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Litton's business strategy builds on the productive interaction between its marketing capabilities and its broad base in advanced technology.

Our 1968 annual report to shareholders presented a wide array of Litton products and systems that serve world markets. In this, our 1969 report, we highlight the strength and depth of our marketing organizations and relate their operations to the company's present and future success.

At Litton, marketing is not just serving current customer needs. We believe that it is equally important to anticipate new and changing needs so that the whole of our resources can be directed toward meeting them. Our customers number in the millions. Yet we believe it is as important to understand each customer, to know his business, his problems and his goals, as it is to master the complexities of our own technologies.

From these combined understandings—of ever expanding customer requirements and of constantly unfolding technical possibilities—we create a continuing flow of new products and services that represent new and better ways of serving our markets.

In turn, the very flow of valued new products and services to our customers reinforces their confidence in Litton and thus Litton's standing in the marketplace.

Litton's strengths in many markets interact with its depth in many fields of applied science, yielding a singular degree of adaptiveness to changing conditions, and producing new opportunities for business growth. As customer needs change in any part of our total market, we can draw upon a variety of scientific advances to satisfy those needs. And as our scientific knowledge grows, its potential for profitability is multiplied by our network of marketing capabilities.

At Litton, we believe that the successful marketing of new technology requires the same degree of creativity and of careful, continuous market research and market development effort that is required for the successful engineering research and development of new products. We believe that investments in market development are as important to business growth as investments in product development. We are now realizing substantial benefits from the investments we have made to build strong marketing organizations. And we are continuing to invest substantial sums for new market development, especially in those areas having the highest potential for growth.

Effective marketing and advancing technology are equal partners in a dynamic, modern business enterprise. We are confident that the cumulative effect of the interaction between marketing and technology at Litton will be to strengthen the company's demonstrated ability to respond to the challenges and opportunities of the future.

1 THE MARKETING OF TECHNOLOGY

Litton Industries achieved record sales of \$2,176,598,000, and earnings of \$82,258,000 in fiscal year 1969. These sales are an increase of 13 per cent from the 1968 sales of \$1,930,426,000, which includes \$75,419,000 of 1968 sales attributable to companies acquired in poolings of interests in 1969. The net earnings were 35 per cent higher than the 1968 earnings of \$60,937,000, which includes \$2,481,000 of 1968 earnings attributable to companies acquired in poolings of interests in 1969.

The 1969 net earnings of \$82,258,000 are equal to \$2.43 for each of the equivalent 33,900,739 shares of common stock outstanding, which assumes full conversion of the Preference and Series A and B Preferred stocks. This is an increase of 34 per cent over the \$1.82 per share earned in 1968.

The continuing growth of Litton Industries reflected in these financial results confirms the validity of the concepts around which Litton was originally designed. We have selected for entry those industries whose rate of potential growth is high, and we have developed a full range of managerial capabilities for pursuing outstanding growth opportunities. Thinking and planning ahead, seeking out new opportunities, evaluating them and developing and following strategies for realization of the best ones is an integral part of each Litton executive's job. It is equal in importance to any of his responsibilities. Litton is designed with multiple points of initiative and responsibility. Enterprise is applied at many points of general management throughout the company, not just at a monolithically centralized one. This organizational philosophy enables us to pursue simultaneously many opportunities for new business growth.

One such opportunity that we are now realizing is in the field of medical and dental products and equipment, a field in which new useful applications of electronic technology are being found almost every day. Building upon two small acquisitions of high quality, which were made in 1961 and 1964,

Litton has grown rapidly in this field. Our Profexray division is one of the leading producers of medical X-ray equipment in North America. Its annual sales volume is now 17 times its 1964 level, the year it joined Litton. Our Hellige division, which makes advanced solid-state electronic systems for diagnosis, research and patient monitoring, is one of the largest and fastest growing medical electronics companies in Europe. We also design, manufacture and sell dental X-ray machines and other equipment, diagnostic instruments using advanced fiber optic techniques, and a variety of disposable and reusable instruments and supplies.

Litton has always emphasized internal development as a source of business growth. For example, in 1963, after extensive customer surveys and marketing studies, we created the Atherton division to develop and market a wholly new line of microwave cooking units for restaurant, institution and vending applications. Today Litton is the leading supplier of commercial microwave cooking units in the United States. In fiscal 1969 we achieved a 34 per cent increase in sales of this equipment.

Also in 1969, Trans World Airlines and Continental Airlines ordered microwave cooking units for installation in their long-range passenger jets, thus making Litton the first company to enter this commercial airline field. Early this coming year we will enter the home microwave cooking market, one having great potential for Litton.

Five years ago we saw that the growing volume of commercial air traffic, especially across the oceans, would require precise navigation and control that could be provided only by inertial guidance systems. Litton, from an earlier internal development, was first in inertial guidance for military aircraft with a system that became operational in 1958. In 1966 we established a commercial inertial guidance operation and were the first in the industry to serve commercial airlines. Our system flew operationally in 1967. Ours is the only inertial guidance system in scheduled commercial service today. In 1969, American Airlines announced that it would use our system in its Boeing 747s. We recently received a similar order from Continental Airlines and now are working with Air France to certify our system in its 747s. A Litton system has been selected for the French Concorde supersonic airliner.

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SHAREHOLDERS:

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Litton reported last year that the company had won the competition for design and production of the LHA amphibious assault ship. We did this by creating a unique new business enterprise with an integrated capability for systems analysis, ship design and large-scale series production of ships. The contract for the LHA was signed this May, and detailed engineering work is under way in preparation for manufacture. We also have a contract for production of seven commercial cargo ships for American President Lines and Farrell Lines. Backlog from these contracts now exceeds \$1.2 billion.

Construction of Litton's new ship manufacturing facility in Pascagoula, Miss., is progressing on schedule. Production of the commercial ships began in October 1969. Litton's original Mississippi facilities are being converted from general purpose shipbuilding to concentration on a specialized capability for submarines and other nuclear vessels. In making this changeover, contract costs in preparing for increased production and the costs associated with the first contract for ships to be produced in the new facility will exceed contract revenues and, following our consistent accounting policy, this has been recognized in the 1969 operating results by a reduction of inventory values. Upon completion of these new facilities, Litton will have, in addition to its new and highly efficient ship manufacturing capabilities, one of the few installations in the United States qualified to build and overhaul nuclear submarines. With these modern facilities, we will be singularly well placed to participate in the very considerable business growth that will come from filling the unmet shipbuilding needs of the United States.

Our Data Systems division has established a unique position in the military tactical command and control systems market. Beginning with the Airborne Tactical Data System for the U. S. Navy in 1957 and the Marine Tactical Data System for the U. S. Marine Corps in 1958, Data Systems is now designing and manufacturing systems for all the U. S. military services, the Royal Canadian Navy, the German Army, the Italian Air Force and the Japanese Army. For the LHA, the division will design and manufacture the ship electronic system, including the combat infor-

mation center, and it will integrate the fire control systems, sensors and communications. Very few companies have mastered the advanced computer and data processing technology required to participate in this field. Data Systems has established its position by matching its leadership in this complex technology with an understanding in depth of the operational aspects of tactical command and control. Because of the greatly increased military capabilities offered by these systems and the needs of so many Free World countries for them, we are confident that this business will grow.

Another rapidly growing Litton business is our Environmental Systems division, which designs, produces and installs electronic air pollution monitoring systems for state and local governments. Established in 1968, the division presently has orders to supply air quality data acquisition systems to air pollution control authorities in California, Florida, Illinois, Missouri, Ontario, Oregon and Washington. Environmental Systems' business of serving state and local governments complements that of our Rust Engineering division, which sells design services to industry for the solution of its air and water pollution control problems. Rust has received over 100 contracts in this field alone.

In the rapidly growing field of business systems and equipment, our Automated Business Systems division introduced the Litton ABS/1231 electronic business and accounting system, offering substantially improved efficiency, speed and versatility. The Royal Typewriter division introduced three new electric typewriters. The Monroe division presented four new electronic calculators, all with advanced integrated circuitry and capable of producing millisecond solutions for every type of business and technical calculation. These new products are receiving wide acceptance.

Earlier in the fiscal year, Litton acquired Triumph Werke Nuremberg AG, together with the production and distribution operations for both Triumph and Adler typewriters. Triumph and Adler produce electric and manual office typewriters, as well as portable typewriters, at manufacturing facilities located in Frankfurt and Nuremberg. This acquisition complements our Royal product line and marketing capabilities and will give us strength in Europe and other growing markets around the world.

Our acquisition of Triumph and Adler has been challenged by the Federal Trade Commission on the ground that it might reduce competition in the U.S. typewriter market. We believe that the acquisition will substantially strengthen competition in the United States and throughout the world. We are confident that the FTC will agree with us, once all the facts are presented.

Another significant acquisition during the fiscal year was the New Britain Machine Company. We believe that combining New Britain's technical proficiencies in the machine tool field with Litton's electronic computer technology will enhance New Britain's prospects for long-term growth and profitability. New Britain's broad product line will complement the machine tool systems and products of the Landis Tool and UTD divisions.

The past year has seen much public criticism of large corporate mergers by multi-industry companies. In fact, the criticism is aimed at several practices in which Litton has never engaged. Therefore, we are confident that any action the government may take to curb these practices will not be detrimental to Litton's continued growth. Earlier this year, Mr. Richard McLaren, the Assistant Attorney General for Antitrust, quoted with approval a suggestion by the Council of Economic Advisors that the Government "...adopt measures to channel merger activity in directions that would increase competition...When a very large firm buys a small firm in a concentrated industry, it has the resources to expand that firm's capacity and to try to increase its share of the market. Such a merger can infuse new vigor and

ideas into that market." This is an accurate description of what has been and will continue to be one of the guiding principles of Litton's acquisition policy.

In 1964 and 1967, Litton and McLean Industries, Inc., entered into arrangements which provided for the purchase of certain McLean ships and McLean common stock from McLean Industries, Inc., and the construction, conversion, financing and chartering of additional vessels for McLean by Litton. The 1964 agreement provided that McLean, through February 1970, had the right to repurchase its stock at \$50 per share. In March 1969, Litton completed one phase of this program by the sale of its shares of McLean stock to R. J. Reynolds Tobacco Company at \$50 per share in connection with the merger of McLean with R. J. Reynolds, and recognized a gain, after provision for income taxes, of \$23,200,000. This contract profit is included in the consolidated statement of earnings for 1969.

Litton's financial position remains excellent. Cash generation from internal operations exceeds \$140 million a year, an all-time high. Combined with the substantial additional resources available under our bank loan agreements, this is ample to support our growth objectives while maintaining a sound financial structure.

Litton has achieved much in the decade of the 1960s. We have great confidence in Litton's ability to seek out important new opportunities and continue to grow during the expanding 1970s.

Sincerely yours,



Charles B. Thornton,
Chairman of the Board of Directors



Roy L. Ash, President

4 BUSINESS SYSTEMS AND EQUIPMENT

An effective marketing organization is as important as an excellent product line for success in the business equipment field. Litton has built a strong worldwide distribution network for its advanced business systems, products and supplies.

Each year, we broaden the scope and effectiveness of this extensive marketing organization with the addition of new sales outlets and highly trained personnel. Today, 9,500 Litton employees and a worldwide network of thousands of dealers sell and service our business systems and equipment in more than 100 countries.

This pipeline supplies Litton business equipment to the rapidly growing commercial, industrial, educational, professional, government and scientific markets.

This year the Monroe division introduced four new electronic calculators. The Model 820 is the most compact cathode ray tube desk calculator on the market today. It employs the newest advances in large scale integrated circuits to produce answers in milliseconds. The portable Model 920, which can present 12-digit solutions on an easily read polarized display, is small enough to be carried in an attaché case. Monroe's extensive product line is sold and serviced worldwide through 400 branches and 60 independent dealers in 76 countries.

The newly introduced ABS/1231 is the third in an expanding line of electronic business systems offered by Litton's Automated Business Systems division. This advanced system is designed to bring the benefits of electronic data processing, at significantly lower costs, to a wide range of applications heretofore performed by electromechanical equipment. The ABS/1231 this year won the first-place award at the annual Italian Office

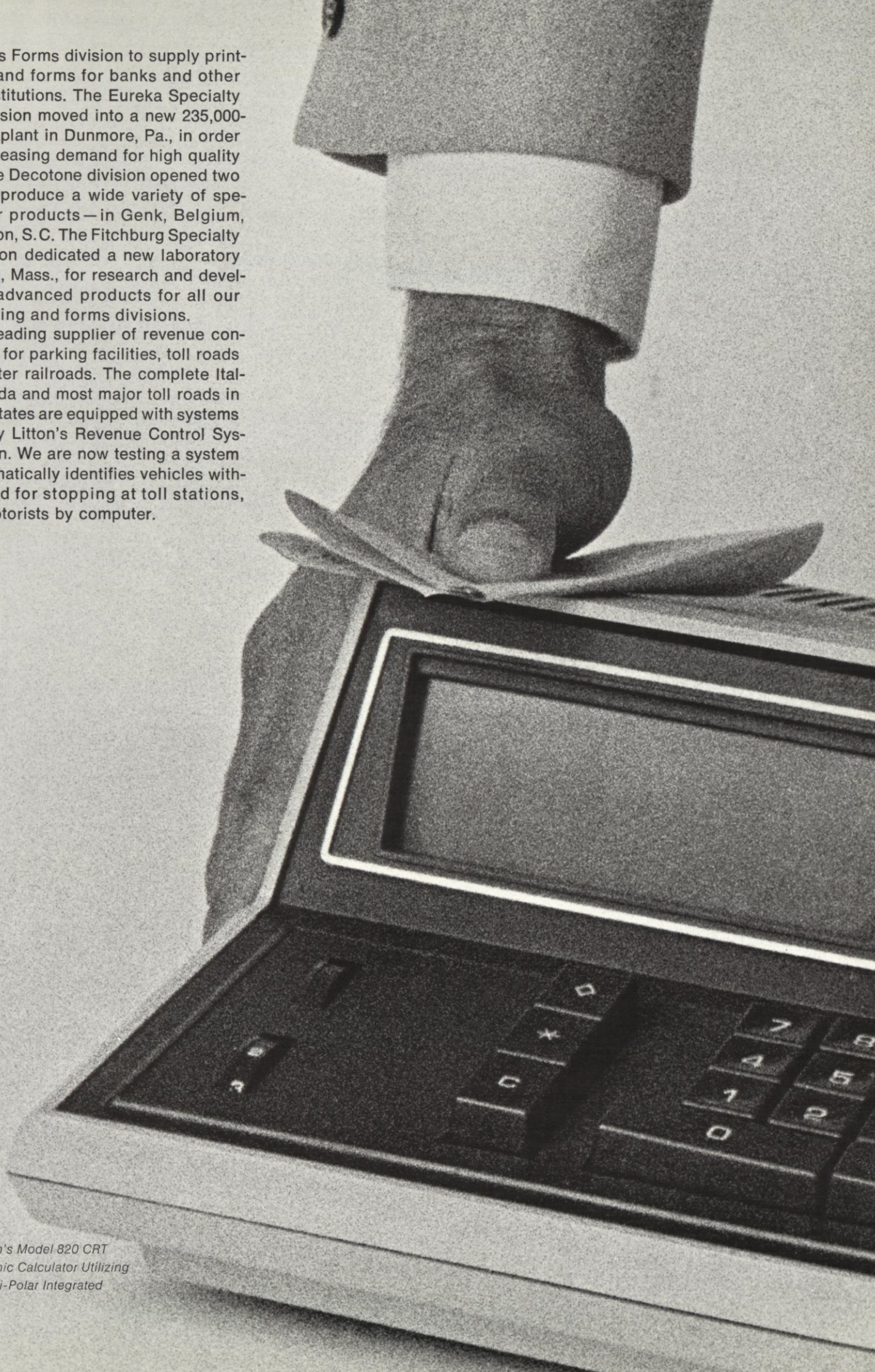
Equipment Show in Milan for the machine contributing most to office efficiency. Litton's electronic business systems are produced in Clifton, N.J., and, for European requirements, at our plant in Pomezia, Italy. Additional production of related peripheral devices has begun in Fall River, Mass.

The Royal Typewriter division recently introduced two new models of portable electric typewriters and a new model office electric typewriter. The Apollo 10 portable electric brings the light touch and even print of fine electric machines within the price range of the average home. The Custom Electric portable offers features and convenience previously unavailable in its price range. These products will be marketed through 50 direct sales offices and over 6,000 retail dealers. To meet growing worldwide demands for typewriters, the Triumph-Adler division is completing new plants at Schwandorf and Furth, expansion of our existing plant at Frankfurt, and offices at Nuremberg, totaling 425,000 square feet.

The distribution system for Litton's Royfax 1700 copier has been expanded during the year from 84 to 182 outlets in the United States. Additional sales offices were opened in Europe. Our Sweda division achieved substantial increases in sales, highlighted by more than a 100 per cent growth in orders for the 1000 Series Dateregister, now the standard for many leading retailers throughout the world. This year, Sweda began manufacture of sales registers in a new plant in Mexico City, to serve the growing demand in Latin America. Sweda's reputation for advanced retail systems will enhance Litton's market strength in meeting complex requirements of merchandising in the 1970s.

Our Streater and McCray divisions influence the direction and pace of modern retailing by designing complete retail establishments and providing all items from decor to equipment, to create an environment attractive to the customer and profitable to the merchant. New manufacturing plants were opened in San Leandro, Calif., and Richmond, Va., by

our Business Forms division to supply printed checks and forms for banks and other financial institutions. The Eureka Specialty Printing division moved into a new 235,000-square-foot plant in Dunmore, Pa., in order to meet increasing demand for high quality printing. The Decotone division opened two facilities to produce a wide variety of specialty paper products—in Genk, Belgium, and Lexington, S.C. The Fitchburg Specialty Paper division dedicated a new laboratory at Fitchburg, Mass., for research and development of advanced products for all our paper, printing and forms divisions. Litton is a leading supplier of revenue control systems for parking facilities, toll roads and commuter railroads. The complete Italian autostrada and most major toll roads in the United States are equipped with systems produced by Litton's Revenue Control Systems division. We are now testing a system which automatically identifies vehicles without the need for stopping at toll stations, and bills motorists by computer.



*Monroe Division's Model 820 CRT
Display Electronic Calculator Utilizing
MOS-LSI and Bi-Polar Integrated
Circuit Devices*



a.

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b.

a. Translating technology into marketable products requires experimentation. Frederick H. Bond, Jr. (center), president of Fitchburg Paper division, increased the division's research staff 25 per cent in 1969 and opened a new specialty paper research center in Fitchburg, Mass. Raymond W. James (left) assists and supplements the research programs of Litton specialty paper divisions. Technicians such as Chris Antonio (right) have been involved in projects to develop special papers for sterile packaging of medical supplies; decorative surfacing papers; electrosensitive recording papers for facsimile transmission, depth recordings and chart recorders; water soluble pressure sensitive papers trademarked Wash-a-Way, and optical character recognition papers.

b. Sturgis Newport Business Forms division produces forms for virtually all optical scanning systems now on the market. Mrs. Judith Seay, a draftsman at the division's plant in Newport News, Va., completes such a form which she designed for a major local customer. The completed form will be photographed to produce the negatives and plates for the plant's web-fed offset and letter presses. While business forms are standardized and printed in high volume, all must be partly custom-designed for clients. Sturgis Newport, with plants in six cities, offers its clients a wide range of forms including salesbooks, register forms, unit sets and continuous forms. The division markets its products through a nationwide network of dealers.



c.

d.



c.

At Triumph-Adler division's offices in Nuremberg, Germany, Gotthard P. Andersch (standing) conducts a sales meeting to explain software for business equipment and dealer training and expansion of the Triumph-Adler dealer network in West Germany. A new addition this year to Litton's business equipment activities, Triumph-Adler manufactures and markets electric and manual office and portable typewriters, accounting machines, adding machines and related supplies. The division employs 8,700 people. Triumph-Adler plans to hire 2,100 additional workers and is increasing its facilities by 425,000 square feet.

d.

Formal presentation of an office design to a client is a dramatic stage in the fulfillment of a contract. For the first time the client sees floor plans, renderings of area designs, samples of materials and photographs of furnishings. Lawrence Lerner, president of Saphier, Lerner, Schindler Environetics division, prepares the presentation of SLS plans for new offices in New Orleans for J. Ray McDermott and Co., Inc., which specializes in offshore engineering and construction. SLS provides space planning and interior design for offices, institutions and government agencies. This division has become a foremost international authority in its field through design capability and well-planned marketing of its services. SLS's project analysts maintain close contact with real estate developers.

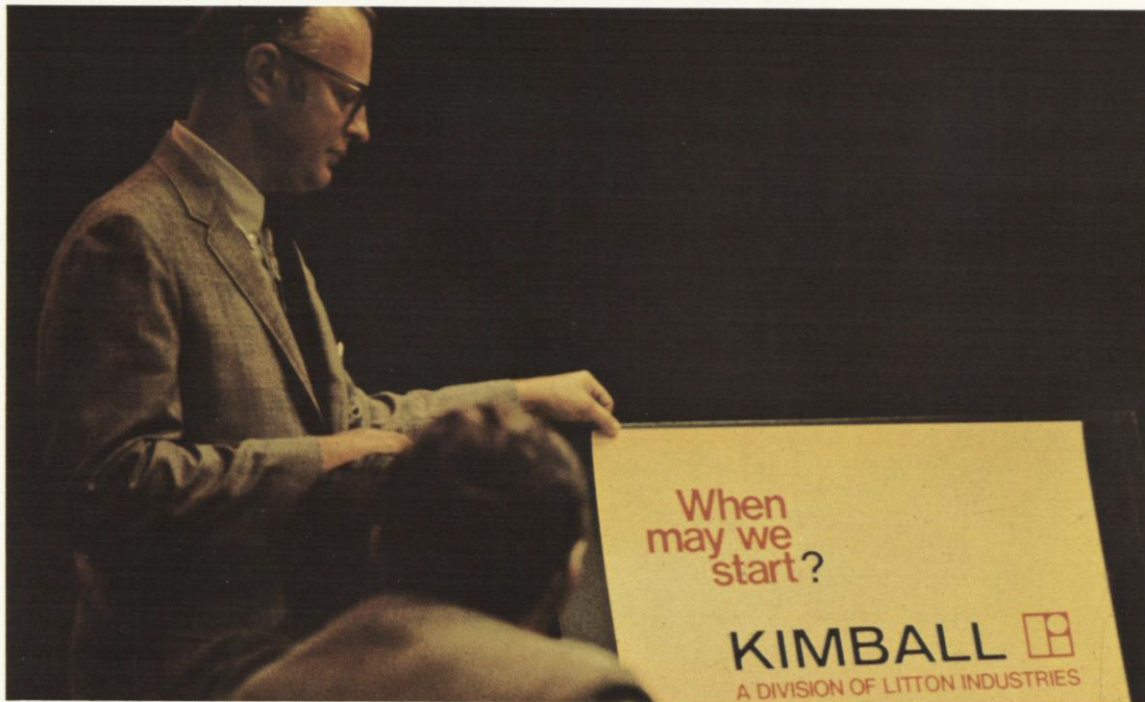


Monroe division initiated worldwide distribution and sales of its advanced new line of electronic calculators at a Chicago meeting of 200 branch managers drawn from throughout the United States and Canada. The managers crowded the demonstration rooms to carefully inspect Models 920, 950 and 990 and Model 820, all display calculators with integrated circuitry. These micro-size, lightweight machines handle complex computations at millisecond speeds and are easy to learn to use. Model 920, weighing 8.8 pounds, is so compact that it can be carried in a businessman's attaché case. Model 820 shows both entries and answers on its cath-

ode ray tube display screen. The 820 is manufactured at Monroe's new facility in Lexington, S.C. Following the Chicago meeting, Monroe began marketing the new machines through a network of 400 branches and 60 independent dealers in 76 countries. Since Monroe backs every sale with superior service to the customer, a team of instructors conducts regular training courses throughout the world to provide Monroe technicians everywhere with the equivalent of factory instruction in service and maintenance.

a. Kimball Systems division established a Department Store Program offering retailers an in-depth study of their usage of tags, labels and printed forms. Edward J. Sheridan, Kimball market program manager, uses charts in making presentations to department store executives. Kimball performs the studies and makes recommendations to help customers increase efficiency in selling and thus reduce costs. Kimball's traditional in-depth approach to customers' needs and total system requirements has enabled it to become a major supplier of coded tags, labels and plastic identification devices to airlines and the electrical and food industries as well as the retail field. Kimball has 13 manufacturing plants in the United States, Canada and Europe, and sales offices in major cities.

b. A family project to select an electric portable typewriter for a brother at West Point ended at May Co. department store, Buena Park, Calif., when identical twins Jan and Judy Sherwin purchased a Royal Jetstar®. The Jetstar is the top model in a line of electric and manual portables sold through more than 5,000 retail stores by the Royal Typewriter division. Royal also markets office electric and manual typewriters, adding machines, Royfax® photocopiers and office supplies. These office products are sold through direct sales and service offices, distributors and dealers.



6 BUSINESS SYSTEMS AND EQUIPMENT



a. Automated Business Systems division is developing major growth markets in Europe for office installations of electronic business systems. Litton Business Systems France has sold more than 300 systems. At its new headquarters in Grenoble, LBS France trains personnel from its own branches and customers' offices to service, program and operate the ABS/1210, 1230 and newly introduced 1231. During the past year, trainees from France, Spain, Germany, Belgium, the United Kingdom and Yugoslavia became skilled service-maintenance technicians. Christian Ruelle leads a class studying the ABS/1231. Low in cost compared to other systems, this electronic accounting, billing and distribution analysis system, with stored programming, is ideal for many European business offices.

b. Revenue Control Systems division designed and engineered a computerized fare collection system for a 12-station, 14-mile rapid transit line from downtown Philadelphia to suburban Lindenwold, N.J. The line, built by the Delaware River Port Authority, is operated by the Port Authority Transit Corporation (Patco). RCS provided 58 gates, each containing a miniature computer and ticket handler, 3 million magnetically coded tickets, and 60 ticket vending machines. The system requires no attendants and minimum maintenance. Technicians Daniel Arber (right), RCS, and Dave Watson, Patco, inspect a computer's integrated circuitry modules and photoelectric faces of the ticket handler. Commuters insert tickets in gates. In two seconds, the equipment reads and returns a valid ticket, and opens the gates.



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c.
A Litton practice that strongly appeals to customers is the follow-up call after the sale and installation of equipment. Guillermo Garza Velasco (left), sales promotion manager of Sweda de Mexico, makes a personal visit to Braulio Arsuaga Celleechea, manager of this new Gigante store in Mexico City. Mr. Arsuaga purchased 50 Model 76 itemizing registers for the self-service variety store. Thirty streamlined 76s are installed in the checkout lanes. Twenty others serve special departments throughout the store. The innovation in Mexico of self-service stores such as Gigante, a chain of four, offers a profitable new mass market for Sweda revenue and inventory control systems. Sweda de Mexico is also increasing its sales to shops which never before used a register.

d.
Royfax® Model 1700, a versatile high-volume photocopier, withstands the test of rigorous daily use. Many customers who bought one 1700 are now multiple machine users. Lockheed-Georgia Company, for example, installed many Royfax 1700s in strategic locations throughout its mammoth aircraft manufacturing plant in Marietta, Ga. Here, in one of the world's largest assembly facilities under a single roof, Lockheed is building the giant C-5 jet transport for the U.S. Air Force. The Royfax copiers, which are operated 24 hours a day, six days a week, are maintained by Royfax servicemen who make their rounds in a specially equipped motorized cart and deliver machines to places where they are needed temporarily.



Marketing and technology interact effectively in the continuing growth of Litton's professional services and equipment business.

Litton is responding to the explosive demand for superior medical and dental products with an extensive product development program based upon close collaboration with physicians and dentists. The products flowing from this effort are brought to medical and dental practitioners by our growing team of technical specialists. Litton serves the medical and dental markets with 136 direct sales and service offices in Europe and the United States and 70 independent distributors situated in North and South America, Europe, Asia and Africa.

Our Profexray division has become a leader in the design, development, manufacture and sale of radiological systems. Its recent product advances include image intensifiers, remote control X-ray apparatus and X-ray ciné systems, all designed to increase the effectiveness of the radiologist.

Our Dental division has introduced a dental X-ray unit that is unique for its versatility. The division is developing a new dental chair and dental unit based on advanced design concepts. These products will be marketed through our network of 45 dental products distribution centers.

Our Hellige division, headquartered in Germany, designs, manufactures and markets research, diagnostic and patient monitoring systems. With our latest equipment, hospitals and doctors provide their patients more intensive medical care and surveillance with improved reliability and economy. Newly designed systems have been marketed successfully in Europe, Africa, South America and Canada and are now being introduced into the United States. Hellige this year received one of the largest single orders ever placed for patient monitoring equipment. It will be installed in a new hospital complex in Hanover, Germany.

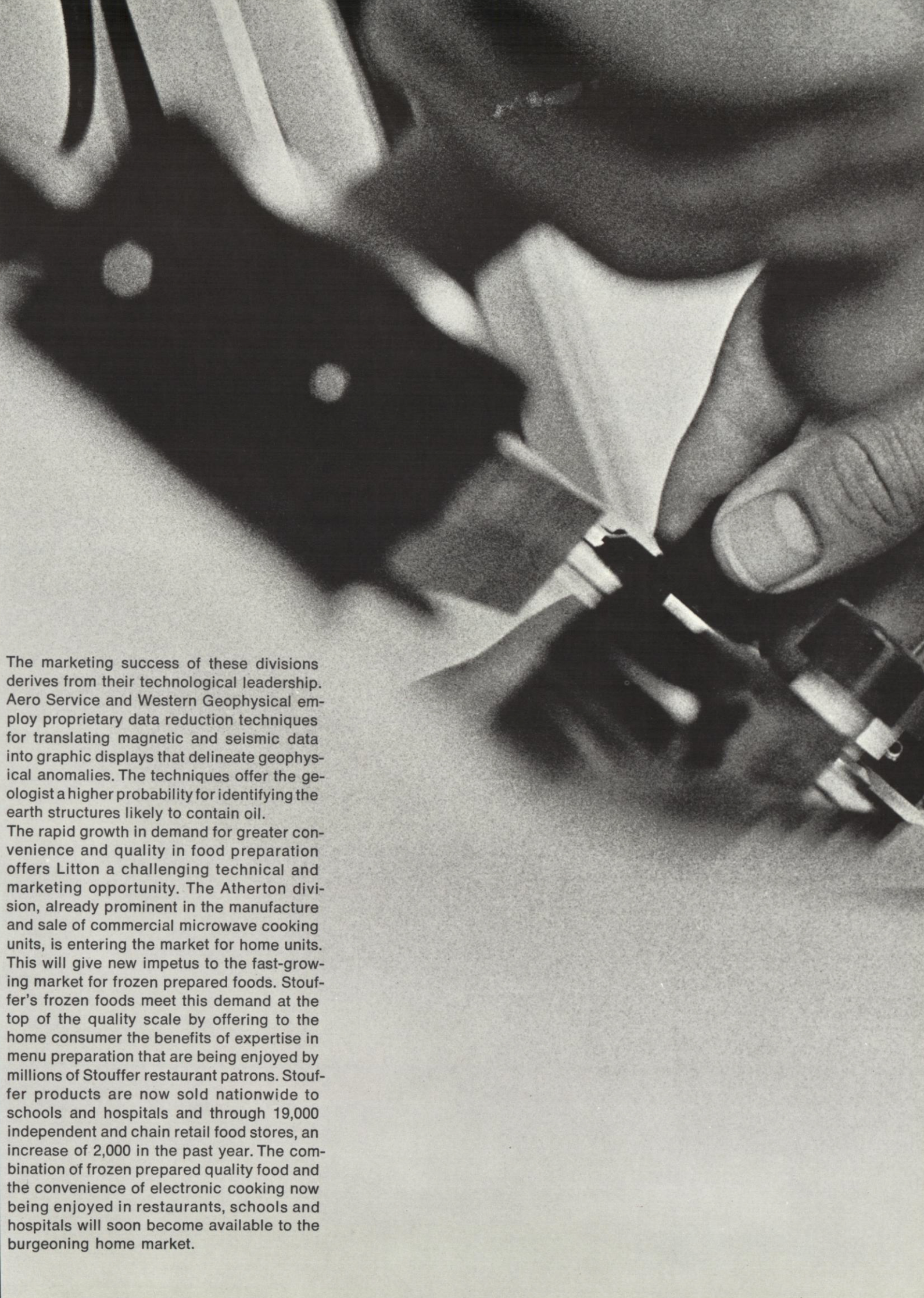
Our Henke and Sass-Wolf divisions manufacture and market a wide range of precision medical products including diagnostic instruments using advanced fiber optic techniques and new disposable devices.

We also serve the medical profession through a family of professional publications that includes *Medical Economics*, *RN*, *Hospital Physician*, *Physician's Desk Reference* and a new publication, *Medical Laboratory Observer*.

Our American Book Company serves the elementary, high school and college markets in the United States. Its extensive field sales force operates in every state, and its field consultants conduct workshops, seminars and educational conferences specifically for professional educators. This sales organization has been designed to meet the particular needs and characteristics of each state. We recently announced the formation of our Urban Education division to establish direct communication with educators now meeting the special educational needs of major urban areas. Our purpose is to develop and publish books written specifically to meet the needs of this market. We plan to work with officials in the 20 largest cities of the United States, and are now doing so in New York, Chicago, Los Angeles and Detroit. While Litton's medical divisions extend the frontiers of applied medical and dental technology, two other Litton divisions explore the remote frontiers of the earth. One of the world's most important business events this year was the multimillion-dollar sale of oil leases in Alaska's North Slope region. This followed discovery of oil there, after extensive surveys in which our Aero Service and Western Geophysical divisions played a major role. Oil companies, encouraged by the significance of the discovery, are engaging both Aero Service and Western Geophysical to conduct further land, marine and airborne surveys in both the explored and unexplored North Slope regions. These projects are in addition to the many others being conducted by Aero and Western in the Middle East, Africa, the Far East, Australia and South America.



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The marketing success of these divisions derives from their technological leadership. Aero Service and Western Geophysical employ proprietary data reduction techniques for translating magnetic and seismic data into graphic displays that delineate geophysical anomalies. The techniques offer the geologist a higher probability for identifying the earth structures likely to contain oil.

The rapid growth in demand for greater convenience and quality in food preparation offers Litton a challenging technical and marketing opportunity. The Atherton division, already prominent in the manufacture and sale of commercial microwave cooking units, is entering the market for home units. This will give new impetus to the fast-growing market for frozen prepared foods. Stouffer's frozen foods meet this demand at the top of the quality scale by offering to the home consumer the benefits of expertise in menu preparation that are being enjoyed by millions of Stouffer restaurant patrons. Stouffer products are now sold nationwide to schools and hospitals and through 19,000 independent and chain retail food stores, an increase of 2,000 in the past year. The combination of frozen prepared quality food and the convenience of electronic cooking now being enjoyed in restaurants, schools and hospitals will soon become available to the burgeoning home market.

Fritz Hellige division's Simpliscriptor EK 100 electrocardiogram recorder, now being marketed in North America, undergoes 215 quality control tests at the division's headquarters in Freiburg, Germany, before being packed for overseas shipment. Widely accepted by the medical profession, the recorder was specially designed for the North American market. Hellige now sells about 17 per cent of its medical electronic products in the United States, and expects to double this volume within the next year. The recorder is one of several innovative Hellige products developed in collaboration with noted medical specialists. It is used in all types of hospitals, as well as by specialists and general practitioners. Also among the

division's products are patient monitoring systems. Installed as bedside units, they may be used individually to observe a patient's progress, or they may be employed as part of large, multichannel central stations in hospitals, where several patients may be monitored simultaneously by one attendant. These systems are now widely used throughout the world. Among recent orders is a \$1.15 million monitoring and operating room control system for a new complex of hospitals in Hanover, Germany. Hellige has been serving the medical profession for 75 years.



Litton's Profexray division exhibits its popular Emperor 90-15 diagnostic X-ray table and a 6-inch Image Intensifier at the American Hospital Association convention in Chicago. Such conventions provide the medical profession and producers of equipment with a mutually beneficial meeting ground. Radiologists, for example, examine, inspect and compare the equipment of various manufacturers and acquaint themselves with technological advances. At the same time, manufacturers like Profexray have an opportunity to display heavy equipment which cannot be easily transported to hospitals and clinics for demonstration. Profexray salesmen learn of future equipment planning by established clients and introduce the division's

product line to potential clients, including administrators and technicians. In 1969 Profexray personnel attended and exhibited equipment at all major radiological meetings, leading national and regional dental shows. Profexray distributes X-ray apparatus, supplies, film processors, film and chemicals through 78 field sales and service offices. Profexray salesmen call on radiologists in hospitals and private radiological offices to interest them in a specific product or system and to explore needs for future generations of X-ray equipment. Since 1966, Profexray's X-ray sales have grown at an average rate of 40 per cent each year.



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When the Apollo 11 Astronauts returned to earth from the moon, Stouffer Foods division provided most of the food for their 19-day isolation. Stouffer made its participation in the Apollo program the basis of a highly successful advertising program. At the Ketchum, MacLeod and Grove advertising agency in Pittsburgh, Charles H. Pimlott, Jr. (left), general advertising manager of Stouffer Foods, meets with writer Rita Frankel and account supervisor Richard Weber. Mrs. Frankel contributed the effective theme statement, "Everybody Who's Been to the Moon Is Eating Stouffer's." The Stouffer campaign included full-page ads in national magazines and newspapers, press releases to food editors, merchandising graphics, special displays in supermarkets, television commercials and sponsorship of NBC televi-

sion coverage of President Nixon's state dinner for the Astronauts. As a result, Stouffer chalked up the best sales month in its history in July. Stouffer Foods division retails on a national basis 30 prepared frozen foods; it sells 141 institutional products to hospitals, schools, airlines, hotels, motels, clubs and restaurants. Stouffer Food Systems division manages for industrial and institutional clients complete food services involving convenience foods, menu planning, purchasing control and food engineering. The Stouffer Restaurant & Inn division, through its 53 restaurants and nine Stouffer inns, serves more than 23 million meals a year.

a. Atherton division's new home microwave cooking unit is being tested by Minnesota housewives in their own kitchens. Like other members of the consumer test panel, Mrs. Miles B. Hirschey, of Edina, uses the unit many times a day. She submits regular reports on its performance, with comments and suggestions, to Atherton's Minneapolis office. Prior to national marketing, both laboratory and field testing are necessary to determine the unit's usefulness and potential as a kitchen appliance. Its development is a logical step for Atherton. The division, offering prompt service and maintenance of carefully tested products, has attained leadership in supplying microwave units to the vending and restaurant industries, institutional and in-plant food operations, and the airline industry.

b. The Students' Store, University of California at Los Angeles, serves a student body of nearly 27,000. Michael Cronin (standing), textbook buyer, and Litton book salesman Eugene Ford discuss a display of Van Nostrand-Reinhold technical books. The four divisions of Litton Educational Publishing Inc.—Van Nostrand-Reinhold, American Book Company, McCormick Mathers and Litton International Publishing Co. — market through separate sales organizations reaching all levels of the educational and retail special book field. Van Nostrand-Reinhold, for instance, sells directly to librarians and bookstores. American Book's salesmen direct their efforts to educators in school systems. Litton book divisions also conduct teacher workshops, seminars for curriculum directors and conferences for supervisors.



a.



b.

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a. Representatives of Western Geophysical division, including Vice President Thomas Slaven (center), display marine exploration equipment at the annual meeting of the Society of Exploration Geophysicists in Calgary, Canada. The leading professional geophysicists from many countries saw the division's exhibit, which emphasized the new seismic energy sources operated by Western Geophysical on its fleet of vessels strategically located throughout the world. Customers and potential customers closely examined an Aquapulse energy source model and a full scale Maxipulse gun. Western Geophysical makes a worldwide search for petroleum, under contract to major oil companies. It was a major contributor in the recent oil discoveries on Alaska's North Slope near the Arctic Ocean.

b. With the aid of an ingenious labels system, Litton Publications, Inc., enables manufacturers who advertise in its medical journals to make direct contact with readers and take sales action. Publisher Frank L. Nixon (left) keys every advertisement in the Medical-Surgical Review and Medical Laboratory Observer to a coded Reader Service Card. A doctor, for example, may buy the product directly or request further information, samples, a demonstration or trial by mailing the card. Information on all Reader Service Cards returned from an issue is processed by Robert J. Manley (right) in Paramus, N.J., and printed out in the form of duplicate mailing labels. Both go to the manufacturer, one for his direct mailing to the subscriber, the other to a regional salesman for a follow-up call.

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PROFESSIONAL
SERVICES AND
EQUIPMENT





c.
d.



c. Appearances by Mexican-American author Julian Nava on television interview programs acquaint the public with his book, "Mexican-Americans, Past, Present and Future," published this year by the American Book division of Litton. Dr. Nava, a member of the Los Angeles City Board of Education and professor of history at Los Angeles' San Fernando Valley State College, talks of the role of Mexican-American school children in today's society during a TV discussion moderated by Frank Stanley (left). Dr. Nava's book is one of the few ever published interpreting American history fully from the view of a minority group. It has been widely praised by educators as a comprehensive work on Mexican-American heritage.

d. Litton's rapidly growing Dental division is a leader in supplying a wide array of products and services to dentists and dental laboratories. A complete service for dental office planning and furnishing is provided by more than 45 regional sales and service centers. Roy A. Berry (standing), Chicago office manager, briefs Drs. Edward S. Laskowski (left) and Paul T. Messick in the use of equipment recently installed in their offices in the Chicago suburb of Palatine, Ill. This equipment will be serviced and maintained on a regular basis. In 1969 the Dental division introduced a dental X-ray machine, specially designed for the new technique of prone patient dentistry, and a new film processor.

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INDUSTRIAL
SYSTEMS AND
EQUIPMENT

Increasingly intense global competition and rapidly rising wages in the major industrial countries are causing a growing demand for industrial systems and equipment to improve productivity. Litton's strategy for success in this market is based on a combination of four capabilities: a total systems approach to design solutions to industrial production problems, a broad product line of equipment reflecting the latest state-of-the-art, a broad base in electronic and computer technology which is finding increasing application in this market, and a network of strong marketing organizations.

This year our Landis Tool division introduced a new series of electronically controlled, high production precision grinding machines with numerical wheel feed. Landis is the first manufacturer to incorporate a numerical feed control system into such products. These machines will automatically adapt themselves for variations in material or size of the piece being worked upon. This advance in machine control and operation through the use of integrated circuit technology has been an important factor in the division's sales gains.

The New Britain Plastics Machine division announced a proprietary analog feedback process control for close tolerance production of plastic parts. Automatically compensating for variances in such factors as pressure, viscosity and temperature, this innovation makes possible the highest degree of parts repeatability and the closest tolerances yet achieved.

Important to the marketing strength of the Hewitt-Robins Materials Handling division is its systems engineering capability. Hewitt-Robins engineers analyze complex materials handling problems, design conceptual

solutions to them and implement the solutions with the division's broad line of equipment. Hewitt-Robins field organization provides world-around sales, service and engineering support to its customers through 21 district offices, 230 direct sales personnel and over 1,000 distributors in the United States, Canada, South America, Europe, Australia, Africa and Asia.

Among the division's notable achievements for the year was installation of one of the world's largest automated conveyor systems for Firestone Tire and Rubber Company at a new plant in Albany, Ga. Nearly two miles of automated conveyors, operated by special switching and control devices, carry 30,000 tires per day.

Our Rust Engineering division, which provides total engineering, design and construction of entire manufacturing complexes, is a major builder of metallurgical, power and chemical plants and is the world's leading builder of pulp and paper plants. Among numerous multimillion-dollar projects under way this year is the engineering and construction of an \$84 million aluminum smelting system for Revere Copper and Brass Company. Rust is designing and constructing pollution abatement and pulp mill facilities worth \$30 million for the Hammermill Paper Company.

Litton supplies thousands of industrial companies with a wide variety of precision components based on advanced technology through an international production and marketing organization that includes 80 sales offices with 200 direct sales personnel, over 250 manufacturers' representatives and over 1,000 distributors in North America, Europe and Asia.

Our Potentiometer division, manufacturers of a wide range of precision potentiometers, is now introducing a new warning system for movable crane operation called Compulift. This system, which is based upon our recently developed pendulum potentiometer, includes sensors and a small computer to evaluate the relationship between load, boom length, angles and position of a crane,

*Electron Tube Division's L-5047
Coaxial Pulse Magnetron*

and signals the operator that a load can be lifted safely. Rising safety standards in the entire construction industry are expected to create an immediate widespread and growing demand for this product.

New industrial and scientific applications for lasers are being discovered almost every day. Our Airtron division, one of the world's leaders in laser crystal technology, manufactures laser crystals, precision components for laser generators, and peripheral precision devices for laser systems.

Our research in laser crystal technology led to the development of Diamonair™ which has the appearance of a natural diamond and a degree of hardness far superior to that of other man-made gems. This exceptional hardness gives it a continuing brilliance in everyday use that will be a major factor in its market acceptance. Diamonair will be introduced exclusively at Saks Fifth Avenue.

FRAGILE



Brussels-based Coppée-Rust, an affiliate of Rust Engineering and a leading construction firm in Europe, has won a contract from the government of Bulgaria to build a \$40 million chemical products complex at Povelianova-Varna on Bulgaria's Black Sea coast. In winning the contract for which 22 firms competed, Coppée-Rust heads an international consortium which also includes Gexa of France and Humphreys and Glasgow of Great Britain. Coppée-Rust is project leader for the entire complex and directly responsible for all engineering, purchasing and construction of the plant, one of the largest of its kind in the world. The division's managing director, Ernest E. Four (left), and René Nokin, general manager of the Brussels office, discuss construction

plans with the aid of a walk-in scale model of the massive project. Coppée-Rust maintains its own model department, where model craftsmen, designers and engineers built this replica to the most minute detail. The scale models, an effective facet of Coppée-Rust's marketing approach, eliminate numerous construction problems that otherwise might be encountered once the actual project gets under way. When completed, the new facility will have an annual capacity of more than 1 million tons of soil-enriching products, including nitrogen, phosphorous and potassium complex fertilizers (NPK) and triple superphosphate.



a.



a.

One of the major contracts booked by Hewitt-Robins Bulk Handling Equipment division in the 1969 fiscal year is a three-mile overland conveyor system in Santa Cruz County, Calif. Tailored to the needs of the customer, the Pacific Cement and Aggregates division of Lone Star Cement Corporation, the system provides pre-cast concrete modules supporting a conveyor system which runs 600 feet a minute and transports 1,000 tons of material an hour. The system, situated in a scenic coastal region of California, was designed to be esthetically attractive and impervious to the corrosive seaside atmosphere. Antony M. Grant, Hewitt-Robins chief engineer for the Western Region, surveys construction progress with Barry Watkins, resident engineer for the PCA division of Lone Star Cement.

b.

Digital computer design techniques strengthen the marketing of Electron Tube division's technological products by fulfilling precise performance requirements for a specific customer. Often, the resulting innovative tube becomes the basis for a broad product line which meets a wide, continuing demand. Electron Tube uses a digital computer to design critical elements of microwave tubes. Engineers program the computer to produce a graphic representation of electron performance in any specific tube. These techniques have assisted in development of many advanced Litton components for communications and radar systems.

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INDUSTRIAL
SYSTEMS AND
EQUIPMENT

a. With air pollution proliferating, Litton established the Environmental Systems division at Camarillo, Calif., to design, produce and market electronic systems to monitor pollution in urban areas and collect meteorological data. Leland S. Webster (left), vice president and general manager, contracted with the Puget Sound Air Pollution Control Agency to provide a comprehensive system for the Puget Sound basin. He and A. L. Kellogg (right), air monitoring chief of the agency, inspect Litton equipment in the computer-controlled central station in downtown Seattle. This facility processes data, which are automatically and continuously transmitted from 10 remote instrumented stations pinpointed on the map. The remote stations measure sulfur dioxide, particulate, wind direction and speed.

b. Airtron division is a major producer of laser crystals for diverse applications such as material processing, distance measuring, illumination and medical research. Out of its basic laser research work, where rare earths are heated and compounded with other elements under carefully controlled conditions, Airtron has developed a new stone nearer in characteristics to diamond than any other man-made stone. We have given it the name of Diamonair™. On perfecting the process for repetitive production of Diamonair we entered into a merchandising agreement with Saks Fifth Avenue for its national introduction in October 1969 in 23 Saks Fifth Avenue stores. Dean Mitchell (left), Airtron president, and Gordon Franklin, president of Saks, examine the initial Diamonair display in New York City.



a.

b.

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INDUSTRIAL
SYSTEMS AND
EQUIPMENT



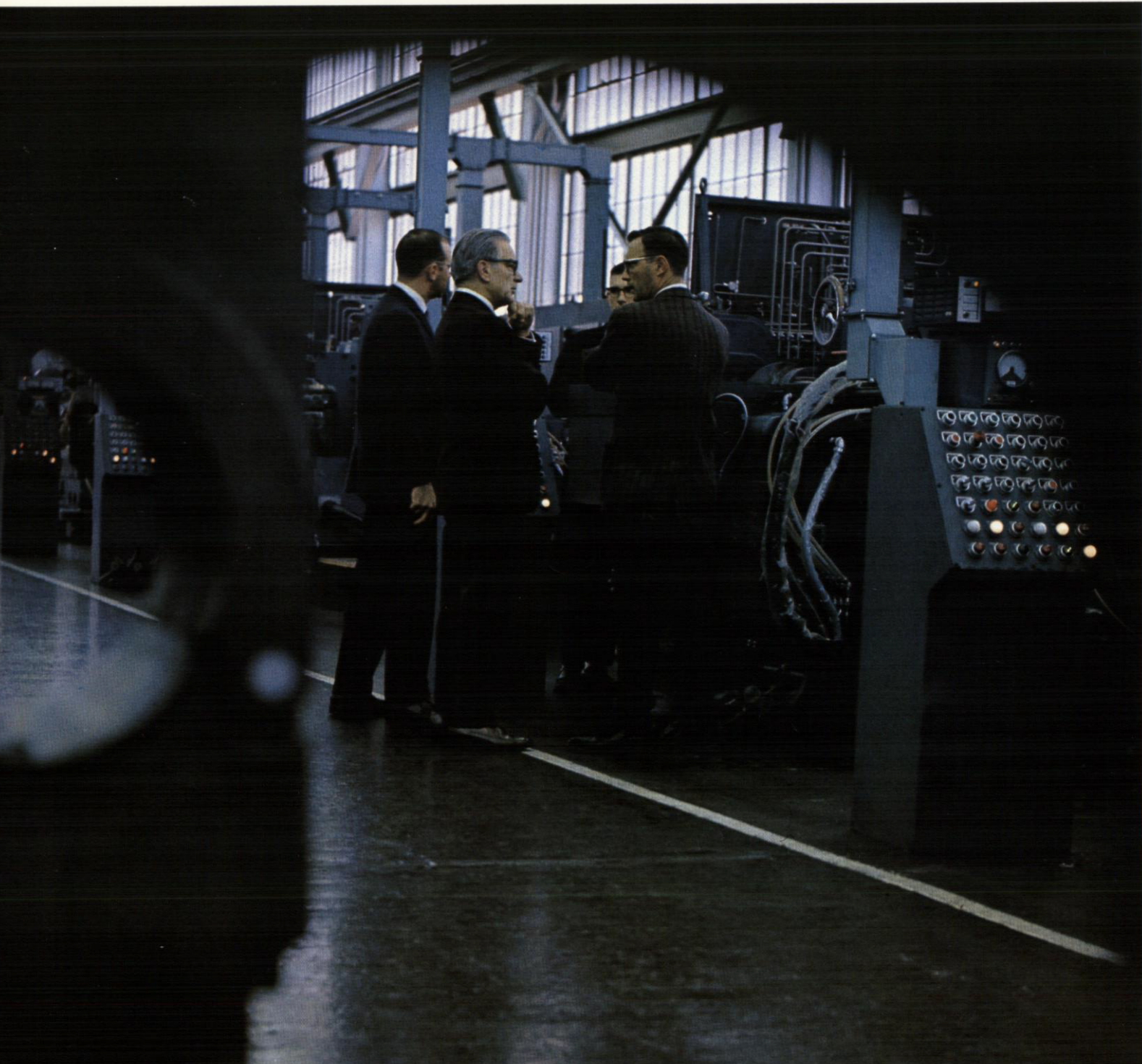
Nineteen Litton divisions design and produce electronic and precision electro-mechanical components which are marketed worldwide. The Components Caravan, a new traveling exhibit, will tour industrial plants throughout the United States for a year to introduce the entire components line to users. Then the Caravan will be sent to Europe on tour to expand markets served by Litton Precision Products International, Inc., the European sales organization for components. While in Waynesboro, Pa., the exhibit is visited (below) by electronics engineers and the purchasing agent of an industrial

customer. The components divisions utilize the Components Caravan, exhibit at trade shows, and market their products directly to OEM (original equipment manufacture) customers and to distributors. The technical nature of components requires engineering and applications backing in the form of literature, application notes and training seminars for salesmen. In introducing a new product, the divisions advertise extensively in trade journals.



Visits by customers to Landis Tool division's plant in Waynesboro, Pa., are an important part of its marketing of machine tools. With one of the most modern machine tool production facilities in the world, Landis management and sales executives have an ideal setting to brief customers. The visits aid Landis' selling by acquainting customers with the division's manufacturing efficiency and the overall superiority of its products. In this photograph, a representative from Chevrolet division of General Motors inspects one of a battery of Landis precision grinders purchased by Chevrolet for volume production of automobile parts. He is accompanied by the Landis salesman from his region—an

unvarying procedure for every visit—and Landis sales, engineering and management executives. Visitors in any week may include active prospects who have considered competitive proposals and are at the point of buying new equipment for replacement or expansion, customers who come for a demonstration of a specific, improved machine tool, and manufacturers who are continuously seeking increased efficiency in the precision grinding process of production. Customers from throughout the world also visit other Landis plants at South Beloit, Ill., Yorkshire, England, and Lyon, France.





a.



a.

New Britain Plastics Machine division achieved one of the most significant advances in plastics production with the introduction in 1969 of a new monitoring and control system. Customer Denis A. Dearle, Plastics Division manager of North & Judd, a division of Gulf + Western Company, visits New Britain for a demonstration by Sales Manager Lawrence N. Davis. Heretofore, the quality and dimensional control of myriad plastic objects for industry was a troublesome process because plastic pressure control by machine had not been possible. New Britain succeeded in putting temperature and pressure sensors directly in the mold of its plastics injection molding machinery. The process monitor and analog feedback controller (left) enable the machinery to automatically produce plastic parts to required dimensional tolerances.

b.

Louis Allis sales engineers in 50 district offices and 250 distributors located in key industrial areas of the United States form the marketing network for the division's line of industrial motors and power equipment. These members of a distributor organization are being briefed at Louis Allis' Milwaukee headquarters in the design features of a recently introduced solid-state DC drive. Training programs like this are conducted regularly both at headquarters and at regional offices to acquaint distributors with product innovations, sales techniques and marketing opportunities. In addition to marketing and promotion concepts, the course consists of studies of competing products and proper use of technical literature.

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SYSTEMS AND
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DEFENSE
AND MARINE
SYSTEMS

Technological leadership and an understanding in depth of military operational needs form the basis of Litton's success in defense and marine systems. Our initial defense efforts were primarily directed to the needs of the United States Armed Forces. Today the scope of our activities includes the NATO countries, Australia, Japan and other nations of the Free World.

Our Data Systems division has established a unique position in the field of tactical command and control equipment. This position is based on an understanding of operational needs and a mastery of complex data processing technology. This mastery derives from strong research and development programs in computer technologies such as the application of solid-state electronics to computer memories and large scale integrated circuitry (LSI), the most advanced technology of electronic microminiaturization. LSI is transforming the entire electronics industry. It will have extensive application in fields which have in the past been dominated by electromechanical technology. Large scale integration offers a 10,000-fold increase in computing capacity, combined with a 1,000-fold reduction in weight and a major improvement in reliability.

Data Systems' extensive product line includes major command and control systems such as the Airborne Tactical Data Systems and the Marine Tactical Data System, as well as Tacfire, currently being developed for the U.S. Army. For the U.S. Navy's LHA amphibious assault ship, Data Systems is designing

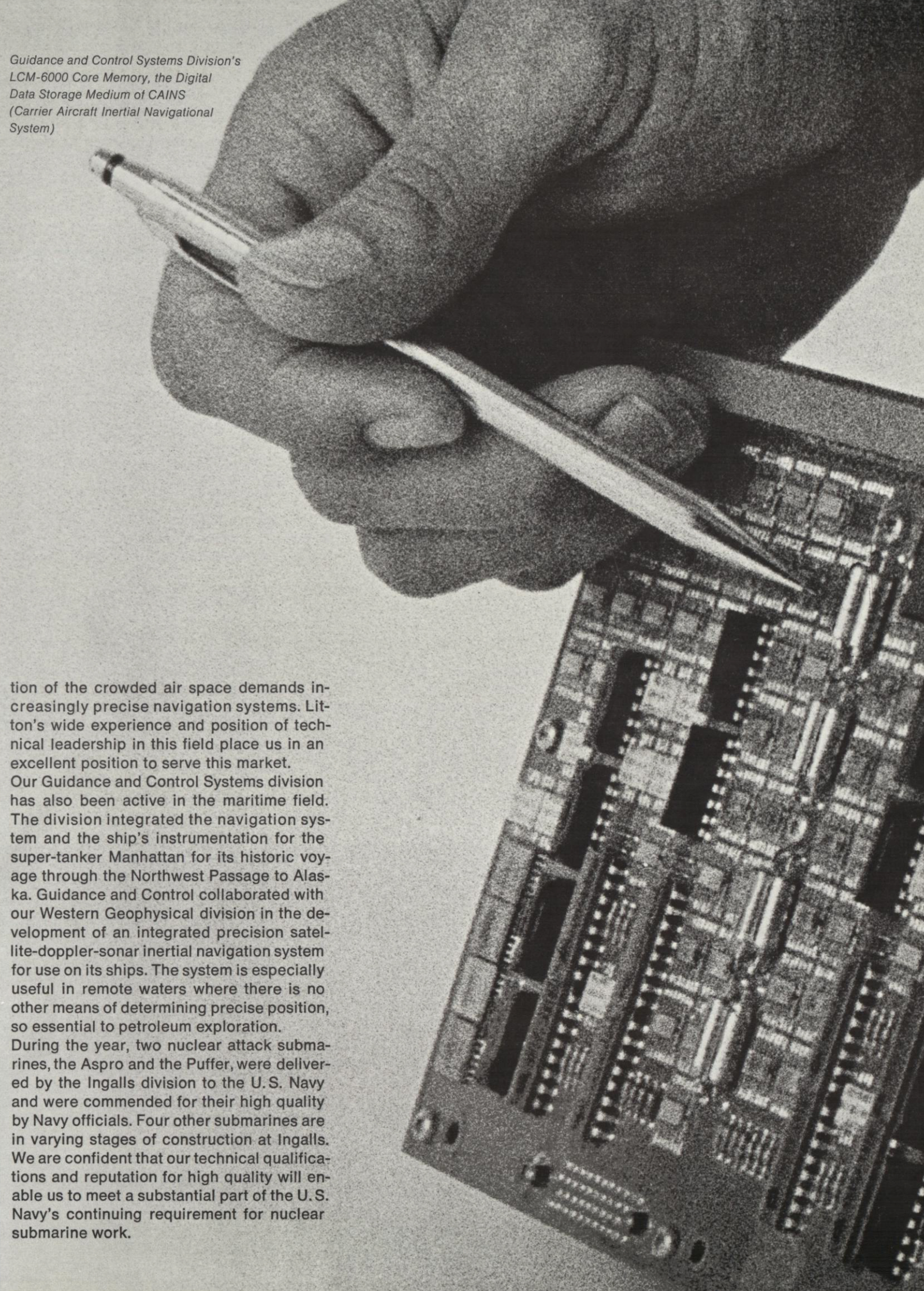
an integrated electronics system, including the combat information center, and the division will integrate the fire control, sensors and communication systems. This will be the first time that a ship will be equipped with a completely integrated electronics system. In addition to supplying the United States military services, Data Systems also provides systems for the Royal Canadian Navy, the German Army, the Italian Air Force and the Japanese Army. We believe that most of the NATO armies will need the capabilities offered by Tacfire.

Litton pioneered the development of inertial guidance systems for military aircraft. Ours was the first system in military operational flights, and it continues as the world standard. Free World nations from Australia to Italy and Iran to Canada—16 in all—use our systems to guide their military aircraft.

The company was selected to design the Carrier Aircraft Inertial Navigation System (CAINS). This system will provide improved carrier aircraft readiness. CAINS is intended for installation in the U.S. Navy's new F-14 fleet air superiority fighter, the new S-3A carrier-borne antisubmarine patrol plane and the E-2C fleet airborne early warning plane. Its market potential exceeds 1,000 aircraft.

Our LTN-51 aircraft inertial guidance system is the only one in scheduled commercial service today, flying in Boeing 707s, Douglas DC-8s, as well as aboard Grumman Gulfstream business jets. This year American Airlines announced it would use our system in its Boeing 747s. We recently received a similar order from Continental Airlines, and we are now working with Air France to certify our system in its 747s. Our system has been selected for the Concorde supersonic airliner. The ever-growing volume of air traffic and the consequent need for better utilization

Guidance and Control Systems Division's
LCM-6000 Core Memory, the Digital
Data Storage Medium of CAINS
(Carrier Aircraft Inertial Navigational
System)



tion of the crowded air space demands increasingly precise navigation systems. Litton's wide experience and position of technical leadership in this field place us in an excellent position to serve this market. Our Guidance and Control Systems division has also been active in the maritime field. The division integrated the navigation system and the ship's instrumentation for the super-tanker Manhattan for its historic voyage through the Northwest Passage to Alaska. Guidance and Control collaborated with our Western Geophysical division in the development of an integrated precision satellite-doppler-sonar inertial navigation system for use on its ships. The system is especially useful in remote waters where there is no other means of determining precise position, so essential to petroleum exploration. During the year, two nuclear attack submarines, the Aspro and the Puffer, were delivered by the Ingalls division to the U.S. Navy and were commended for their high quality by Navy officials. Four other submarines are in varying stages of construction at Ingalls. We are confident that our technical qualifications and reputation for high quality will enable us to meet a substantial part of the U.S. Navy's continuing requirement for nuclear submarine work.

a. Guidance and Control Systems division provides training in the operation of Litton inertial navigation systems as an important aspect of its after-sales service to the United States Air Force. Dick Abel, a field representative of the division, confers with Air Force Capt. Robert Lathrope, a pilot-systems operator, following a flight employing a Litton guidance system. Mr. Abel, who has been on Air Force liaison duty for Guidance and Control Systems for six years, conducts on-the-job training of maintenance crews at Air Force bases, and he assists operations personnel in the testing and evaluation of new Litton equipment.

b. The formal proposal is critically important in serving the defense market. In its preparation, a special team of Data Systems division's customer-requirements personnel and the division's advanced programs technical specialists work together to prepare the proposal. Writing a major proposal itself may require only a few weeks, but months or years of technical studies must first take place. During the preparation phase, a PERT or "critical path" chart is used to most efficiently bring together complex related elements. George Romano (left), DSD advanced programs vice president, and Jim Thomas, customer relations manager, here check the PERT chart which was used in the 69-volume preparation of Litton's successful Tacfire proposal.



a.



b.



Service and support assure that Litton's LN-14, standard equipment aboard the F-111, provides pilots with continuous, accurate navigation data and with a highly effective integrated weapon delivery capability. Bill Hickman, director, integrated logistic support for the Guidance and Control Systems division, spends 25 per cent of the year traveling around the world, supervising 480 Litton employees who provide training, field engineering, overhaul and repair, technical publications and logistic support at 61 bases in the U.S., Europe and Southeast Asia. On a visit to the U.S. Air Force Tactical Fighter Weapons Center at Nellis Air Force Base, Nev., Mr. Hickman demonstrates the replacement of computer modules on LN-14 units and reviews technical manuals used by fighter wing maintenance personnel. The

Guidance and Control Systems division maintains its headquarters and major facility in Woodland Hills, Calif., with other manufacturing and testing facilities in Utah, Minnesota, Texas, Canada, Germany and Italy. Facilities include dust-free, temperature- and humidity-controlled areas for the development and production of precision components with tolerances typically measured in millionths of an inch. The division's 5,240 employees number many highly qualified engineering and scientific personnel. During more than a decade of experience in marketing navigation technology, Guidance and Control Systems division has delivered over 8,000 Litton-designed systems to its military and commercial customers.



Performance advantages of the LTN-51 inertial guidance system installed in the cockpit mockup of the DC-10 at McDonnell Douglas are reviewed by C. L. Stout (right), DC-10 project pilot, and Clint Burdick, director of marketing for Litton's Aero Products division. Production of these advanced jetliners now is under way, with the first aircraft scheduled to be rolled out at McDonnell Douglas' Long Beach facility in the summer of 1970. The aircraft manufacturer chose the LTN-51 to illustrate to the airlines a typical cockpit instrumentation arrangement. This installation is an important factor in promoting sales of the LTN-51. Jet crews of airlines considering purchase of the DC-10 visit this mockup, where they are briefed on its operational characteristics. Two airlines already

have specified the LTN-51 as standard equipment aboard their DC-10s. Shown between the pilot seats are LTN-51s, installed in triplicate to offer maximum reliability. In the past two years the LTN-51 has been put into service aboard DC-8 and Boeing 707 jetliners, as well as on scores of business jets. Aero Products division conducts an LTN-51 training program with two marketing functions: It teaches customer personnel how to operate and service the inertial guidance system and acquaints sales prospects with the system's advantages. Courses cover basic warning and monitoring circuitry, the digital subsystem and fundamentals of inertial navigation.



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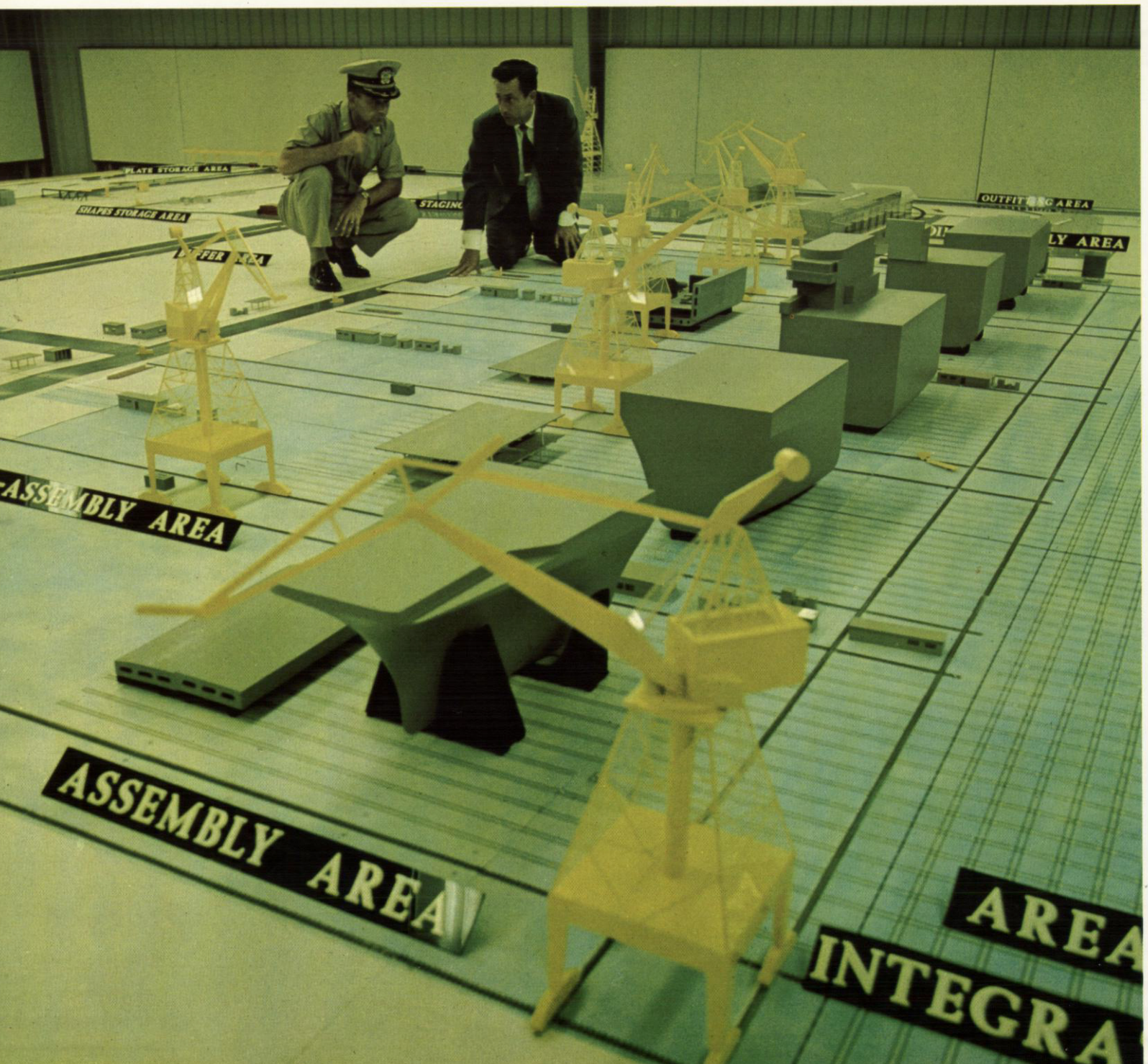
DEFENSE
AND MARINE
SYSTEMS

Litton Systems (Canada) Ltd. provides a major customer, the Canadian Navy, with a new command and control system, the CCS-280, for the new DDH destroyers. In milliseconds, the system automatically collates, analyzes and displays the necessary data to keep a tactical commander informed of rapidly changing battle conditions. Lt. Cmdr. R. George operates the display console of a CCS-280 in Litton Systems Canada's Ottawa center where customer and Litton personnel are jointly committed to the production of operational programs as well as training of maintenance and operator personnel. The world's first microelectronic shipboard com-

mand and control system, the CCS-280 has other military applications on sea and land and in the air, and it is being applied to such civil areas as air traffic control. One of Canada's leading producers of electronic equipment for military and commercial use, Litton Systems (Canada) Ltd. has a research and development program which is active in many areas of technology.

Litton's new shipbuilding facility at Pascagoula, Miss., neared completion in the 1969 fiscal year. Throughout construction, this scale model serves engineers as a tool, and it also acquaints prospective customers of Litton with the extraordinary design and capability of the facility. Dr. Robert L. Roderick (right), president of Litton's Ingalls West division, utilizes the model with Captain Robert R. Fargo, the United States Navy's supervisor of shipbuilding at Pascagoula. The new plant, which differs dramatically from conventional facilities in layout and operational concept, will be one of the most technologically advanced in any country. Ships will be manufactured by Ingalls Shipbuilding division on an assembly-line basis with modular construction techniques as indicated by the

scale model. The new 611-acre facility began production in October 1969. It enables Litton to offer military and commercial customers the combined capability of several Litton divisions in conceiving, designing, programming and producing—in shorter time and at lower relative cost—the large and complex ships required in the future. Contracts in excess of \$1.2 billion have already been awarded to Litton for ships to be built in the new facility. These include a contract to manufacture seven super-containerships for the U.S. Merchant Marine and a contract to produce nine Litton-designed general purpose amphibious assault ships for the Navy.



Marketing studies completed by Litton on future trends in the marine transportation field provide the guidelines for the direction of Litton's current programs. A projected requirement in marine transportation is for vessels with higher speeds and with systems to permit more efficient stowing of cargo. To meet this need, our Advanced Marine Technology division has developed a new multiple displacement hull, which is shown in model form in this photograph. Called "Trisec," the patented hull configuration is undergoing intensive research and design analysis. Trisec has proven to be a major advance in hydrodynamic hull design which could be incorporated in many types of ma-

rine vessels of the future. The Advanced Marine Technology division supplies our customers with a complete marine systems design and management capability. This systems approach has succeeded in winning major United States Navy contracts such as the general purpose amphibious assault ship (LHA) program. All elements of Litton's broad technological base can be mobilized in a single team to provide systems solutions to the marine requirements of Litton customers.



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DEFENSE
AND MARINE
SYSTEMS

DIVISION AND MAJOR SALES OFFICES INCLUDE: AUSTRALIA, Melbourne, Business Equipment Holdings; Mitcham, D. Van Nostrand; Sydney, Canadian Aero Service, Litton Business Systems, Sweda, Western Geophysical. AUSTRIA, Graz, Fritz Hellige; Vienna, Fritz Hellige, Monroe/Sweda. BELGIUM, Brussels, Coppée-Rust, Hewitt-Robins International, Litton Business Systems Belgium, Litton Precision Products International, Litton Systems, Westrex Company Belgium. BRAZIL, Rio de Janeiro, Western Geophysical. CANADA, Alberta, Calgary, Western Geophysical; Manitoba, Winnipeg, Royal Typewriter; Nova Scotia, Halifax, Royal Typewriter; Ontario, Ottawa, Canadian Aero Service; Ontario, Rexdale, Atherton, Litton Systems (Canada); Ontario, Scarborough, Cole Steel International, Foote-Whitney Drives; Ontario, Toronto, Canadian Aero Service, Kimball Systems, McBee, Monroe, Royal Typewriter, Sweda; Quebec, Laval, Standard Desk; Quebec, Montreal, Royal Typewriter, Rust Associates; Quebec, St. Laurent, Hewitt-Robins (Canada), Kimball Systems, Monroe, Royal Typewriter. COLOMBIA, Bogota, Western Geophysical. ENGLAND, Clayton West, Eureka Marketing Systems; Croydon, Rust Furnace; Hounslow, Western Geophysical; Hull, Imperial Typewriter; London, Aero Service, Hewitt-Robins (Great Britain), Imperial Typewriter, Litton Business Systems, Van Nostrand-Reinhold; Slough, Litton Precision Products International. FRANCE, Bordeaux, Litton Business Systems; Grenoble, Litton Business Systems; Lille, Litton Business Systems; Paris, ATAL, Coppée-Rust, Decotone, Hewitt-Robins Europa, Litton Business Systems, Litton Precision Products International, Litton Systems; Strasbourg, Litton Business Systems; Toulouse, Litton Business Systems. GERMANY, Berlin, Deutsche Endosokopbau (Sass-Wolf), Fritz Hellige; Bonn, Litton Systems; Cologne, Litcom; Dortmund, Fritz Hellige; Dusseldorf, Litton Business Systems; Essen, Fritz Hellige; Frankfurt, Fritz Hellige, Hewitt-Robins Europa; Freiburg/Breisgau, Fritz Hellige; Furth-Bay, Triumph-Adler Vertriebs; Grafelfing, Fritz Hellige; Hamburg, Fritz Hellige, Litton Systems; Hanover, Fritz Hellige; Heidelberg, Fritz Hellige; Kaiserslautern, Fritz Hellige; Munich, Litton Precision Products International, Litton Systems, Litton Technische Werke; Nuremberg, Fritz Hellige; Tuttingen, Georg A. Henke; Wurzburg, Fritz Hellige. HOLLAND, Amersfoort, Litton Business Systems Holland; Leiden, Kimball Systems, Royal Typewriter; Rotterdam, Litton Precision Products International. HONG KONG, Litton Business Systems, Westrex. ITALY, Milan, Hellige Italia, Hewitt-Robins Europa, Litton Business Systems, Revenue Control Systems, Veam, Western Ricerche Geofisiche; Rome, Fritz Hellige, Westrex. JAPAN, Tokyo, Westrex Company, Orient. LEBANON, Beirut, Westrex. MALAYSIA, Singapore, Western Geophysical. MEXICO, Mexico City, Royal McBee de Mexico, Sweda de Mexico. NIGERIA, Lagos, African Aero Service. PAKISTAN, Lahore, Westrex Company, East. PHILIPPINES, Manila, Westrex Company, Asia. PORTUGAL, Lisbon, Sweda Portuguesa. PUERTO RICO, San Juan, Monroe. RHODESIA, Bulawayo, Hewitt-Robins. SOUTH AFRICA, Cape of Good Hope, Capetown, Hewitt-Robins; Natal, Durban, Hewitt-Robins; Transvaal, Isando, Hewitt-Robins. SPAIN, Barcelona, Westrex Company Iberia; Madrid, Litton Business Systems de Espana, Hewitt-Robins Europa. SWEDEN, Kalmar, Sweda; Solna, Svenska Dataregister; Stockholm, Litton Precision Products, Sweda; Sundbyberg, Litton Business Systems. SWITZERLAND, Basel, Sweda; Versoix, Papeterie de Versoix; Zurich, Data Systems, Litton Business Systems, Litton International. TAIWAN, Taipei, Westrex Company, Asia. VENEZUELA, Caracas, Monroe Venezolana. WEST INDIES, Trinidad, Port-of-Spain, International Aero Service, Westrex Caribbean.

UNITED STATES—ALABAMA, Birmingham, Louis Allis, Rust Engineering; Montgomery, Automated Business Systems. ARIZONA, Phoenix, Royal Typewriter; Scottsdale, Clifton. CALIFORNIA, Anaheim, Automated Business Systems, Monroe International; Beverly Hills, Revenue Control Systems, Applied Technology (Space Sciences Center), Inter/Pak Electronics, Litton Industries, Litton Industries Credit, Litton International Development, Litton Memory Products; Camarillo, Environmental Systems Center; Chatsworth, Encoder; Downey, Clifton; El Segundo, Advanced Marine Technology; Gardena, Brand Worth, Automated Business Systems; Hollywood, Westrex; Los Angeles, Atlas Stationers, McCray, Western Geophysical; Palo Alto, Royal Typewriter; Redwood City, Automated Business Systems; San Carlos, Electron Tube; San Francisco, Carlisle, Datalog, Litton Medical Products, Monroe, Ritter-Ardes, Saphier, Lerner, Schindler Environetics; Santa Fe Springs, Louis Allis; Sherman Oaks, Western Geophysical; Sunnyvale, Mellonics; Van Nuys, Data Systems, USECO; Woodland Hills, Guidance and Control Systems. COLORADO, Colorado Springs, Litton Computer Products; Denver, Louis Allis, Hewitt-Robins. CONNECTICUT, Hartford, Monroe, Plimpton's, Royal Typewriter; Milford, Eldorado Tool & Manufacturing; New Britain, New Britain Machine; Oakville, Winchester Electronics; Stamford, Hewitt-Robins; West Hartford, Louis Allis, Roystone Supplies. DISTRICT OF COLUMBIA, Litton Systems. FLORIDA, Miami, Royal Typewriter; Tampa, Louis Allis. GEORGIA, Atlanta, Kimball Systems, Litton Industries Credit, Monroe, Royal Typewriter, Streater, Sweda. ILLINOIS, Bellwood, Jefferson Electric; S. Beloit, Gardner Machine; Chicago, Eureka X-Ray Tube, Kester Solder; Des Plaines, Kimball Systems, Profexray; Elk Grove Village, Dental, Streater; Elmhurst, Automated Business Systems, Litton Industries Credit; Mount Prospect, New Britain Machine; Rockford, Louis Allis; Springfield, Automated Business Systems. INDIANA, Huntington, Triad, Utrad; Indianapolis, Indiana Display; Kendallville, McCray. IOWA, Davenport, Louis Allis. KANSAS, Wichita, Sweda. LOUISIANA, New Orleans, Monroe; Shreveport, Western Geophysical. MARYLAND, Baltimore, Litton Medical Products; Bethesda, Biometrics Research; College Park, Amecom. MASSACHUSETTS, Athol, UTD; Boston, Boston Business Equipment Center; Brockton, Louis Allis; Burlington, Ditrans; Fitchburg, Fitchburg Paper; Springfield, Regal. MICHIGAN, Detroit, Monroe, New Britain Machine; Lansing, Automated Business Systems; Southfield, Louis Allis, New Britain Machine; Sturgis, Sturgis Newport Business Forms. MINNESOTA, Albert Lea, Streater; Minneapolis, Applied Science, Atherton, Hewitt-Robins, Streater. MISSISSIPPI, Pascagoula, Ingalls Shipbuilding. MISSOURI, Brentwood, Louis Allis; Kansas City, Louis Allis, Monroe; Maryland Heights, Clifton; Springfield, Advanced Circuitry, Automated Business Systems. MONTANA, Billings, Monroe. NORTH CAROLINA, Charlotte, Louis Allis. NEW JERSEY, Belleville, Kimball Systems; Carlstadt, Automated Business Systems; Clifton, Hewitt-Robins; East Orange, Louis Allis; Morris Plains, Airtron; Oradell, Litton Publications; Orange, Monroe, Sweda; Princeton, Educational Systems; Totowa, Hewitt-Robins. NEW YORK, Brooklyn, Taller & Cooper; De Witt, Louis Allis; Elmsford, Royal Typewriter; Melville, Litcom; Mount Vernon, Potentiometer; New York, Cole Steel, Creative Marketing Management, Lehigh-Leopold Furniture, Litton Educational Publishing, Marine Consultants & Designers, Olympic Office Supply, Saphier, Lerner, Schindler Environetics, Streater; Williamsville, Louis Allis, Hewitt-Robins. OHIO, Akron, Royal Typewriter; Cincinnati, Louis Allis, Hewitt-Robins; Cleveland, Louis Allis, Litton Great Lakes, Marine Consultants & Designers, Stouffer Foods, Stouffer Management Food Systems, Stouffer Restaurant & Inn, Wilson Marine Transit; Columbus, Hewitt-Robins, Royal Typewriter; Dayton, Data Systems; Guidance & Control Systems; Toledo, Hewitt-Robins. OKLAHOMA, Bethany, Hewitt-Robins; Tulsa, Louis Allis. OREGON, Portland, Streater. PENNSYLVANIA, Clifton Heights, Clifton; Dunmore, Eureka; Erie, Erie Marine; Philadelphia, Aero Service, Monroe; Pittsburgh, Louis Allis, Rust Engineering; Springfield, Louis Allis; Waynesboro, Landis Tool; York, Louis Allis, Cole Steel. TENNESSEE, Knoxville, Louis Allis; Memphis, Louis Allis. TEXAS, Dallas, Louis Allis, Monroe, Sweda; Houston, Western Geophysical; Laredo, Business Equipment Center; San Antonio, Maverick-Clarke, Sweda; Victoria, Business Equipment Center. VIRGINIA, Blacksburg, Poly-Scientific; Norfolk, Automated Business Systems; Richmond, Louis Allis, Check Printers of America, Everett Waddey. WASHINGTON, Pullman, Monroe; Seattle, Louis Allis, Automated Business Systems. WISCONSIN, Appleton, Louis Allis; Menomonee Falls, Skyphone; Milwaukee, Louis Allis, Royal Typewriter.

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Highlights of Five Years' Operations

Litton Industries, Inc. & Subsidiary Companies

Fiscal Years Ended July 31	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>
Sales and Service Revenues					
	(thousands of dollars)				
Litton Industries, Inc. historical results _____	\$2,176,598	\$1,855,007	\$1,561,510	\$1,172,233	\$ 915,574
Businesses acquired in poolings of interests— sales for years prior to year of acquisition:					
1969 _____		75,419	73,986	62,781	49,438
1968 _____			217,291	203,674	170,429
1967 _____				168,731	135,597
1966 _____					18,251
	\$2,176,598	\$1,930,426	\$1,852,787	\$1,607,419	\$1,289,289
Net Earnings					
Litton Industries, Inc. historical results _____	\$ 82,258	\$ 58,456	\$ 70,070	\$ 55,614	\$ 39,752
Businesses acquired in poolings of interests— earnings for years prior to year of acquisition:					
1969 _____		2,481	4,077	3,463	2,003
1968 _____			13,129	16,052	12,067
1967 _____				5,314	3,942
1966 _____					(430)
	\$ 82,258	\$ 60,937	\$ 87,276	\$ 80,443	\$ 57,334
Common shares outstanding at yearend adjusted for dividends and split _____					
	26,213,082	25,138,112	22,626,937	22,044,546	24,144,129
Equivalent common shares outstanding adjusted for dividends and split and assuming full conversion of preference and preferred stock:					
Litton Industries, Inc. _____	33,900,739	32,700,761	28,498,771	26,753,740	25,921,939
Reflecting subsequent poolings of interests _____	33,900,739	33,514,795	32,761,866	32,475,590	31,732,927
Earnings Per Share (See note)					
Litton Industries, Inc. _____	\$2.43	\$1.79	\$2.46	\$2.08	\$1.53
Reflecting subsequent poolings of interests _____	\$2.43	\$1.82	\$2.66	\$2.48	\$1.81
Stock dividends on common stock _____	2½ %	2½ %	2½ %	2½ %	2½ %
Stock split of common stock _____				Two-for-one	

Note: Earnings per share are computed on the basis of the total number of shares that would have been outstanding for each of the respective years assuming full conversion of preference and preferred stocks. The number of shares used in the computation has been adjusted for stock dividends, stock split and for the current conversion rate for the preference and preferred stocks. To reflect subsequent poolings of interests, shares issued for companies acquired in poolings of interests from 1966 through 1969 are considered as having been issued in 1965.

Other Financial and Related Data

	1969		1968			
	(thousands of dollars) Amount	Per Cent	After Adjustment for 1969 Poolings of Interests		Prior to Adjustment for 1969 Poolings of Interests	
			(thousands of dollars) Amount	Per Cent	(thousands of dollars) Amount	Per Cent
Sales and Service Revenues by Product Line:						
Business systems and equipment _____	\$ 607,703	27%	\$ 503,009	26%	\$ 503,009	27%
Defense and marine systems _____	570,078	26	517,278	26	517,278	27
Industrial systems and equipment _____	656,970	30	627,005	32	551,586	29
Professional services and equipment _____	372,887	17	310,288	16	310,288	17
	2,207,638	<u>100%</u>	1,957,580	<u>100%</u>	1,882,161	<u>100%</u>
Intercompany sales _____	(31,040)		(27,154)		(27,154)	
Total Sales and Service Revenues _____	\$2,176,598		\$1,930,426		\$1,855,007	
Operating Profit by Product Line:						
Business systems and equipment _____	\$ 32,607	18%	\$ 21,598	15%	\$ 21,598	16%
Defense and marine systems _____	45,681	25	37,417	27	37,417	27
Industrial systems and equipment _____	64,750	36	51,794	36	46,216	34
Professional services and equipment _____	37,974	21	31,302	22	31,302	23
	181,012	<u>100%</u>	142,111	<u>100%</u>	136,533	<u>100%</u>
Interest and other unallocated expense _____	(49,457)		(35,468)		(34,911)	
Earnings Before Taxes on Income _____	\$ 131,555		\$ 106,643		\$ 101,622	

	1969		1968	
			After Adjustment for 1969 Poolings of Interests	
			Prior to Adjustment for 1969 Poolings of Interests	
(thousands of dollars)				
Depreciation expense _____	\$ 54,662	\$ 46,354	\$ 44,927	
Capital expenditures _____	168,996	97,731	95,751	
Financial Position				
Net working capital _____	501,268	482,881	457,375	
Current ratio _____	2.1	2.4	2.4	
Total assets _____	1,580,306	1,258,800	1,207,876	
Shareholders' investment _____	704,308	624,739	596,516	

Consolidated Statements of Earnings

Litton Industries, Inc. & Subsidiary Companies

	Year Ended July 31, 1969	Year Ended July 31, 1968	
		After Adjustment for 1969 Poolings of Interests	Prior to Adjustment for 1969 Poolings of Interests
		(thousands of dollars)	
Sales and service revenues (Note G) _____	\$2,176,598	\$1,930,426	\$1,855,007
Costs and expenses:			
Cost of sales _____	1,563,114	1,392,522	1,335,405
Selling, general and administrative _____	402,737	369,984	358,687
Depreciation _____	54,662	46,354	44,927
Interest _____	24,530	14,923	14,366
Federal and foreign taxes on income (Note H) _____	49,297	45,706	43,166
	2,094,340	1,869,489	1,796,551
Net earnings (Note G) _____	\$ 82,258	\$ 60,937	\$ 58,456
Earnings per share _____	\$2.43	\$1.82	\$1.79

Earnings per share are computed on the basis of the total number of shares that would have been outstanding for each of the respective years assuming full conversion of preference and preferred stocks. The number of shares used in the computations for 1968 has been adjusted for the November 1968 stock dividend and for the changes in the conversion rates for the preference and preferred stocks that occurred during the fiscal year.

The 1968 data, "Prior to Adjustment for 1969 Poolings of Interests," represents the operations of Litton as shown on its 1968 report. The 1968 data, "After Adjustment for 1969 Poolings of Interests," gives effect to the restatement of the 1968 operations to include operations of businesses acquired in 1969 in poolings of interests, and, as to the earnings per share computation, to shares issued in 1969 in poolings of interests.

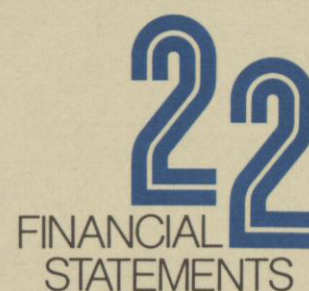
See notes to financial statements.

Consolidated Balance Sheets

	<u>July 31, 1969</u>	<u>July 31, 1968</u>
Assets		
Current Assets:		
	(thousands of dollars)	
Cash, including certificates of deposit and treasury bills _____	\$ 58,057	\$ 57,645
Accounts receivable _____	462,945	364,055
Inventories, at lower of cost or market, less progress billings of \$108,725 and in 1968 of \$84,717 _____	435,015	391,539
Prepaid expenses _____	12,611	10,880
Total Current Assets _____	968,628	824,119
Property, Plant, and Equipment—See page 23 _____	440,865	318,534
Investments and Other Assets—See page 23 _____	170,813	116,147
	\$1,580,306	\$1,258,800

Liabilities and Shareholders' Investment

Current Liabilities:		
Notes payable to banks _____	\$ 194,146	\$ 70,443
Accounts payable _____	158,851	160,663
Payrolls and related expenses _____	70,111	60,393
Federal and foreign taxes on income _____	18,855	38,358
Current portion of long-term liabilities _____	25,397	11,381
Total Current Liabilities _____	467,360	341,238
Long-term Liabilities (Note C) _____	323,112	209,986
Deferred Federal and Foreign Taxes on Income _____	26,604	27,017
Deferred Service Contract and Other Income _____	29,614	24,254
Convertible Subordinated Debentures (Note D) _____	29,308	31,566
Shareholders' Investment—See page 23 (Note E) _____	704,308	624,739
	\$1,580,306	\$1,258,800




	July 31, 1969	July 31, 1968
Property, Plant and Equipment — at cost:		
	(thousands of dollars)	
Land _____	\$ 20,095	\$ 21,275
Buildings _____	234,373	151,987
Machinery and equipment _____	422,517	353,341
	676,985	526,603
Accumulated depreciation _____	236,120	208,069
	\$440,865	\$318,534
Investments and Other Assets:		
Equity in unconsolidated finance subsidiaries (Note B) _____	\$ 45,353	\$ 32,805
Long-term investments — at cost _____	14,963	30,432
Excess of cost over related net assets of businesses purchased _____	102,728	46,223
Other assets, including patents _____	7,769	6,687
	\$170,813	\$116,147
Shareholders' Investment (Note E):		
Capital stock:		
Voting preference, par value \$2.50 a share, issuable in series:		
Authorized 8,000,000 shares		
Convertible participating series		
Issued 4,975,459 shares, and 5,592,541 shares		
less 36,702 shares in treasury _____	\$ 12,347	\$ 13,890
Voting preferred, convertible, cumulative, par value \$5 a share, issuable in series:		
Authorized 22,000,000 shares		
Series A—issued 105,660 shares, and 112,710 shares _____	530	564
Series B—issued 2,874,648 shares, and 2,873,049 shares _____	14,372	14,365
Common, par value \$1 a share:		
Authorized 120,000,000 shares		
Issued 26,213,082 shares, and 24,524,987 shares _____	26,213	24,525
Additional paid-in capital _____	362,041	316,806
Earnings retained in the business (less \$236,452 and \$193,870 transferred to paid-in capital for stock dividends paid) _____	288,805	254,589
	\$704,308	\$624,739

Consolidated Statements of Earnings Retained in the Business

	Year Ended July 31, 1969	Year Ended July 31, 1968
	(thousands of dollars)	
Balance at beginning of year _____	\$254,589	\$253,834
Net earnings for the year _____	82,258	60,937
	336,847	314,771
Deduct:		
Market value of 2½ % stock dividend _____	42,582	55,847
Premium on redemption of convertible subordinated debentures _____	900	2,999
Cash dividends on preferred stock:		
Series A — \$3 a share _____	322	358
Series B — \$2 a share _____	4,238	978
Balance at end of year _____	\$288,805	\$254,589

Consolidated Statements of Additional Paid-In Capital

	Year Ended July 31, 1969	Year Ended July 31, 1968
	(thousands of dollars)	
Balance at beginning of year _____	\$316,806	\$243,958
Excess of market value over par value of common stock issued for stock dividend _____	41,966	55,282
Excess of principal amount of debentures and par value of preference and preferred stocks converted over par value of common stock issued _____	3,269	17,566
Balance at end of year _____	\$362,041	\$316,806


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Note A—Principles of Consolidation

The accounts of the Company and its wholly-owned subsidiaries (excluding its finance subsidiaries) are included in the accompanying financial statements.

During the year ended July 31, 1969 the Company acquired the net assets of businesses which have been accounted for as poolings of interests. The 1968 financial statements have been revised to include these businesses. The Company also purchased other businesses, the operations of which are included from dates of acquisition.

Note B—Equity in Unconsolidated Finance Subsidiaries

The Company's equity in its wholly-owned finance subsidiaries is stated at cost, represented by investments and advances, and undistributed earnings of \$10,219,000 at July 31, 1969. These subsidiaries had total assets of \$103,159,000 and liabilities to banks and others of \$57,806,000 at July 31, 1969.

Note C—Long-term Liabilities

Long-term liabilities at July 31, 1969 consisted of the following :

Notes payable to insurance companies:	(thousands of dollars)
Due to 1984 with interest from 3½% to 4½% _____	\$ 82,995
Due to 1994 with interest from 5% to 6¾% _____	19,632
Notes payable to banks due 1970-1972 with interest from 4¾% to 6% _____	92,361
Capitalized leases for facilities _____	79,196
Notes payable for acquired company due 1970 _____	37,625
Miscellaneous debt due to 1997 with average interest of 5% _____	36,700
	<u>348,509</u>
Less current portion _____	25,397
	<u>\$323,112</u>

The principal maturities due during each of the next five fiscal years are as follows:

Year ended July 31, 1970 _____	\$25,397
Year ended July 31, 1971 _____	83,524
Year ended July 31, 1972 _____	52,728
Year ended July 31, 1973 _____	13,766
Year ended July 31, 1974 _____	12,006

The Company has complied with its agreements to maintain specified ratios of assets to debt.

Note D—Convertible Subordinated Debentures

At July 31, 1969 there were outstanding \$27,813,000 of 3½% debentures due April 1, 1987 and \$1,495,000 of 5¼% debentures due December 1, 1974.

The 3½% debentures are convertible into common stock of the Company at \$40 a share until April 1, 1972, \$42.50 a share until April 1, 1982, and \$45 a share thereafter. The 5¼% debentures are convertible into common stock at \$20 a share. These conversion prices are subject to antidilution provisions.

The Company has agreed to retire annually \$2,819,000 principal amount of the 3½% debentures commencing April 1, 1972 and \$600,000 principal amount of the 5¼% debentures. At July 31, 1969 required annual retirement of the 3½% debentures and the 5¼% debentures have been met through April 1, 1986 and December 1, 1971, respectively.

Note E—Shareholders' Investment

During the year ended July 31, 1969, changes in the capital stock accounts were as follows:

(dollar amounts expressed in thousands of dollars)

	Balance, Beginning of Year	Conversions	Stock Dividend	Busi- nesses Acquired	Balance, End of Year
Preference					
No. of shares _____	5,555,839	(752,977)		135,895	4,938,757
Par value _____	\$13,890	\$(1,882)		\$339	\$12,347
Series A Preferred					
No. of shares _____	112,710	(7,050)			105,660
Par value _____	\$564	\$(34)			\$530
Series B Preferred					
No. of shares _____	2,873,049	(4,348)		5,947	2,874,648
Par value _____	\$14,365	\$(22)		\$29	\$14,372
Common					
No. of shares _____	24,524,987	918,398	615,821	153,876	26,213,082
Par value _____	\$24,525	\$918	\$616	\$154	\$26,213

Each share of preference stock is currently convertible into 1.0956 shares of common stock. This conversion rate increases by 3.09% in each of the years 1970 to 1989 and, additionally, is subject to anti-dilution provisions. If a cash dividend is paid on common stock, each share of preference stock is entitled to receive a cash dividend in an amount equal to the dividend per common share times the then applicable preference stock conversion rate. Each share of preference stock is redeemable at any time after January 31, 1976 at prices ranging from \$67.75 in 1976 to \$100.95 in 1989 and thereafter. The Company has the right, at its option, in January of each calendar year to redeem shares of preference stock by offering to each preference stockholder the right to call upon the Company to redeem up to 3% of his shares at prices ranging from \$56.60 in 1970 to \$100.95 in 1989 and thereafter. In the event of liquidation each preference share is entitled to receive \$25 a share plus accrued dividends.

Each share of Series A preferred stock is currently convertible into two shares of common stock and is redeemable on or after April 1, 1972 at \$100 a share plus accrued dividends. In the event of liquidation each Series A preferred share is entitled to receive \$50 a share plus accrued dividends.

At July 31, 1969 each share of Series B preferred stock was convertible into .71850 of a share of common stock. On the day following the record date for a stock dividend in common stock, the conversion rate is adjusted upward in the event the value of the stock dividend which a holder of Series B preferred stock would receive had he converted his shares immediately prior to the dividend exceeds the cash dividends paid to holders of Series B preferred stock since the last stock dividend in common stock and downward in the event the value of such stock dividend is less than such cash dividends. As a result of the 2½% stock dividend on the common stock payable November 15, 1969 the conversion rate of the Series B stock is .69189 as of September 20, 1969. In the event a dividend in common stock is not paid in any fiscal year, the conversion rate will be reduced to reflect the cash dividends paid on the Series B preferred stock. In addition, the conversion rate is subject to antidilution provisions. Each share of Series B preferred stock is redeemable on or after January 15, 1978 at \$80 a share plus accrued dividends and, in the event of liquidation, is entitled to receive \$25 a share plus accrued dividends.

In December 1966, the shareholders of the Company approved a qualified stock option plan under which 250,000 shares of the Company's preference stock are available for grant of options to key employees to purchase stock at not less than market value at date of grant. Options are cumulatively exercisable, beginning one year from the date of grant, in equal installments over the remaining term of the option. During the year ended July 31, 1969 options to purchase 19,900 shares at prices ranging from \$55 to \$86.50 were granted and, at July 31, 1969, options to purchase 58,200 shares at prices ranging from \$55 to \$86.50 were outstanding. Options representing 7,660 shares at prices ranging from \$66 to \$85 were exercisable at July 31, 1969, and during the year then ended no options were exercised.

At July 31, 1969 common shares were reserved as follows: 770,068 shares for conversion of debentures, 211,320 shares for conversion of Series A preferred stock, 2,065,435 shares for conversion of Series B preferred stock, 5,410,902 shares for conversion of preference stock, 63,764 shares for conversion of preference stock issuable upon exercise of options granted under the qualified stock option plan, and 66,299 shares for issuance upon exercise of stock options outstanding at date of acquisition of certain companies.

Under certain acquisition agreements capital stock may be issued as additional consideration for businesses acquired. The number of shares to be issued is dependent, among other things, upon future earnings of acquired businesses and future market value of Litton stock. Based upon current estimates, the maximum number which could be issued as additional consideration is approximately 50,000 common shares and 26,000 preference shares.

Subsequent to July 31, 1969, the Board of Directors declared a common stock dividend of 2½% payable November 15, 1969 to holders of record of such common stock at the close of business September 19, 1969. This transaction has not been reflected in the financial statements.

Under the terms of the Company's borrowing agreements, consolidated earnings retained in the business of approximately \$151,269,000 was available for cash dividends at July 31, 1969.

Earnings retained in the business are not restricted by the excess of the liquidation preferences (\$173,370,000) of the preference and preferred stocks over their par values.

Note F—Lease Obligations

Current annual rentals under long-term leases, excluding capitalized leases, expiring between 1972 and 1999 are approximately \$11,821,000 plus property taxes and insurance in some instances.

Note G—Revenues and Costs

Sales and service revenues represent amounts applicable to products delivered and services performed including \$43,250,000 received from R. J. Reynolds Tobacco Co. and, for certain long-term contracts, revenues calculated on a percentage of completion basis. In 1964 and 1967 the Company and McLean Industries, Inc. entered into arrangements which provided for the purchase of certain McLean ships and McLean common stock from McLean Industries, Inc., and the construction, conversion, financing and chartering of additional vessels for McLean by the Company. The 1964 agreement provided that McLean had the right, through February 1970, to repurchase its stock at \$50 per share. In March 1969 the Company completed one phase of this program by the sale of its shares of McLean to R. J. Reynolds at \$50 per share in connection with the merger of McLean with R. J. Reynolds, and recognized a gain, after provision for income taxes, of \$23,200,000. This contract profit is included in the accompanying consolidated statement of earnings for 1969.

Inventories are valued generally at the lower of average cost or market. Following the Company's consistent accounting policy, any amounts by which estimated contract costs are expected to exceed contract revenues have been recognized in the 1969 operating results by a reduction of inventory values.

Note H—Federal and Foreign Taxes on Income

The provision for federal and foreign taxes on income includes current charges to income of \$2,700,000 to provide for temporary reductions in income taxes arising from differences between tax and financial reporting of depreciation and other items. The provision includes foreign income taxes of \$16,733,000.

The investment credit provided under the Revenue Act of 1962 is treated as deferred federal income taxes and amortized over the expected life of the related facilities through reduction of federal income tax expense. For the year ended July 31, 1969, \$1,824,000 was credited to income and at July 31, 1969, \$4,730,000 is deferred.

Touche Ross & Co.
3700 Wilshire Boulevard
Los Angeles, California 90005

September 26, 1969

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

We have examined the accompanying consolidated balance sheet of Litton Industries, Inc. and subsidiary companies as of July 31, 1969, and the related statements of earnings, earnings retained in the business, and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Litton Industries, Inc. and its subsidiary companies at July 31, 1969, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Certified Public Accountants

Litton Industries, Inc.

Board of Directors:

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Roy L. Ash
Glen McDaniel, Chairman, Executive Committee
Ransom M. Cook
Harry J. Gray
M. A. Hollengreen
Dr. Myles L. Mace
George E. Monroe
Fred W. O'Green
Henry Salvatori
Carl A. Spaatz, General USAF (Ret.)
Vernon Stouffer
Joseph A. Thomas

Corporate Offices:

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Litton Industries, Inc.

P. O. Box 5555

Beverly Hills, California 90213

Registrars:

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Trust Company
20 Pine Street
New York, New York 10015
Security Pacific National Bank
P. O. Box 3546
Los Angeles, California 90054

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