsidiaries, plus warrants to purchase common stock	(62,747)	—	(50,991)	—
Redemption of preferred stock	(133)	—	(280)	—
Other capital charges	(227)	(214)	—	—
Balance at end of year	$130,078	$159,822[1]	$40,917	$78,441[1]

(1) As restated — See Notes A and G.

See notes to financial statements.

CONSOLIDATED SOURCE AND USE OF WORKING CAPITAL

Ling-Temco-Vought, Inc. and Subsidiaries
Year Ended December 31, 1968

	In Thousands
Balance at beginning of year	$ 265,083[1]
Source of working capital:	
Net income	36,332
Depreciation and amortization	46,844
Issuance of long-term debt, less retirements and related debt expense	828,781
Other	23,998
	935,955
	1,201,038
Use of working capital:	
Cash dividends paid (including $10,837,000 paid by subsidiary companies)	20,186
Additions to property, plant and equipment (net of retirements)	87,148
Investments in and advances to unconsolidated subsidiaries and affiliated company	478,343
Non-current assets of business acquired, less related long-term debt, deferrals, and minority interests	230,989
Other	38,855
	855,521
Balance at end of year	$ 345,517

(1) As restated. See Notes A and G.

See notes to financial statements.

BALANCE SHEET (Unconsolidated)

Ling-Temco-Vought, Inc.
December 31, 1968

ASSETS

		In Thousands
Current Assets		
Cash and temporary investments — Note C		$ 53,339
Notes and accounts receivable (including $491,000 from subsidiaries)		30,511
Refundable federal income taxes		14,882
Unreimbursed costs and fees under cost-plus-fee contracts		540
Prepaid expenses		158
Total current assets		99,430
Investments and Other Assets		
Capital stock of consolidated subsidiaries — Notes A and C	$654,593	
Investments in and advances to unconsolidated subsidiaries — Notes A, B and C	310,275	
Notes and accounts receivable and other investments, less $1,129,000 allowance for doubtful receivables — Note C	59,783	
Excess of cost over net assets of subsidiaries and businesses acquired, patents, and trademarks, less amortization — Note K	22,522	
Unamortized debt expense	984	1,048,157
Property, Plant, and Equipment — at cost — Note K		
Land	1,299	
Buildings	19,617	
Machinery and equipment	19,108	
	40,024	
Less allowances for depreciation	15,058	24,966
		$1,172,553

LIABILITIES AND SHAREHOLDERS' EQUITY

		In Thousands
Current Liabilities		
Notes payable to banks — Note C		$ 201,363
Accounts payable		9,065
Accounts payable to subsidiaries		8,364
Accrued compensation, taxes, interest, etc.		20,897
Current portion of long-term debt		445
Total current liabilities		240,134
Long-Term Debt (including $76,041,000 note payable to LTV International, N.V., a subsidiary) — Note C		748,184
Deferrals		
Federal income taxes	$ 1,425	
Employee compensation and benefits	1,512	
Reserve for gain on sale of real estate to subsidiaries	3,730	
Other	2,115	8,782
Shareholders' Equity — Notes A, C, D, E and F		
$5 Series A cumulative convertible preferred stock, par value $5 (liquidating preference $51,632,000)	2,560	
Special Stock, Class AA accumulating convertible, par value $0.50	862	
Common stock, par value $0.50	1,036	
Capital surplus	130,078	
Retained earnings (representing equity in undistributed earnings of subsidiaries, after reduction of $44,000,000 for cost of treasury stock acquired in exchange offer)	40,917	175,453
Commitments and Contingencies — Note G		
		$1,172,553

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Ling-Temco-Vought, Inc. and Subsidiaries

December 31, 1968

Note A — Principles of consolidation and companies acquired

The consolidated financial statements include the accounts of the Company and its major subsidiaries, except Braniff Airways, Incorporated, a 66%-owned subsidiary with respect to which financial data is shown in Note B. Investments in consolidated subsidiaries are carried at cost plus equity in the increase in net assets since acquisition. Investments in unconsolidated subsidiaries are reflected at cost plus equity in undistributed earnings and at December 31, 1968 such amount is comprised principally of the investment in Braniff.

During 1968, the Company acquired substantially all the capital stock of Greatamerica Corporation, and the assets thereof upon its liquidation, in exchange for the issuance of 5% Subordinated debentures and warrants to purchase the Company's common stock. In addition, the liabilities of Greatamerica were assumed by the Company. The assets of Greatamerica included a controlling interest in the capital shares of Braniff Airways, Incorporated. The acquisition of Greatamerica (and the subsequent acquisition of its assets) is accounted for as a purchase, and the relevant equity in the net earnings of Greatamerica and Braniff since date of acquisition is included in the statement of income for the year ended December 31, 1968.

In June, 1968, the Company purchased approximately 63% of the common stock of Jones & Laughlin Steel Corporation. The accounts of Jones & Laughlin and its subsidiaries have been included in the consolidated financial statements since June 1, 1968. See Note L with respect to the formation of Jones & Laughlin Industries, Inc.

The consolidated financial statements have been retroactively restated to include the accounts of certain businesses acquired in 1968 by the Company's subsidiary LTV Ling Altec, Inc. in transactions involving "pooling of interests". The portion of net income of these pooled companies applicable to common stock thereof purchased has been deducted in determining consolidated net income for the year 1967.

Note B — Unconsolidated subsidiary

The following data is shown by audited financial statements of Braniff as of December 31, 1968, and for the year then ended (in thousands of dollars):

Total current assets	$ 78,292
Property and equipment — net	270,724
Other assets and deferred charges	23,442
TOTAL ASSETS	$372,458
Total current liabilities	$ 56,595
Long-term debt	213,927
Deferred credits	18,200
Shareholders' equity	83,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$372,458
Operating revenues	$294,059
Income before income taxes	13,396
Income taxes (after investment tax credit of $3,967,000)	2,982
Net income	10,414

The Company's equity in the earnings of Braniff included in net income was $7,735,000. The Company received no dividends from Braniff except a 2% stock dividend on Class A shares.

With respect to other financial information, reference is made to the annual published report of Braniff for the year 1968.

Note C — Indebtedness and dividend restrictions

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

	In Thousands 1968	1967
Parent (Exclusive of indebtedness to consolidated subsidiary)		
5% Subordinated debentures due January 15, 1988	**$ 474,316**	$ —
Notes (6½% and 7½%) payable in 1973	**113,274**	—
6¾% Debentures due January 10, 1970	**25,000**	30,000
6¼% Collateral notes due October 1, 1979	**40,005**	—
5¾% Subordinated debentures due September 1, 1976	**16,550**	18,987
5¾% Subordinated convertible debentures	**—**	1,756
Sundry notes	**3,000**	786
TOTAL PARENT COMPANY	**$ 672,145**	$ 51,529

Note C — Indebtedness and dividend restrictions (Continued)

	In Thousands 1968	1967
Consolidated Subsidiaries		
Mortgage bonds (4¾% to 5%) due 1983 to 1991	**183,500**	—
5% subordinated debentures due in 1988 (guaranteed by Ling-Temco-Vought, Inc.)	**77,380**	—
Convertible subordinated debentures	**46,760**	66,709
Subordinated debentures, issued with warrants to purchase common stock (5½% to 6¾%)	**165,000**	—
Long-term lease obligations relating to industrial revenue bonds	**15,000**	—
Refrigerator car purchase obligations	**4,508**	5,475
Sundry notes	**72,400**	81,387
TOTAL CONSOLIDATED	**$1,236,693**	$205,100

Maturities and sinking fund requirements amount to $5,835,000 in 1969, and $44,409,000, $19,409,000, $24,112,000, and $136,544,000 during the succeeding four years, including parent company requirements of $445,000 due within one year and $27,781,000, $2,843,000, $2,842,000, and $116,117,000, respectively, during the succeeding four years.

The 5% Subordinated debentures are subordinated to all other long-term debt of the parent company. The principal amount of such debentures, until January 15, 1973, may be used in lieu of cash in the exercise of warrants to purchase the Company's common stock expiring January 15, 1978. Substantially all of the Company's investments in capital stocks of the principal subsidiaries (other than Jones & Laughlin) and other investments are pledged to secure indebtedness of the Company. In addition, $20,000,000 of temporary cash investments (including $17,500,000 for parent company) are pledged on bank loans. The 5% guaranteed subordinated debentures of a subsidiary in the amount of $77,380,000 are convertible into common stock of the Company. See Note E herein.

The indentures covering the 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. Such provisions contain no restrictions on consolidated retained earnings as to the payment of dividends by the Company. Under the restrictions contained in the indenture covering the Company's 5% Subordinated debentures, consolidated retained earnings at December 31, 1968 ($40,917,000) were available for payment of dividends by the Company.

Discount attributable to warrants issued with debt and to the conversion features of convertible debt has not been recognized in the accompanying financial statements. If presently suspended paragraphs 8 and 9 of Accounting Principles Board Opinion No. 10 relating to such discount are reinstated on a retroactive basis and if accounting principles as therein stated are applicable to the issuance of securities with conversion rights or warrants, including those issued in exchange for assets, amortization of the additional debt discount less applicable income taxes would result in reduction of consolidated net income for the year 1968 by approximately $2,324,000 or $0.45 per share of which approximately $1,846,000 or $0.36 per share is applicable to debt issued with warrants. There would be no material effect on net income and earnings per share for 1967.

Note D — Capital shares

Changes in outstanding capital shares during the year ended December 31, 1968, are presented in the following summary:

	$5 Series A Preferred Par Value $5	$3 Series B Preferred Par Value $1	Special Stock Class AA Par Value $.50	Common Stock Par Value $.50
Outstanding at January 1, 1968	923,194	175,647	—	4,669,276
Issued on conversion of debentures				52,318
Redeemed		(5,487)		
Conversion of preferred shares	(120,086)	(170,160)		462,093
Exercise of stock options	17,676			35,690
Exercise of warrants				40,298
Exchanged for Special Stock, Class AA	(308,730)		1,673,630	(1,241,408)
Conversion of Special Stock, Class AA			(650)	487
Stock dividend 3%			50,189	
Acquired for treasury in exchange for warrants and subsidiaries' stocks				(1,947,001)
Outstanding at December 31, 1968	512,054	—	1,723,169	2,071,753

The Company is authorized to issue 20,000,000 shares of common stock, $0.50 par value, 1,300,000 shares of preferred stock, $5 par value (Series A), 1,261,554 shares of preferred stock, $1 par value, and 15,000,000 shares of Special Stock, $0.50 par value. 7,350,000 shares of the aforementioned Special Stock have been designated as "Class AA accumulating convertible" shares which are further described below. The aforementioned 1,261,554 authorized shares of preferred stock, $1 par value, have not been designated.

The $5 Series A cumulative convertible preferred stock 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. Such conversion ratio is subject to adjustment in order to prevent dilution of the conversion rights. 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 cash dividends at the annual rate of $5 per share, cumulative and payable before any dividends are paid on common stock. In the event of liquidation, the Series A preferred stock is entitled to receive $100 a share plus accumulated dividends, and as of December 31, 1968, the amount of such preference is $49,072,000 in excess of par value. (Such stock is also entitled to participate on a share-for-share basis in any assets remaining after the common stock and equivalent Class AA shares, on basis of the current conversion ratio, have received $30 per share.) In the opinion of the Company's counsel, the existence of this excess imposes no restriction upon retained earnings.

Pursuant to an exchange offer which expired June 28, 1968, Series A preferred shares and common shares were tendered to the Company in exchange for shares of Special Stock, Class AA. These shares are convertible through December 30, 1969 into .85 of a share of common stock, which ratio increases incrementally on December 31 each year through 1980 to a maximum of 1.50 shares of common stock for each share of Special Stock. The shares of Special Stock, Class AA are entitled to cumulative stock dividends of 3% in each year through 1992. Such dividend shares will also be convertible into common stock on the basis described above.

Note E — Common stock reserved

At December 31, 1968, 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		Shares	Price Per Share
Warrants expiring:	December 1, 1969	631	$ 19.60
		313	25.38
	January 10, 1972	190,968	49.72
	June 1, 1973	563,100	121.00
	June 15, 1973	200,025	121.00
	January 15, 1978	4,887,014	101.96
	December 31, 1978	30,203	136.28
Conversion of Special Stock, Class AA		2,584,754	
Conversion of $5 Series A preferred stock		614,465	
Conversion of 5% Guaranteed debentures of a subsidiary		655,762	

All numbers of shares and prices are subject to adjustment for anti-dilution provisions.

Note F — Options to purchase capital stock

The Company has options 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 the market price at date of grant, and the terms of such options generally range from a minimum of two years to a maximum of ten years from date of grant. In addition, options for $5 Series A preferred shares were assumed in 1967 pursuant to the acquisition of Wilson & Co., Inc. (1925), with expiration dates ranging from August 3, 1970 to March 26, 1972. At December 31, 1968, the Company had reserved under all plans an aggregate of 162,068 shares of common stock and 43,453 shares of $5 Series A cumulative convertible preferred stock, of which 159,294 common shares were issuable at option prices aggregating $11,914,000, and the preferred shares were issuable at prices aggregating $2,947,000. During 1968, options to purchase common stock were granted for 80,676 shares at option prices aggregating $6,665,274 and options were exercised for 35,690 shares at option prices aggregating $705,000. Options to purchase $5 Series A preferred shares were exercised for 17,676 shares at option prices aggregating $792,000.

In January, 1969, an additional stock option plan which authorizes options covering 125,000 shares of the Company's common stock was adopted by the Board of Directors, subject to approval of shareholders.

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 1967. Renegotiation proceedings for 1952 and 1953 were settled during 1968 and resulted in a reduction in retained earnings as of January 1, 1967 by $771,000 and in minority interests by $353,000.

Certain governmental agencies have proposed adjustments affecting allowable costs for 1961 and subsequent years. As a consequence, at December 31, 1968, approximately $4,900,000 is subject to final disposition pending settlement of the issues.

The Internal Revenue Service has proposed income adjustments now being contested in federal court to the 1961 consolidated tax return of the Company which would also affect subsequent years. The Company has filed a protest to proposed adjustments to income contained in a 30-day letter dated April 12, 1968, covering the 1962, 1963, and 1964 consolidated tax returns. The issues involved relate, in large part, to the same matters giving rise to the proposed adjustments for 1961.

Several lawsuits are pending against certain of the consolidated companies, arising in the normal course of business.

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 certain indebtedness of subsidiaries aggregating $61,847,000 at December 31, 1968, pursuant to guarantees and other agreements and is also contingently liable with respect to indebtedness assumed from the Company by a subsidiary aggregating $5,431,000 at December 31, 1968.

Substantial portions of plant facilities, machinery and equipment and office space are leased. Long-term leases require annual rental payments ranging from $18,082,000 to $7,521,000 to 1978, and diminishing amounts thereafter to 1999.

Jones & Laughlin Steel Corporation was committed for plant and equipment in the amount of $45,037,000 at December 31, 1968.

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, 1968, including amortization of prior service costs (generally over periods of thirty to forty years), amounted to approximately $33,000,000. 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 $50,300,000 at the most recent valuation dates.

Note I — Income taxes

Investment tax credits are applied as a reduction of current federal income tax provision and amounted to approximately $5,000,000 in 1968. The investment credits in 1967 were not significant.

The income tax provision reflects substantial income tax benefits with respect to the operations of Jones & Laughlin Steel Corporation. In addition to the investment tax credit, these benefits arise from deductions for percentage depletion, timing differences between years of sale and liquidation of production payments, and other miscellaneous differences between book and tax income.

Note J — Inventories

Steel products, certain food products and copper products are valued at cost on the basis of "last-in, first-out" and certain meat products where costs are not ascertainable are valued at market, less allowance for selling and distribution expenses. All other product inventories are generally valued at lower of average cost or market (net realizable value).

Fixed price contracts in process generally comprise the cost of labor, material, manufacturing, administrative and general overhead incurred on the contracts, less estimated cost of shipments, but not in excess of net realizable values.

Note K — Depreciation and amortization

Provisions for depreciation of property, plant and equipment are computed principally on the straight-line method on the basis of amounts considered sufficient to amortize the cost of depreciable assets over their estimated service lives. Accelerated methods of depreciation are used for certain properties for income tax purposes, and appropriate provision is made for deferred federal income tax applicable to the excess of depreciation claimed for income tax purposes over depreciation charged to income in the financial statements. Provisions for depreciation and amortization included in costs and expenses in 1968 and 1967 amounted to $46,844,000 and $13,753,000, respectively. There is no present plan for amortization of amounts comprising the excess of cost over net assets of subsidiaries and businesses acquired, except as to $1,025,000, because in the opinion of management there is no present indication of diminished value or limited life.

Note L — Subsequent events

On February 27, 1969, the Company agreed to acquire 250,000 shares of common stock of Jones & Laughlin Industries, Inc. and warrants to purchase 4,000,000 shares of such common stock for an aggregate consideration of $25,000,000, consisting of $10,000,000 in cash and a 6% promissory note due January 30, 1970 in the amount of $15,000,000. The Company will also exchange 10,023,672 shares of the common stock (after giving effect to a 2-for-1 stock split on February 20, 1969) of Jones & Laughlin Steel Corporation for common stock, debentures and warrants of Jones & Laughlin Industries, Inc. After this exchange, the new subsidiary plans an exchange offer to all common shareholders of Jones & Laughlin Steel Corporation.

During February 1969, pursuant to a plan to dispose of a portion of its investments in two subsidiaries and an affiliate, the Company filed registration statements with the Securities and Exchange Commission covering the offerings of such securities. Such plan contemplated that the combined proceeds of the three offerings would approximately equal the aggregate carrying value of the investments to be sold. Due to adverse market conditions, one of the offerings has since been withdrawn. Of the other two offerings, the sale of one has been consummated at an approximate loss of $17,000,000 and the third offering is still pending. It is anticipated that the pending offering, when consummated, will result in a gain sufficient to offset the loss on the completed transaction and accordingly no provision has been made in the accompanying financial statements for such loss.

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 financial statements of Ling-Temco-Vought, Inc. and subsidiaries for the year ended December 31, 1968. 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 certain subsidiaries of the Company, 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 these subsidiaries, is based solely upon such reports.

In our opinion, subject to the successful completion of the offering of securities of a subsidiary as outlined in Note L, the accompanying consolidated balance sheet and related statements of income, capital surplus and retained earnings, and source and use of working capital present fairly the consolidated financial position of Ling-Temco-Vought, Inc. and subsidiaries at December 31, 1968, the consolidated results of their operations, the changes in shareholders' equity, 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.

We have made a similar examination of the accompanying balance sheet of Ling-Temco-Vought, Inc. as of December 31, 1968. In our opinion, subject to the successful completion of the offering of securities of a subsidiary as outlined in Note L, such balance sheet presents fairly the financial position of Ling-Temco-Vought, Inc. at December 31, 1968, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dallas, Texas
February 28, 1969

Ernst & Ernst

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

First National Bank in Dallas

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 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 Special Stock Class AA and 5¾% and 5% Debentures listed on the New York Stock Exchange as are 5% Convertible Debentures of LTV International, N.V., convertible into Common Stock of Ling-Temco-Vought, Inc.

Warrants to purchase common stock of Ling-Temco-Vought, Inc. expiring January 15, 1978, are listed on the American Stock Exchange

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

Depth in Management
through
Modern Entrepreneurship

Ling-Temco-Vought, Inc.
Annual Report 1968