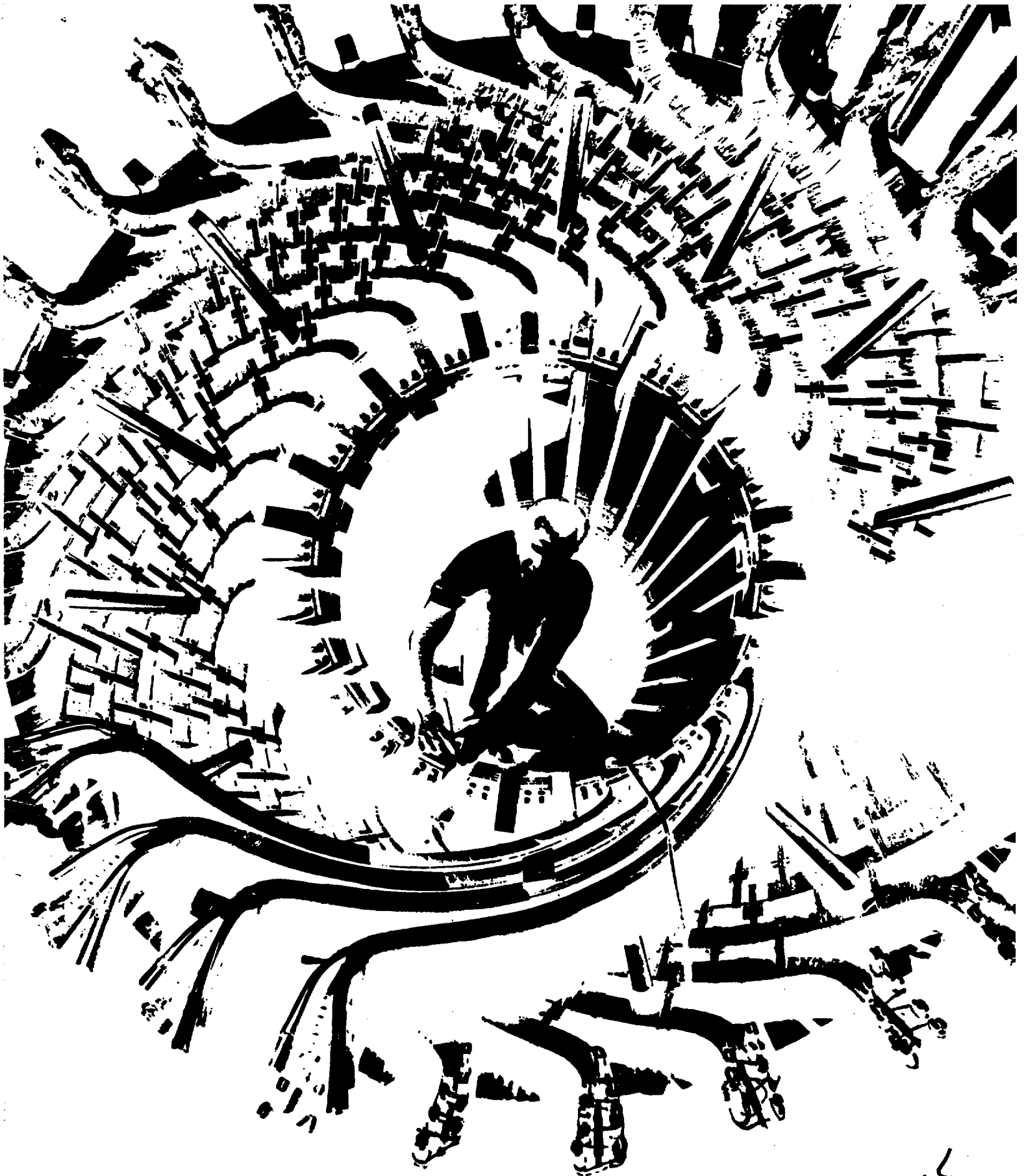

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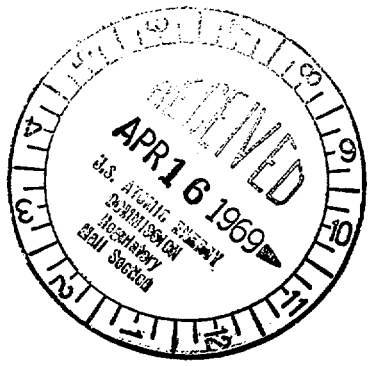
1968 Annual Report

Westinghouse

Westinghouse Electric Corporation
3 Gateway Center
Box 2278, Pittsburgh, Pa. 15230

1968 Annual Report

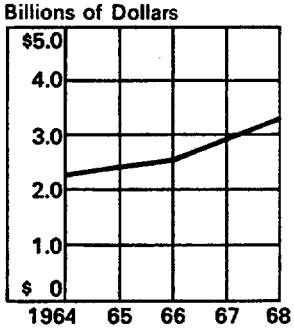


Contents

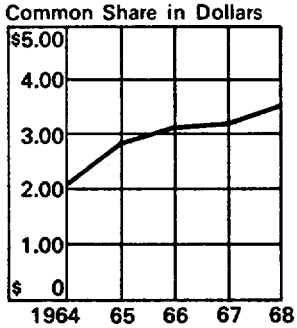
Financial Highlights	1968	1967
Sales	$3,296,147,000	$2,900,698,000
Net income	135,013,000	122,490,000
Net income per common share	3.49	3.21
Dividends paid per common share	1.80	1.60
Average common shares outstanding during year	38,296,000	37,731,000
Dividends paid	$ 70,347,000	$ 61,894,000
Working capital at year-end	765,127,000	865,260,000
Expenditures for new and improved facilities	206,435,000	145,413,000
Depreciation	64,467,000	56,179,000

Cover – This black and white abstraction is actually a photograph of a Westinghouse employe (center) working on a large turbine generator at the East Pittsburgh, Pa., plant. The unusual effect is achieved by recopying the continuous tone photograph on high contrast film; repeated recopying eliminates all intermediate grey tones, leaving only black and white areas.

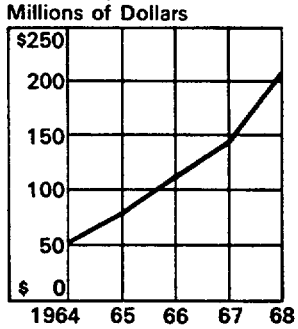
Sales in Billions of Dollars



Net Income Per Common Share in Dollars



Capital Expenditures in Millions of Dollars



To Our Stockholders:

The year 1968 was an outstanding one for Westinghouse and for its owners, employes and the markets it serves.

It was a year of record earnings and sales, increased dividends, new growth and the formation of a new management structure to direct future growth.

Net income per common share in 1968 was at a record high of $3.49 against $3.21 per share in 1967. Sales crossed the $3 billion level for the first time to $3,296,000,000 a gain of 13.6 per cent from $2,900,000,000 in 1967. Dividends paid per common share rose to $1.80 from $1.60 in the previous year.

Employes who contributed so effectively to the Company's progress continued to benefit from the overall improvement. Average employment advanced from 132,000 in 1967 to 136,500 in 1968. Pay and benefits for employes climbed from $1,216,000,000 in 1967 to $1,327,000,000 in 1968.

For the future, the most significant development of 1968 was the planning which led to the establishment of a new management organization on January 2, 1969. Our objective was to develop the most effective organization to manage the accelerated growth we see in the future. The new management structure looks beyond the $4 billion of sales we expect by 1970.

In 1963 we realigned management for the specific purpose of improving earnings and moving Westinghouse off a sales plateau which had existed for five years from 1958 through 1962 when our sales were holding just under $2 billion. The objectives of that management organization generally were achieved. We got off the sales plateau, breaking new ground in 1968 by going well past the $3 billion mark. Earnings improved steadily from the $1.28 per share earned in 1963, setting successive records in each year since 1964. We made great strides in providing customers with improved and reliable products, systems and services.

Our studies and expectations for the future, however, convinced us that an organization designed to manage $2 to $3 billion of business was not necessarily the right one to handle the long-range growth we foresee. Our philosophy is to organize for growth, not reorganize because problems of growth compelled us to do it.

Westinghouse opportunities are taking on new dimensions as a result of a rapidly rising population, technological advances, social change and a vast national and world commitment to the improvement of human life. Satisfying needs of people in this latter part of the Twentieth Century involves more than development and manufacture of a product in a traditional sense. The scope of new markets includes services of a most advanced and sophisticated degree, embracing virtually all phases of human existence.

Westinghouse, perhaps uniquely, possesses immense resources for capitalizing on new opportunities – technical skills, experience, imagination and initiative. With a great range of capabilities and with new markets of unlimited potential, we felt it was essential to have a management structure which would give fullest rein to profitable expansion. We are now organized for what is ahead.

Instead of two Executive Vice Presidents, each of whom previously managed half of the manufacturing operations, we now have four officers designated as Presidents reporting to the Chairman.

The four Presidents and their operating units are Robert E. Kirby, Industry and Defense Products; John W. Simpson, Power Systems;

Charles E. Hammond, Consumer Products, and Donald H. McGannon, Broadcasting, Learning and Leisure Time.

Mr. Kirby formerly was Executive Vice President; Mr. Simpson was Group Vice President, Electric Utility; Mr. Hammond was Group Vice President, Industrial; Mr. McGannon then as now served as President and Chairman of the Westinghouse Broadcasting Company and as Chairman of the Westinghouse Learning Corporation.

Three Vice Chairmen were appointed to manage staff functions. George L. Wilcox, formerly Executive Vice President, is Vice Chairman – Corporate Affairs. Marshall K. Evans, formerly Vice President, Operations Services, is Vice Chairman – Planning. George G. Main, formerly Vice President, Finance, who will retire in 1969, is Vice Chairman and Consultant.

The four Presidents and three Vice Chairmen, along with the Chairman, comprise a new Management Policy Committee which will review and establish Corporate policies and plans.

Ten Executive Vice Presidents were appointed to take charge of regrouped divisions under the operating Presidents. We broke down our former group structure into a larger number of smaller and more manageable units which are streamlined, flexible and more responsive to customer needs.

Starting on Page 27 you will find photographs and further identification of the new top officers and the various divisions and responsibilities under their supervision.

I am confident that these men and their organizations will provide for meeting the needs of people through the wide range of Westinghouse products and services, a scope that is hard to match in industry today.

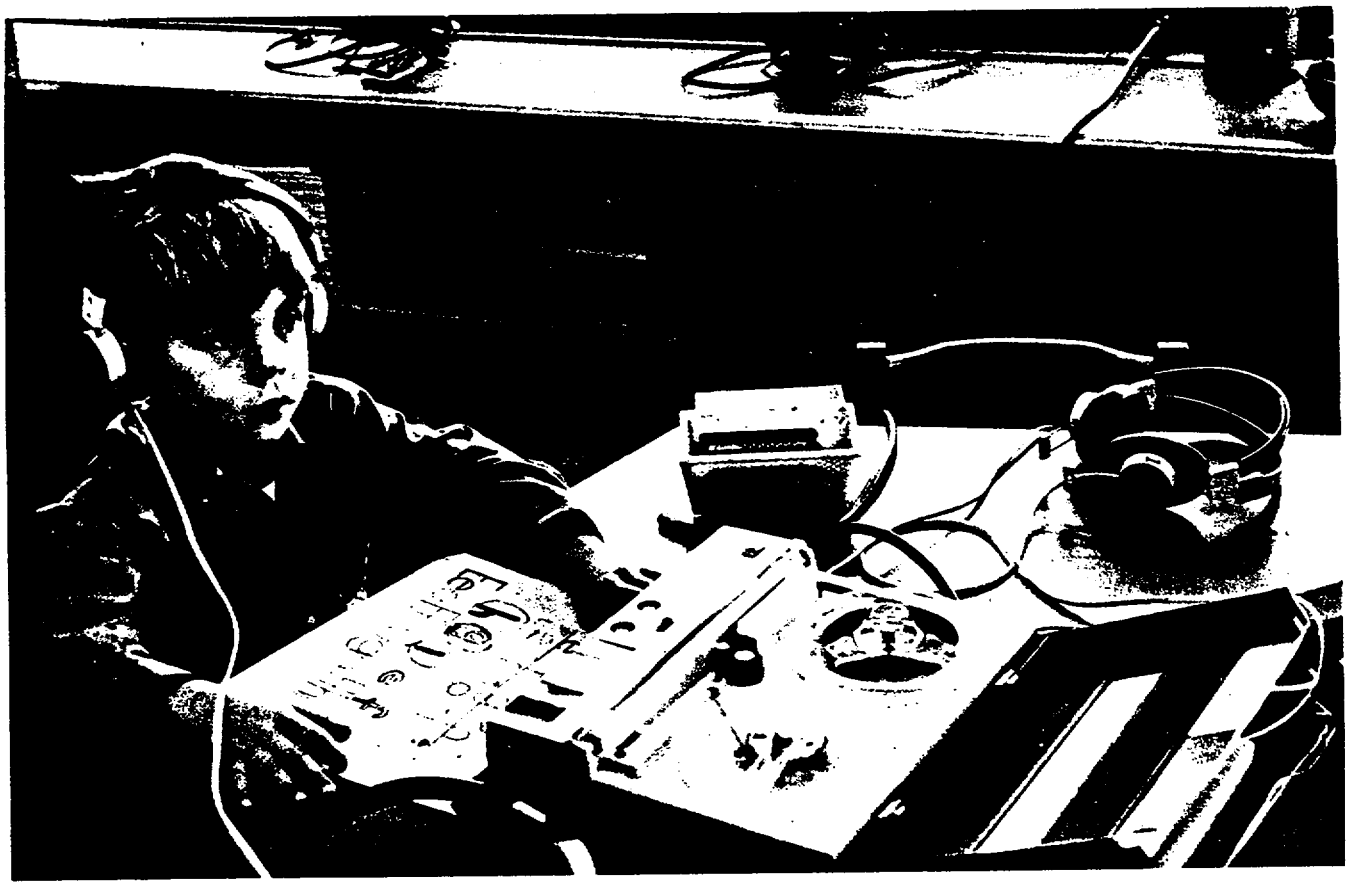
While earnings have set new records for four straight years, we are far from being satisfied with profit performance. We are continuing an aggressive cost improvement program to overcome higher costs and improve earnings.

Given a sustained high level in the general economy, I expect that 1969 will be another good year for Westinghouse. The people-oriented markets we are serving, as you will find in the following pages, are displaying vigorous growth patterns which should be reflected in continued progress.

D. C. Burnham

D. C. Burnham, *Chairman*

January 29, 1969



This first-grader at a Hicksville, N.Y., school is able to learn at his own pace, thanks to a computer-managed instructional support system being developed by Westinghouse Learning Corporation and now in test use in 14 school districts in five states.

Serving the Needs of People

Satisfying human needs and wants throughout the world is a source of significant opportunities for Westinghouse growth.

To serve unsatisfied needs of people, the Company's growth plans are being directed toward new areas and new businesses which are an extension of the Company's capabilities as a developer and supplier of equipment for the generation, distribution and use of electric power, and as a pioneer in the broadcasting industry.

The year 1968 was a major step forward in new ventures and expansion of traditional capabilities to enlarge the Company's people-serving horizons. The year brought significant developments in the areas of entertainment, communications, education, housing, real estate, health care, oceanography, industrial productivity, nuclear power and defense.

Following are the year's highlights on products and services which reflect the new dimensions of Westinghouse in helping to meet the needs of people everywhere.

Increasing Productivity Through Education

Through the Westinghouse Learning Corporation, the Company seeks to make quality education and training more widely available by applying the latest advances in technology.

New systems for solving the massive training problems faced by Government and industry are being developed by teams of Company behavioral scientists, engineers and specialists in manpower development. To help meet the needs of the economically depressed, an entire work force is being trained for a new plant in a high unemployment area of Pittsburgh. In related activities, the Learning Corporation develops and manages training programs for companies hiring hard-core unemployed under the National Alliance of Businessmen programs. Through these programs, trainees are given the skills and the psychological and attitudinal preparation needed to hold a job and build a career. For the Labor Department's Concentrated Employment Program, Remedial Education and Job Development Centers are being operated at Manchester, N.H., East St. Louis, Ill., and at Washington, D.C.

Other programs include operation of the Atterbury Job Corps Center, training of VISTA and Peace Corps volunteers, a national evaluation of the Head Start program, the development of a leadership training course at the U.S. Naval Academy, total plant training systems for new plant start-ups and skills programs such as basic welding.

Westinghouse Learning Corporation is providing new and improved services to public and private school systems through the use of computers and the application of operations research technology to problems of classroom scheduling, facilities planning, cost accounting and student records. A major resource for the development and support of such systems is the Measurement Research Center, a Westinghouse Learning division which is the nation's leading processor of educational test results.

The application of the growing fund of knowledge available to behavior psychologists is a key to

Group W (Westinghouse Broadcasting Company) correspondent Bernard Shaw (left) and commentator Rod MacLeish (right) chat with Managing Editor Whitney Austin of the Salina, Kan., *Journal*. Prior to political conventions, the MacLeish-Shaw team broadcast special radio reports, "America: A Month in the Country."

Students at a Dorchester, Mass., school pledge allegiance to the flag in a scene for "One Nation, Indivisible," a Group W television special on America's racial crisis.

improving the learning process. At the Learning Corporation's Behavior Systems Division in Albuquerque, N.M., work in the development of psychological and behavioral systems is being carried out under the direction of recognized leaders in the field.

Project PLAN (Program for Learning in Accordance with Needs), introduced in 1967, provides a computer-managed individual course of study for each student at a pace consistent with his abilities. PLAN has been introduced in 14 school districts in New York, Massachusetts, Pennsylvania, West Virginia and California, and will be operative in grades one through 12 by September 1970.

Closing the Communications Gap

Communications represents one of the most exciting areas of challenge and opportunity in today's society. Through innovative programming, Group W, Westinghouse Broadcasting Company, seeks not only to inform and entertain, but to engender a firmer sense of community involvement among its listeners and viewers.

This broadcast philosophy was apparent in the three-and-one-half hour color special, "One Nation, Indivisible," an examination of the cause and effect of prejudice among both black and white Americans and its relationship to the racial crisis in our cities. The program, produced by Group W, was telecast at midyear on its five television stations and on 61 other stations in major cities of the United States. It suggested specific things each viewer could do to help ease racial tension in his city.

Later in the year, the Group W radio station WBZ in Boston brought together nine of the most articulate political and educational leaders in the city's school decentralization controversy and, for 22 hours, taped the ensuing discussion. The resulting program, edited to 11 nonstop hours, formed, according to *Newsweek* magazine, "a remarkable study in what communications is all about."

The mood and thoughts of the American people in the weeks leading to the political conventions were reported by Group W newsmen in the series, "America: A Month in the Country." The reports, broadcast over Group W's seven radio stations, were based on talks with Americans in small towns and urban centers from California to the Eastern seaboard.

SPECTRUM 52 is a colorful variety of 52 Group W weekly entertainment and news specials for prime time viewing during the 1968-69 season. The programs include comedy, variety and dramatic specials featuring Group W personalities Mike Douglas and Merv Griffin as well as David Frost, Noel Coward, Sir Laurence Olivier, Alec Guinness, Vanessa Redgrave, Johnny Mathis, Cyril Ritchard and Broadway star Joel Grey, among other American and European celebrities. Cultural offerings include a special on the architecture and ideas of Frank Lloyd Wright, the music and attitudes of Negro musicians, Stan Getz with the Philadelphia Chamber Symphony and "Emlyn Williams as Dylan Thomas."

Another Westinghouse Broadcasting activity is Group W Films, which co-produces feature films in the United States, Europe and Australia for theaters and television. Stars of some recently completed films include Dustin Hoffman, Van Heflin, Tab

Forty-eight Westinghouse electric stairways serve the new Madison Square Garden. Each four-foot-wide stairway, traveling 120 feet per minute, can move 9,200 passengers an hour.

Officers of Urban Systems Development Corporation, a subsidiary in the low-income housing business, review progress at a suburban project. They are: R. S. Garrett, President and Vice Presidents J. A. Jordon and J. L. Zar.

Hunter, Anne Baxter, Jeffrey Hunter and Ed Begley. Other operations include Group W Productions, which produces and syndicates "The Mike Douglas Show" and "The Merv Griffin Show" and other series and specials; CATV (community antenna television) systems in New York, Georgia and Florida; national broadcast sales organizations.

Group W radio stations WINS, KYW and, since spring of 1968, KFWB, are all-news stations, 24 hours a day, seven days a week, a unique approach to broadcasting first pioneered by Group W in 1965.

Group W continued to expand its foreign and domestic news service, operating the largest broadcast group news bureau in Washington, D.C., with foreign service headquarters in London, bureaus in Paris, Rome and Saigon and correspondents in principal news capitals of the world.

Innovations for Construction

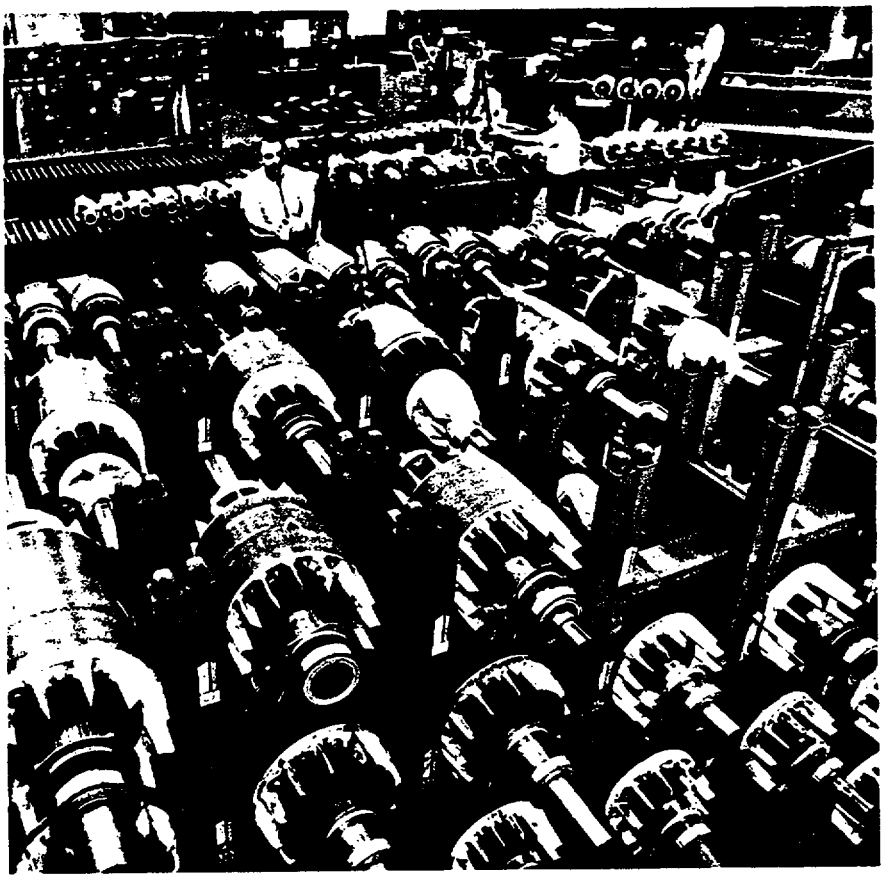
Experts estimate the country needs, above the present number of new starts, 600,000 more housing units a year in the $20,000-and-below category to replace substandard housing and to provide shelter for a growing population. Between now and the year 2000, the nation must do as much building as has been done since the first colonists arrived.

Westinghouse has taken a fresh look at housing needs and is developing new approaches to the problems of builders and the construction industry. The Company established a subsidiary, Urban Systems Development Corporation, to develop, build and sell low-income housing through Government-sponsored housing programs. USDC, headquartered in Arlington, Va., now has projects under way in several cities.

In a related study program, a Westinghouse team developed a plan which would provide the nation's builders with innovative solutions to the complex construction problems of low-income housing. The study was conducted in 25 cities for the U.S. Department of Housing and Urban Development.

For the $20-billion-a-year home-building market, the Company has formed the Urban Development Coordinating Committee, a "think tank" with representation from all divisions of the Company. The Committee spearheads the development of ideas and the testing of products for total electric living, including improved community services through new systems approaches.

These ideas are tested at Coral Springs, Fla., the total electric city being developed by Coral Ridge Properties, a subsidiary, for an ultimate population of 60,000. Village Green, a new complex of 70 homes and apartments at Coral Springs, is serving as a laboratory proving ground for the total electric concept. Unlike any other development, the Village Green area is served by an electrical distribution laboratory which is testing a new family of products and systems. These include the most advanced underground distribution equipment, redesigned watt-hour meters, corrosion-resistant submersible transformers and individual house power transformers and buried primary voltage switching units. A five-year metering program, established in cooperation



At the Buffalo, N.Y., plant hundreds of rotors for alternating-current motors in the 40- to 350-horsepower range are pigeon-holed along rotor row for fast retrieval.

Above – Uvicon television camera tubes like this aboard the Orbiting Astronomical Observatory satellite are giving man a new picture of the universe.
Below – This camera provides low-light-level surveillance of schools and factories through closed circuit TV.

with Florida Power & Light Company, will monitor and evaluate the project under everyday conditions.

Village Green also includes a radically new outdoor lighting system designed to improve appearance and safety and increase enjoyment of outdoor living. A coaxial cable provides the area with telephone and television circuits – both closed circuit and commercial – and an exclusive home security system featuring a "hot line" to local fire and police for quick response.

The most advanced commercially available products are displayed for builders and the public in the Westinghouse Total Electric Idea Home at Coral Springs. The showcase home, opened to the public in January 1969, features the latest-model appliances, a new line of baseboard electric heating, a new water heating unit and a PURIPAK packaged sewage treatment system.

Electric heating, which has been steadily gaining in public preference, offers an expanding residential market for the new line of baseboard units and new heat pump models. Long popular in the South, the heat pump, which both heats and cools, is becoming more common in colder, northern climates.

To improve service to builders, construction neared completion on a plant at Gettysburg, Pa., where elevator components will be manufactured.

Making Industry More Productive

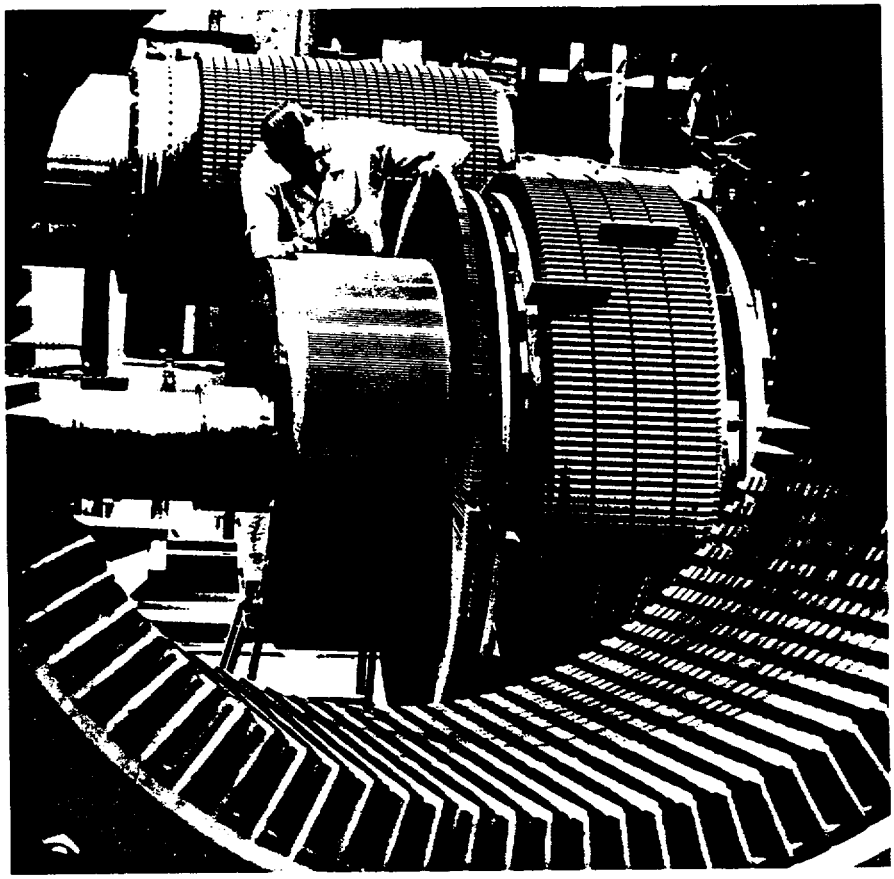
Traditional products such as motors and controls, supplied to industry for decades, have become the base for the development of new systems and services to help manufacturers reduce costs and increase productivity. To meet these objectives, industry will spend nearly $70 billion in 1969.

A new operation, Manufacturing Information Services Department, was formed within the Westinghouse Information Systems Laboratory to furnish computer-based information services, featuring time-sharing. Manufacturers, including Westinghouse plants, as users of numerically controlled machine tools, will have access to large-scale computers. This helps them reduce setup costs, use machine tools more effectively, and overcome the shortage of trained personnel in the field.

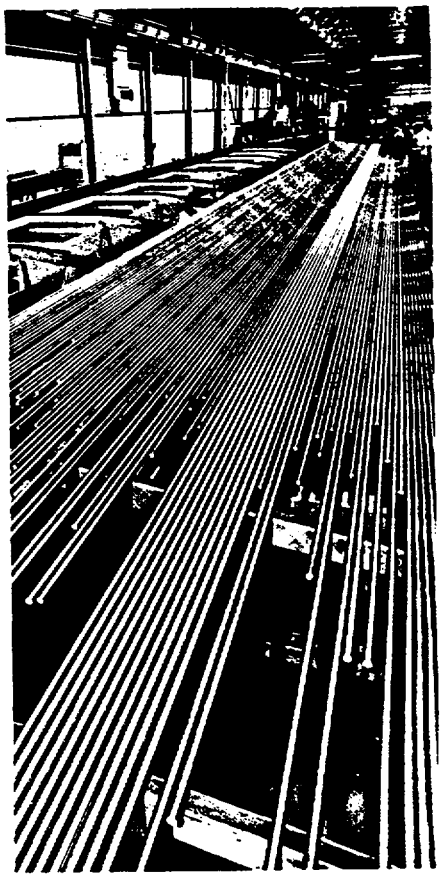
The Westinghouse Engineered Maintenance Company takes complete charge of a customer's plant maintenance operations. It programs the needs on a computer, provides the supervision and the skilled help necessary and systematically cares for the plant and its complex manufacturing and processing equipment.

In the materials handling field, now a $2-billion industry and a growing business for Westinghouse, the largest computer-controlled warehouse in Europe is under construction in Sweden for a major truck and bus manufacturer. Another huge automated warehouse went into operation at the Company's Salina, Kan., lamp plant.

Westinghouse continues to be a major supplier of computerized process control systems for steel and paper mills and electric power plants. Westinghouse computers also automate warehouses and ships. One of the largest petroleum pipeline



An East Pittsburgh, Pa., plant employe, viewed through the stator of a large alternating current motor, examines the commutator surface on the armature of a direct current steel mill motor.



Miles of tubing, utilizing zircaloy and Inconel alloy, are produced at the new Blairsville, Pa., facility for use in nuclear generating plants.

companies in the nation will use 25 PRODAC 50 computers and associated control equipment to automate truck loading terminals along a 6,800-mile pipeline. Another PRODAC 50 computer supplied to a major automobile maker controls a 99-foot-long machine which can turn out differential assemblies at a rate of about three a minute. Controlled by Westinghouse computers, 84-inch and 86-inch hot strip mills went into operation at steel mills in Indiana and Ohio. And at a West Virginia plant of another steel company, continuous steelmaking became a reality as the world's first four-strand continuous slab caster went into operation. It is controlled by a Westinghouse computer.

Many new products for industry were introduced. Among them is an uninterruptable electric power system for hospitals and vital industrial plants. Another, the most advanced solid-state continuous output laser system, can perform on metal and other materials cutting and seam welding operations previously difficult by ordinary mechanical means. It was placed in service with the unique Rent-A-Laser Laboratory.

The Secondary Electron Conduction camera tube, famous for its ability to "see in the dark," is being produced for commercial, industrial and medical applications. Used for military and space applications, low-light-level TV systems are now ready to guard offices, shopping centers and factories.

Westinghouse established a new plant at La Grange, Ga., for manufacturing coils used in medium alternating and direct current motors, generators and transformers. New facilities were added at Marietta, Ohio, Richmond, Va., Louisville, Ky., and Beaumont, Tex., to provide better service to customers in repairing electric utility and industrial apparatus. A plant to make control devices began operations in Puerto Rico, and plant construction began at Athens, Tenn., where hermetic motor parts will be manufactured for refrigeration units.

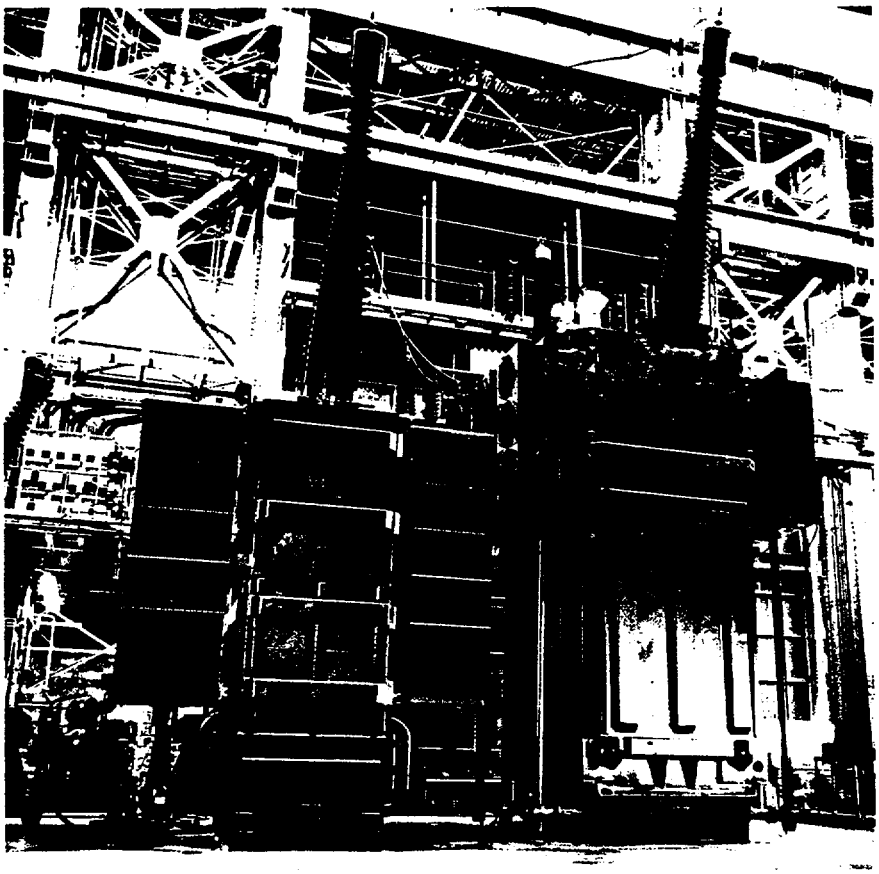
More Power for a Growing Nation

Demand for equipment to generate and distribute electric power continues to grow as population expands, living standards improve and industrial production increases. The Company helped meet the needs of the electric utility industry and in the process recorded another year of impressive growth.

Orders for major power plants helped the Company maintain its position at the forefront of the commercial nuclear power plant market.

Westinghouse won orders for the largest commercial nuclear power plant in the world. The Tennessee Valley Authority placed the orders valued at more than $277 million for two 1,124,000-kilowatt nuclear reactor systems, a 10-year fuel supply for each and, against foreign competition, the turbine generators.

The Company's position in the fast-breeder reactor program was further strengthened by the winning of a major contract to design the reactor plant portion of the Atomic Energy Commission's $87.5 million fast flux test facility at Richland, Wash. The facility will test fuel elements and materials for fast-breeder reactors. These reactors are



The highest voltage transformer ever manufactured in the United States dwarfs two technicians who stand on top of it at the Muncie, Ind., power transformer plant. The 765,000-volt autotransformer was shipped to the American Electric Power System at Cresap, W. Va.

The Derry, Pa., plant produces a wide variety of clay-based ceramic insulators, principally for the electric utility industry.

regarded as the nuclear power plants of the future because they produce more nuclear fuel than they consume. Design of the test facility reactor will be carried out simultaneously with development of a demonstration Westinghouse liquid metal fast-breeder reactor, a development effort with 22 electric utilities participating.

Two U.S. patents covering significant innovations in the manufacture of nuclear fuel assemblies were granted to Westinghouse. These innovations are used in Westinghouse commercial nuclear reactors, and it appears they are, or will be, used by virtually every other manufacturer of commercial nuclear reactors in the U.S. and, to some extent, by foreign manufacturers. Westinghouse plans to grant licenses under these patents to other manufacturers of nuclear fuel.

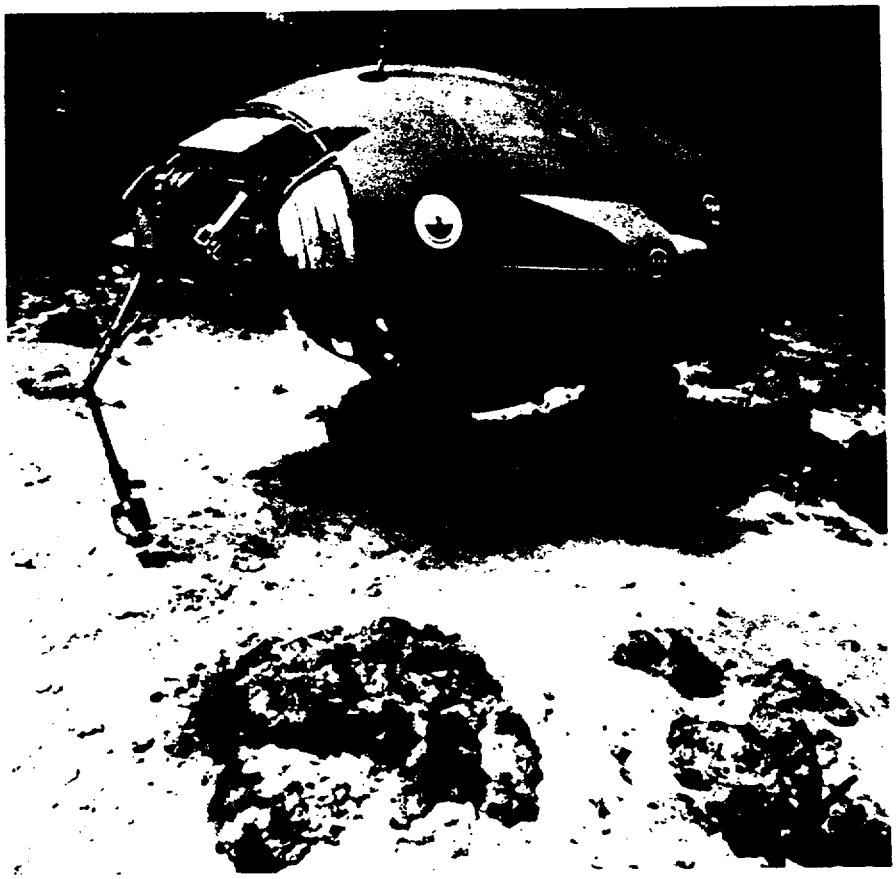
Westinghouse received early in 1969 a patent covering the ice condenser concept. The Company has offered to grant licenses to electric utility companies giving them the right to use this concept in their reactor containment system. Use of the ice condenser concept reduces by about 50 per cent the size of the containment structure which encloses a nuclear reactor. The ice containment system will be used in the American Electric Power Company's two Donald C. Cook plants as well as in two TVA power plants.

Outstanding accomplishments also were recorded in the traditional product lines serving the electric utility industry. Thirty gas turbines and 14 small steam turbines, worth about $51 million, were sold in one month, mostly to electric utilities in the southeastern part of the United States in anticipation of record peak loads during the summer of 1969.

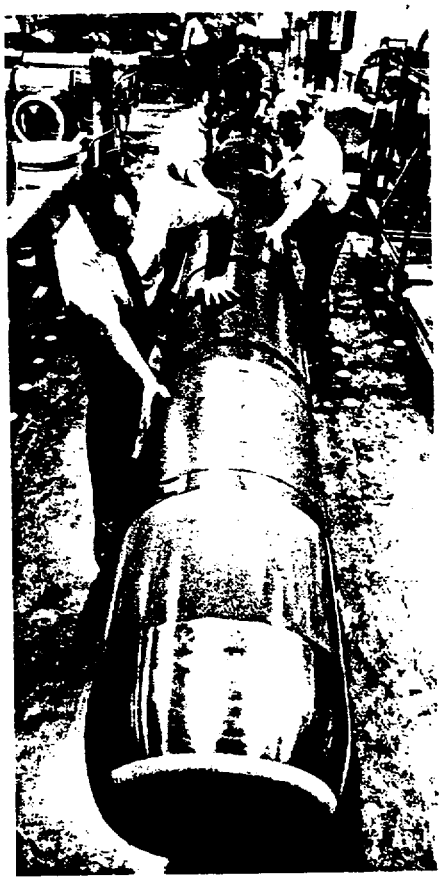
The Company won a $22 million contract to manufacture the world's largest hydroelectric generators, three 600,000-kilowatt units for the third power plant at Grand Coulee Dam on the Columbia River in Washington. Westinghouse supplied all 18 of the 108,000-kilowatt units now operating in the original power plants at this world-famous hydroelectric power installation.

As evidence of the Company's continuing leadership in the power transformer business, the highest voltage commercial transformer ever manufactured in the United States was shipped for use in the nation's first 765,000-volt transmission system. This achievement in power transformer capability is the direct result of the most extensive research, development and manufacturing program ever undertaken in the electric utility industry.

To handle the growing requirement for power equipment, the Company is spending approximately $450 million from 1968 through 1971 on expansion and capital improvements. Six new facilities began operations during the year: tubing plants at Blairsville, Pa., utilizing zircaloy and Inconel alloy; reactor components plants at Pensacola and at Tampa, Fla.; a power transformer plant at South Boston, Va.; and a plutonium fuels development laboratory at Cheswick, Pa. The nuclear turbine plant at Charlotte, N.C., is scheduled to begin production this summer, and the new nuclear fuel fabricating plant at Columbia, S.C., is expected to begin fabricating fuel before year-end.



The DEEPSTAR 4000, in a research dive off the coast of Southern California, extends mechanical arm to pick up ocean floor samples.



Underseas Division employes complete assembly of a torpedo at Baltimore manufacturing plant.

Major expansion projects neared completion at East Pittsburgh to increase generator manufacturing capacity; at Trafford, Pa., where circuit breakers are made; and at Waltz Mill, Pa., to provide additional facilities for the fast-breeder reactor program. Work began late in the year on the new Westinghouse Nuclear Center in Monroeville, Pa.

Oceanography: A Big Market Ahead

The oceanography market, involving both military and commercial activities, is today much like atomic power was in its early development stage. It requires massive research and development expenditures, but the future is impressive. With a potential market estimated to be nearly $10 billion annually, it could become one of the largest business areas in the country, but the commercial payoff is still in the future.

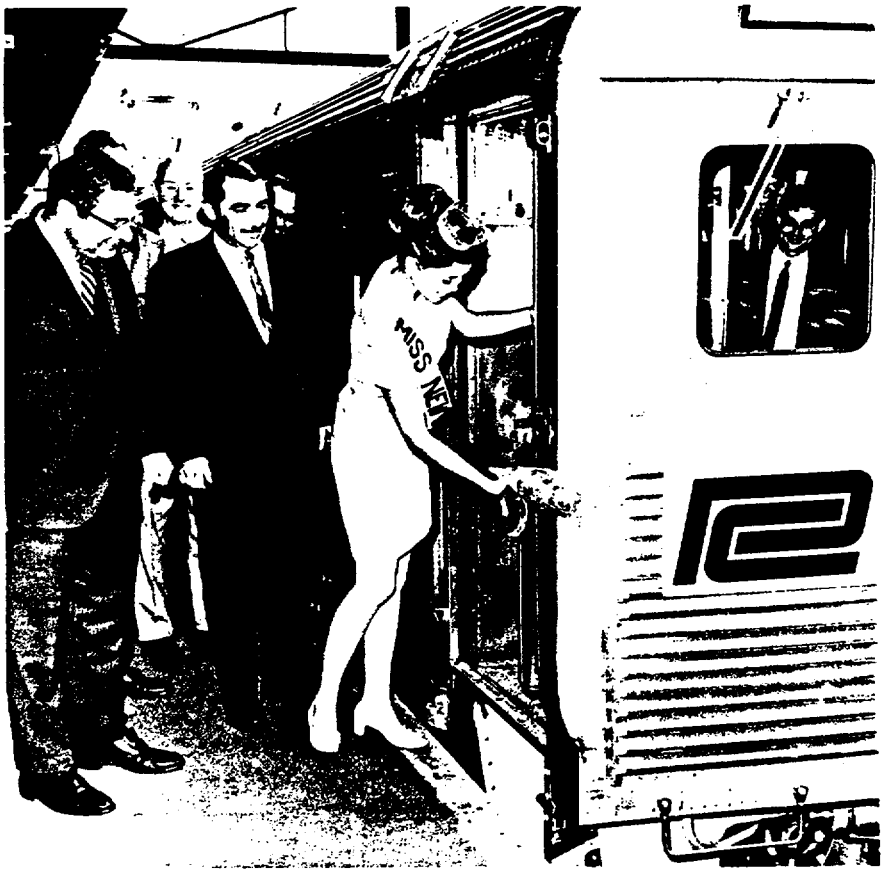
To prepare for this growing oceanographic market, the Company is strengthening its position with pioneering programs in every facet of undersea technology.

DEEPSTAR 2000, the second in the family of deep-diving manned submersibles, was completed and is ready to undergo testing. This versatile, three-man craft is designed for research primarily along the continental shelf. DEEPSTAR 4000 became the first small submersible to complete 500 dives. It has been in service for two and one-half years with private oceanographic institutions, the Navy and other Government agencies. Scheduled for completion in 1970, DEEPSTAR 20,000 will be capable of reaching 98 per cent of the world's ocean floor; the deep-diving vehicle will carry three men and equipment to the 20,000-foot depth for 16 hours of work.

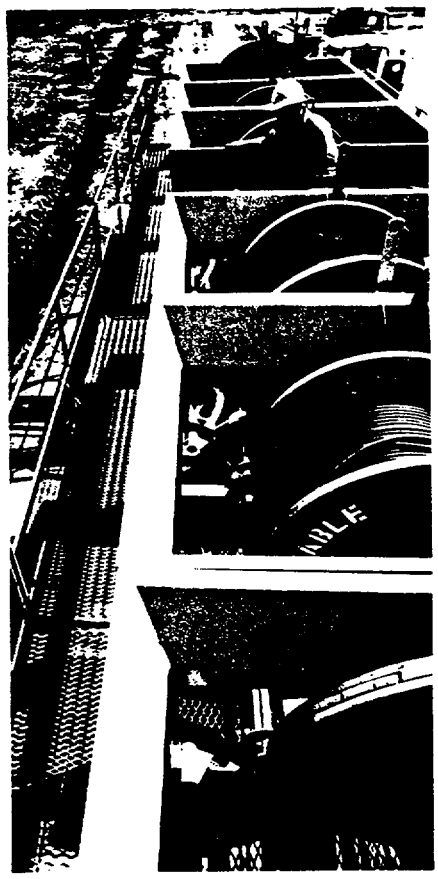
DEEPSTAR 20,000 requires development programs in hull, flotation and buoyant structural materials and advances in propulsion, communications and optics. These are being carried out at the Ocean Research and Engineering Center near Annapolis, Md. Also at the Center an unusual pressure test facility is being completed to enable engineers and scientists to study diving physiology and equipment and to train divers under controlled conditions in pressures equal to those encountered at depths of 1,500 feet.

Since 1942, Westinghouse has participated in the development of 13 of the 48 torpedoes bearing the "Mark" designations – twice as many as any other company. The Company received a contract from the Navy for production of additional Mark 45 torpedoes. The Mark 45 is the first operational American torpedo carrying a nuclear warhead. Development of the Mark 48 – the Navy's newest and most highly sophisticated torpedo weapon system – has been under way since 1964. The Department of Defense has announced that it intends to place the first order for operational Mark 48's in the coming fiscal year.

The Leading Edge Flowmeter, a Westinghouse device which measures water currents, is being used in studies of water conservation, power development, and erosion and pollution control. An open stream flowmeter system is installed on the Columbia River to measure water quantities for the Corps of Engineers. Another will be used by the Metro-



Linda Ann Wilner, Miss New Jersey, breaks champagne bottle on first of 35 electric cars ordered by the State of New Jersey to improve commuter service to New York City. Westinghouse supplied the electric propulsion equipment for all of the cars.



A cable-laying machine, designed specifically to lay the Westinghouse-developed electronic "nervous system" for San Francisco's Bay Area Rapid Transit System, unreels some of the 800 miles of cable that will be needed for the 75-mile system.

politan Sanitary District of Greater Chicago to help monitor water quality.

Sanford Marine Services, Inc., a subsidiary which offers a broad range of diving, salvage and pipe-laying services mainly in the Gulf of Mexico, is also providing diving support for petroleum, gas and oil exploration and construction around the world.

Attacking Traffic Congestion

The lack of efficient urban transportation systems is one of the nation's most frustrating problems. Ways must be found to eliminate traffic congestion.

For decades Westinghouse has been a leading supplier of traction equipment for rapid transit systems in major cities and now offers its own solutions to the problems of moving people. The rapid transit market can be measured in the billions of dollars, but actual construction is moving slowly as cities study alternate plans.

At Pittsburgh the Company's computer-controlled, two-mile-long Transit Expressway experimental loop is being expanded under a $2.2 million grant financed by the Federal Government, the Commonwealth of Pennsylvania, the Port Authority of Allegheny County and Westinghouse. The additional facilities, to be completed in 1969, will be used to demonstrate that the Transit Expressway system is ready for commercial operation. Four passenger transfer systems, patterned after the Transit Expressway, will go into operation in early 1970 at Florida's Tampa International Airport to eliminate the long walk between terminal and planes.

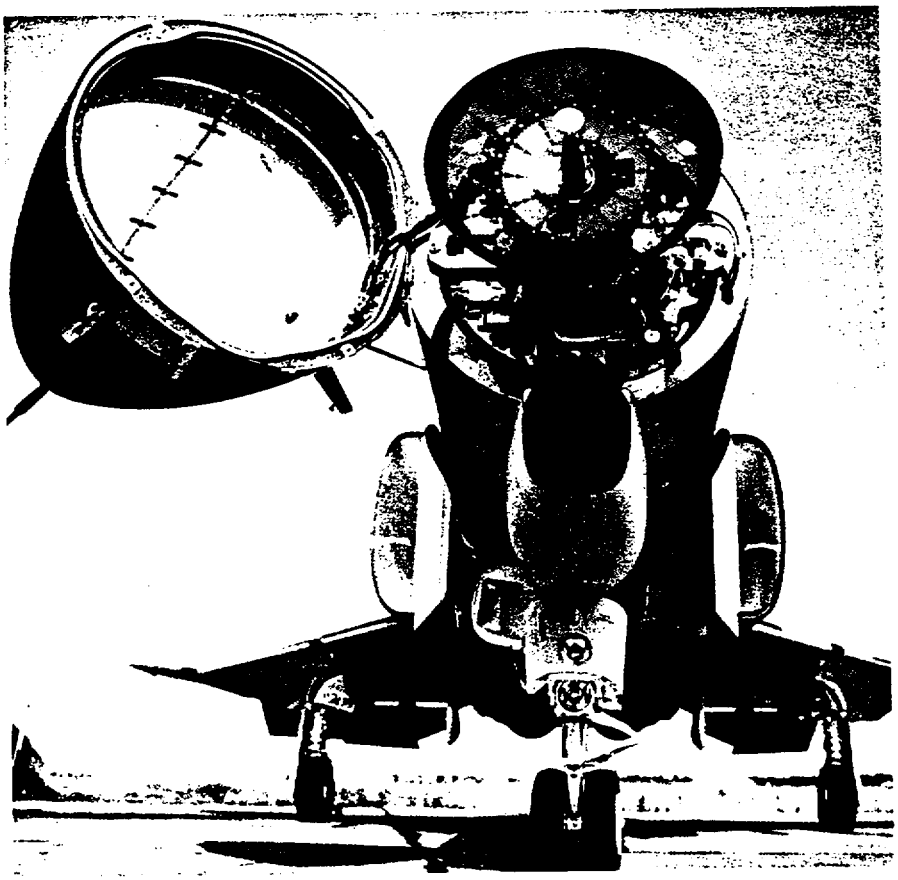
In San Francisco, the Company began installation of some 800 miles of cable for the Bay Area Rapid Transit's automatic train control and communications system. This part of the billion dollar transit system is scheduled for operation in the early 1970's. In a related development, an additional contract for 44 electric stairways for the BART system was obtained, bringing to 82 the number of electric stairways ordered.

The Company delivered electric propulsion equipment for 35 rail commuter cars which will provide smooth, 100-mile-per-hour rides for the 26,000 people who travel daily between Trenton and New York City. The cars, financed by the New Jersey Department of Transportation and the U.S. Department of Housing and Urban Development, will be operated by the Penn Central Railroad.

Propulsion systems are being supplied for 76 new rapid transit cars for the Massachusetts Bay Transportation Authority in Boston; deliveries will be completed in early 1969.

To meet the growing demand for industrial electric vehicles such as those built at Redlands, Calif., and Peachtree City, Ga., ground was broken for a new plant in Pittsburgh where industrial vehicles will be built to help supply the East Coast and central markets.

For air transportation, the Company is developing the electric power generating system for the new McDonnell Douglas DC-10 advanced luxury jetliner scheduled for commercial operation in 1972. An advanced window temperature control unit for military and commercial



The Aerospace Division is the leading supplier of airborne radar-operated armament control systems. The type shown here, the only solid-state version operational with the Air Force today, is on every F-4E aircraft.

This lightweight television camera, able to see in nearly complete darkness, will provide the nation with live television coverage of America's lunar landing.

aircraft has also been developed. It prevents icing on aircraft windshields.

Defense Technology at Work

Systems analysis, which determines how best to apply all resources toward an intended purpose, is being used in the fields of urban renewal, military planning and medical care.

At Baltimore the Systems Operations Department is using this technique in a pioneering urban improvement program. Called the Model Urban Neighborhood Demonstration, the Federally financed program is helping 19,000 inner-city residents find solutions to such problems as poor housing and unemployment.

Systems analysis is also being used in Project MALLARD to study all aspects of field army communications for the 1975-1985 time period. MALLARD is a joint program of the United States, United Kingdom, Canada and Australia.

At The Johns Hopkins University in Baltimore a team of Westinghouse systems analysts is studying pediatrician efficiency under a U.S. Health, Education and Welfare contract. Spurred on by the shortage of pediatricians, the study seeks ways to enable these specialists to treat more patients without impairing the quality of care.

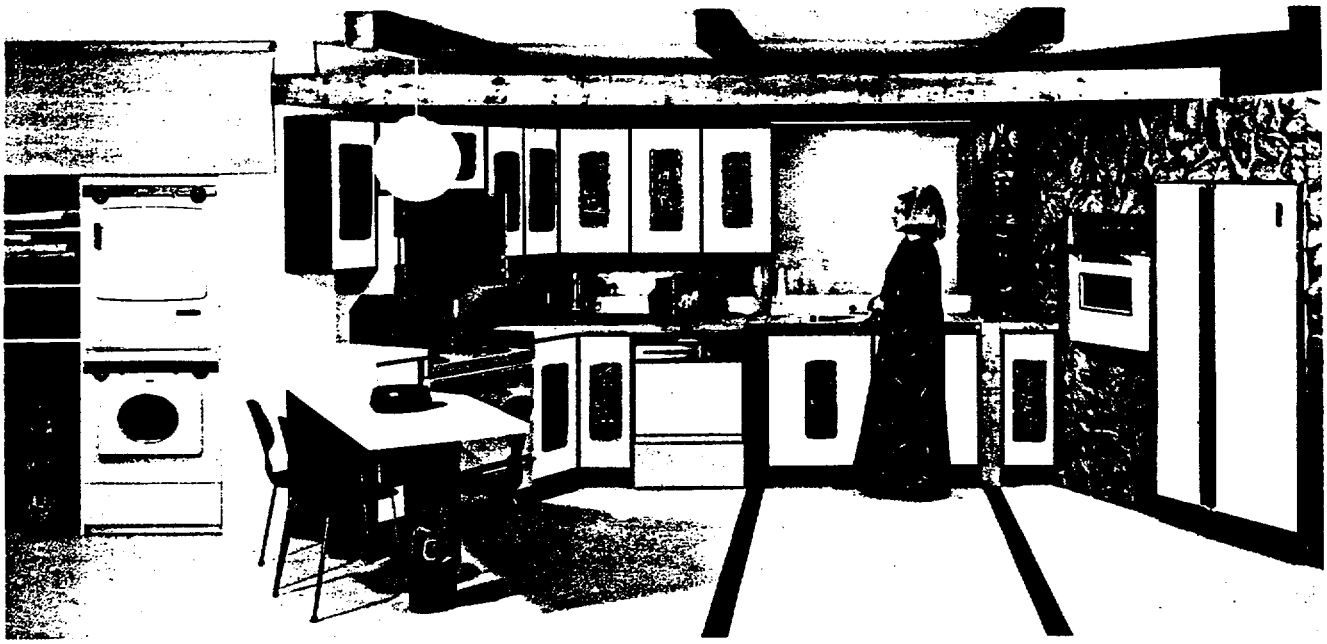
Another nonmilitary "spin-off" from defense technology is the development of aircraft side-looking radar mapping equipment which has many commercial uses, including the discovery of natural resources. In use over Vietnam, side-looking radar systems produce maps of near-photographic quality with radar pulses reflected from wide areas of terrain on either side of the aircraft. The radar maps show in detail every hill, stream, ravine and man-made structure. The system, which works in darkness, clouds, fog or rain, has obtained the first aerial pictures of perpetually cloud-covered Darien Province in Panama.

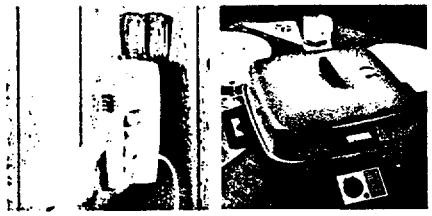
Westinghouse continues to maintain a prominent position in the technological development of reactor plants for the Navy's nuclear fleet. The majority of the 84 nuclear-powered ships now in operation are propelled by reactors designed and developed by the Bettis Atomic Power Laboratory, which the Company operates for the Atomic Energy Commission.

Bettis has a major role in the development and installation of the reactor plant for the Nimitz, the second nuclear-powered aircraft carrier whose keel was laid in mid-year. Each core of this two-reactor carrier will produce about as much power as four of the USS Enterprise reactors and in addition will last for approximately 13 years of normal ship operation.

In the civilian nuclear power field, Bettis is working to develop the technology necessary to demonstrate the feasibility of installing breeder cores in existing and future pressurized water reactors. Work is proceeding on the design and fabrication of a breeder reactor core for installation and operation at the Shippingport Atomic Power Station in 1973.

The work at Bettis is done under the direction of and in technical cooperation with the Division of Naval Reactors of the AEC.





Above – Shown here in a Tahitian motif are the latest model kitchen appliances – stacked washer-dryer, double oven range, portable dishwasher, self-cleaning wall oven, side-by-side refrigerator-freezer.

Below – New portable products include: automatic electric can opener/jar opener; a Debonaire Mini-Compact hair dryer; three-speed electric mixer; fry pan available in bittersweet, goldtone or avocado; bicycle headlight radio; five-band transistor radio.

At the Aerospace Division, orders for defense and space electronic equipment continued at a high level. Shipments set new records. The Company's position as the nation's leading supplier of airborne radar-operated armament control systems was enhanced with the development of an advanced electro-optical system and an electronic countermeasures system, both of which resulted in significant new orders.

New versions of the only solid-state weapon-control radar operational with the Air Force today – a system that operates less than 16 inches from the muzzle of a 100-rounds-per-second gun – are being developed to meet future military needs.

Detection of trucks, tanks and low-flying aircraft in remote operational areas is now possible with the delivery of the first helicopter-borne tactical radar. A Westinghouse concept, the system uses solid-state components almost exclusively.

A new lightweight, transportable radar that will be the primary sensor in the Air Force's tactical air control system is being developed. Using solid-state technology, it provides range, azimuth and height data required in modern tactical operations.

A unique thermoelectric generator, a device which converts heat into electricity, has been developed to provide dependable power for remote environments. Eight years in development, the tubular module uses a radioisotope as a heat source and has many space, marine and terrestrial applications.

Following its successes in the Polaris program, the Company was awarded significant additional contracts to produce launching and handling equipment for the Poseidon submarine-launched fleet ballistic missile.

Reaching a Bigger Consumer Market

The Company increased its market penetration in consumer products through design innovations and improved distribution.

The Company introduced a variety of new lamps: a krypton-filled incandescent bulb which lasts half again as long as an ordinary household bulb and provides more light; a U-shaped fluorescent lamp which gives architects more flexibility; a unique sodium discharge lamp, the CERAMALUX lamp, which produces twice as much light as an ordinary mercury vapor lamp of the same wattage.

Westinghouse moved to take advantage of the rapid growth in apartment construction which is the fastest-growing segment of the building industry. Apartment construction accounted for more than 40 per cent of all residential units built in 1968, a 25 per cent increase over 1967.

To meet builders' needs, the I-XL Furniture Company added a new cabinet line specifically designed for apartments, substantially expanding the cabinet and vanity lines. Self-cleaning built-in electric ovens were added to a line that already included 30- and 40-inch free-standing models.

A new room air conditioner provided the consumer with a model that is quieter and requires less window space for installation.

Above – Alphonso Whitfield, Jr., is manager of the electric vehicle assembly plant rising in an area of high unemployment in Pittsburgh.
Below – Electronics assembly plant in Baltimore employs 100 inner-city residents.

Above – Systems analysts study services and patient care at Pittsburgh's Allegheny General Hospital.

Newark, N.J., Lamp Division plant in a disadvantaged area provides employment and basic education for former hard-core unemployed.

A plug-in icemaker, optional with six of the new refrigerator models, offers more space for frozen foods and ice storage. To the broad line of portable products were added the FABRI-SCOPE iron that indicates its own temperature, a radio-clock desk pen set, a variety of cordless wall clock-radios and a transistorized radio-headlight for bicycles.

To strengthen distribution, separate sales forces for dealers and builders were created within the Westinghouse Appliance Sales and Service Company. The realignment produced marked improvements in sales and share of the market. Former football star Frank Gifford became the Company's television and radio commercial spokesman and contributed to the increased consumer and dealer interest in Westinghouse products.

The nationwide SURE SERVICE program, begun in 1967 to guarantee the homeowner service regardless of where the family moves within the United States, was extended to include all major appliances and liberalized to eliminate travel charges for service.

Economists predict that new housing starts of single and multiple family dwellings in the early 1970's will pass the two million unit mark, making the sales outlook for household durables particularly bright. To meet the growing demand for these products, new facilities were completed at the Columbus, Ohio, plant doubling dishwasher production capability. In addition, the Refrigeration and Room Air Conditioner Divisions will undergo multi-million-dollar expansions in 1969.

Attacking Public Problems

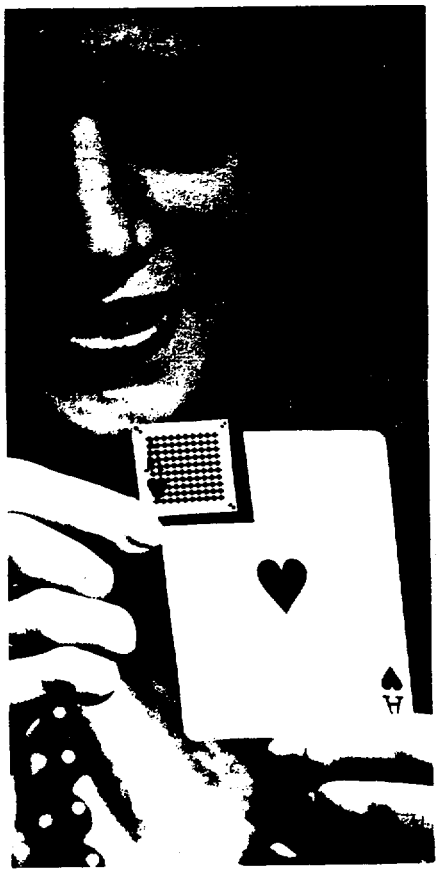
The great public problems of the time offer industry opportunities for growth and profit. Equally important, they give companies like Westinghouse an opportunity to improve human welfare. Applying its varied resources and technical skills, Westinghouse is vigorously working to solve such public problems as housing, transportation, education and health care.

A Medical Province Department was formed to coordinate the Company's activities in the search for answers to the increasing complexity and rising cost of health care. This involves research, computer systems, medical engineering, information handling, programmed teaching and advanced systems engineering.

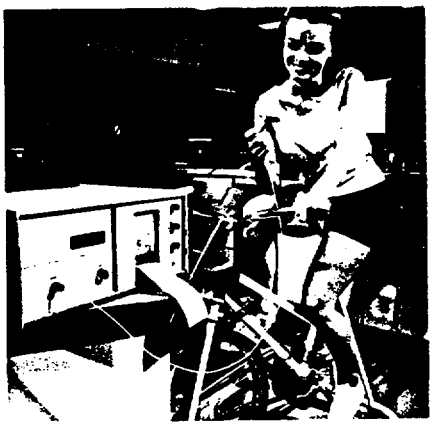
Within the Westinghouse Information Systems Laboratory, the Information and Control Systems Department is applying corporate capabilities in management problem solving, computers, information systems and systems engineering to public problems. Examples include systems analysis of services and patient care at Pittsburgh's Allegheny General Hospital and the design of a comprehensive data management system for Allegheny County, the metropolitan Pittsburgh area.

The Company is designing a program of economic development for a 92-county region in Arizona, Colorado, New Mexico and Utah. The project for this area, designated the Four Corners Region, is a Federal-State partnership designed to spur economic growth.

The Company is active on another front in the battle to improve man's



Transistors can now be "printed" on a variety of materials, including tape, film, metal or on paper, such as this ordinary playing card.



Above – Instrument monitors oxygen in air that has been in exchange with blood in the lungs.
Below – Wire mesh model aids in development of valley-span antennas for the military.

Above – Westinghouse received patent covering optically pumped lasers that use solids or liquids; shown is experimental apparatus.
Below – Scientist at work on technique that makes freezing water "self-cleaning" during process that desalts water.

condition – the nationwide effort to increase the productivity of the disadvantaged who are locked in a cycle of failure.

A Westinghouse plant was established in Pittsburgh's Homewood-Brushton section, an area of high unemployment, for the manufacture of electric personnel carriers for industrial plant use. The plant will provide jobs for about 60 to 75 people who reside in the neighborhood. The plant demonstrates that business is willing to commit its talents and resources to help make productive citizens out of people now classified as hard-core unemployed.

The Westinghouse Defense and Space Center established a manufacturing facility in Baltimore for assembly of electronic components used in radar equipment. The plant is providing training and jobs for about 100 inner-city residents.

A third plant is in operation in Newark, N.J., in an area of high unemployment. It provides basic education to help phase persons into permanent employment at the Bloomfield and Belleville, N.J., Lamp Division plants.

The National Alliance of Businessmen, which Mr. Burnham served as metropolitan chairman for Pittsburgh, was established to find regular jobs for hard-core unemployed and summer employment for needy young people. The program was given vigorous support throughout Westinghouse.

The Company is investing in the largest expansion in its history. This will mean thousands of new jobs for workers all over the country and will strengthen the economy in many local communities.

Westinghouse has activities in all 50 states and contributes to the support of state and local Government services through the payment of about $30 million in taxes to some 1,100 school districts, townships, municipalities, counties and states.

The Search for New Knowledge

Behind virtually all of the developing technologies and the emerging businesses are the Company's 1,650 research scientists, engineers and supporting personnel at the Westinghouse Research Laboratories.

They complement the research and development work performed at the division level in the search for new knowledge and understanding in fields expected to have a bearing on the Company's business.

A patent issued in the field of lasers may be one of the most important ever granted to Westinghouse. It recognizes that the Company first invented a mechanism, termed optical pumping of materials, which is basic to lasers that use rubies and other crystals, glasses, plastics or liquids. About half the lasers manufactured today are of these types.

Research activities are being carried out in many areas, among them:
Education – Classroom devices for dialing automatic television presentations from central libraries of educational recordings for TV display; devices that can be used in individual self-instruction; studies to improve school administration; computer-aided teaching.
Water – Purification by distillation, reverse osmosis membranes, freezing; mine acid drainage studies; development of compact sewage treatment equipment.

The largest computer-controlled warehouse in Europe is under construction in Sweden for a major truck and bus manufacturer.

Oceanography – Side-looking sonar for underwater mapping; carbon dioxide monitoring for divers; underwater welding techniques, including use of the electron beam welder; studies of ocean currents, wave formation and undersea ecology.
Public Safety – Security systems, including underground detection devices; ultrasensitive low-light-level imaging tubes and cameras for use in surveillance systems; development of brighter lights for streets, public and commercial buildings.
Human Health – For the medical scientists, cardio-pulmonary function apparatus; a ventricular assist device to help coronary patients; automatic blood analysis equipment; X-ray image storage to improve observation of changes in body circulation.

Westinghouse Around the World

A team of four American firms, organized by Westinghouse at the request of the Iranian Government, has begun a year-long economic development study of a largely arid, barren region in Southern Iran around Bandar Abbas. The 15-year development plan for the area, which is about the size of South Carolina, may become the world's largest development project. Plans include water desalting plants and electric power stations, a shipyard, other industries, agricultural and mineral resource development and communications systems. Entire new communities will be built with transportation, health care, educational, cultural and recreational facilities.

Six manufacturing plants were acquired in Europe and Latin America, bringing to 14 the number of manufacturing facilities abroad. They included plants in Spain employing 3,000 in the production of electric utility and industrial products; a major Italian producer of commercial and room air conditioners; and manufacturers of cathode ray tubes and lighting products in Venezuela.

In other international activities, Sweden purchased a Westinghouse 809,000-kilowatt nuclear plant, the largest outside the United States. Switzerland ordered a 350,000-kilowatt nuclear plant for installation at Beznau; it will join a sister plant also built by Westinghouse. Spain's first commercial nuclear plant, a 153,000-kilowatt unit, went into operation at Zorita. Five large steam turbine generators were delivered to customers in Spain, Thailand, Brazil and Taiwan.

Three new desalting units went into operation in Kuwait, joining four others to produce a daily total of nearly 10 million gallons of ultrapure water at the world's largest desalting plant.

Three Westinghouse waterwheel generators were installed in one of the world's largest hydroelectric power installations, the Guri Dam in Venezuela; the Guri project, when completed by 1978, will produce six million kilowatts.

Export sales increased by more than one-third, and licensing income reached a new record. Defense equipment sales to the United Kingdom increased substantially, and sales gains were also achieved in transportation refrigeration equipment, notably in Japan. Consumer product sales continued to advance despite intensified competition from European and Far Eastern manufacturers.

Chairman D. C. Burnham addresses all employes at the Beaver, Pa., plant ceremonies marking major plant expansion, the eighth in 20 years.

Above – Mrs. Belva Mooney, a Baltimore employe, displays check for $4,163 which she received for a suggestion.
Below – Danny Porter, one of the Westinghouse Family Scholarship winners, visits his mother, Mrs. Agnes J. Nauman, an assembler at the Mansfield, Ohio, plant.

Employe Relations

Employment at year-end was 138,000, more than 1,600 above 1967 and a new record. Employe compensation and benefits rose to $1,327,434,000.

More than 100,000 employes received general and cost-of-living pay increases in October and increased hospital room and board benefits under the employe insurance plan; the improvements added more than $55 million a year to the cost of pay and employe benefits.

A $5,400 suggestion award, the highest for the year, was shared by two Sharon, Pa., employes, Charles McClure and John DeCiancio, for an idea which cut costs in the manufacture of distribution transformers. An Aerospace Division employe at Baltimore, Mrs. Belva Mooney, received an award of $4,163, third highest for a woman in Company history.

The largest special patent award to an individual inventor in Company history was made to Erling Frisch. Mr. Frisch received $10,000 for a basic invention in nuclear fuel assemblies. Patent and invention awards for the year exceeded $320,000.

At year-end, 18 months after the start of the Westinghouse employe savings program, more than 22,000 employes were participating through payroll deductions. The value of investments in the program amounted to nearly $27 million, including savings, contributions provided by the Company, interest on bonds and dividends on Westinghouse stock.

The 1968 grant program of the Westinghouse Educational Foundation totaled $663,000. Of that amount, $443,000 went for general support of academic programs and matching of employes' gifts to colleges and universities. The balance, or $220,000, was for student aid, including scholarships for employes' children.

To foster the development of management talent needed for corporate growth, the Company enrolled more than 3,700 professional, administrative and management personnel in more than 110 training and development course presentations.

Incentive Plan

A committee of the Board of Directors authorized payments totaling $6,711,725 under the Management Incentive Compensation Plan to 963 members of management. Portions of awards to certain individuals are payable in deferred installments.

Organization

The Board elected as Chairman and President D. C. Burnham; as Vice Chairmen Marshall K. Evans, George G. Main and George L. Wilcox; as Executive Vice Presidents Charles E. Hammond, Donald H. McGannon and John W. Simpson.

The Board also elected as Vice Presidents Paul O. Gaddis, Corporate Development; Everett S. Glines, Major Appliances; Bruce W. Morrison, Atlantic Region; Richard J. Sargent, Consumer Products Distribution; P. M. Sarles, Manufacturing; Herbert C. Smith, Home Equipment.

E. O. Boshell, Director, resigned and L. W. McLeod, Vice President, Southwestern Region, retired.

Westinghouse Electric Corporation
Consolidated Balance Sheet

Assets	December 31 1968	1967
Current Assets		
Cash	$ 80,114,347	$ 71,354,624
Marketable securities – at cost which approximates market	7,760,896	14,858,308
Customer receivables (less allowance for doubtful accounts 1968 – $4,235,212)	688,841,402	564,724,566
Inventories – valued principally on last-in, first-out method	623,252,933	689,048,626
Recoverable engineering and development costs (Government contracts)	55,792,631	61,644,221
Long term contracts in process	242,823,997	219,965,016
Progress payments to sub-contractors	132,241,206	60,238,381
Prepaid expense	17,861,552	15,541,368
Miscellaneous	67,385,907	31,060,850
	1,916,074,871	1,728,435,960
Less: Progress billing on contracts	563,165,592	403,893,084
Total Current Assets	1,352,909,279	1,324,542,876
Investments		
Wholly and majority owned companies not consolidated	133,356,116	115,078,160
Other securities – at cost or less, not in excess of market	19,212,314	20,482,349
	152,568,430	135,560,509
Plant and Equipment		
Land and buildings	420,789,323	378,993,889
Machinery and equipment	841,786,645	744,229,281
Construction in progress	102,392,994	71,585,121
	1,364,968,962	1,194,808,291
Less: Accumulated depreciation	728,886,061	695,336,488
	636,082,901	499,471,803
Other Assets		
Purchase price of going businesses acquired in excess of their net tangible assets	47,030,283	46,975,695
Non-current customer receivables (less allowance for doubtful accounts 1968 – $4,088,330)	45,778,289	37,009,218
Mortgages receivable	15,403,071	13,801,739
Miscellaneous	21,639,113	17,916,448
	129,850,756	115,703,100
Total Assets	$2,271,411,366	$2,075,278,288

Liabilities and Stockholders' Equity	December 31	
	1968	1967
Current Liabilities		
Short term bank loans and current maturities of long term debt	**$ 149,749,341**	$ 66,045,095
Accounts payable – trade	**131,090,296**	126,920,711
Accrued payrolls and payroll deductions payable to others	**110,800,695**	95,110,037
Federal and foreign income taxes	**22,239,000**	30,306,000
Deferred Federal income taxes	**36,200,000**	13,722,000
Other taxes	**18,988,742**	18,798,783
Product guarantees	**22,159,000**	18,839,000
Other current liabilities	**96,555,374**	89,541,386
Total Current Liabilities	**587,782,448**	459,283,012
Deferred Federal Income Taxes – Non-Current	**2,646,000**	
Long Term Debt		
Debentures 2⅝% – Due September 1, 1971	**6,810,000**	6,810,000
Debentures 3½% – Due December 15, 1981	**180,000,000**	195,000,000
Debentures 5⅜% – Due April 1, 1992	**200,000,000**	200,000,000
Debentures 6¼% – Coral Ridge Properties, Inc.	**4,566,000**	4,567,200
Mortgages and notes payable – Coral Ridge Properties, Inc.	**13,032,930**	20,209,210
	404,408,930	426,586,410
Total Liabilities	**994,837,378**	885,869,422
Stockholders' Equity		
Preferred stock, cumulative, par value $100, authorized 409,851 shares; 3.80% Series B, issued and outstanding (339,825 shares at December 31, 1968)	**33,982,500**	39,233,500
Cumulative preference stock, without par value; authorized 10,000,000 shares, none issued		
Common stock, par value $6.25 per share; authorized 50,000,000 shares, issued (38,673,293 shares at December 31, 1968)	**241,708,081**	238,647,525
Capital surplus – principally amount paid the Corporation for capital stock in excess of par value	**243,559,129**	220,017,657
Retained earnings	**765,145,573**	699,182,899
	1,284,395,283	1,197,081,581
Less: Cost of common stock held in treasury (164,188 shares at December 31, 1968)	**7,821,295**	7,672,715
Total Stockholders' Equity	**1,276,573,988**	1,189,408,866
Total Liabilities and Stockholders' Equity	**$2,271,411,366**	$2,075,278,288

The accompanying Financial Review on pages 21, 22 and 23 is an integral part of these financial statements.

Consolidated Statement of Income

	Years ended December 31	
	1968	1967
Income		
Sales	**$3,296,147,181**	$2,900,697,525
Operating results of non-consolidated subsidiary companies	**14,302,055**	11,199,697
Other income	**39,140,157**	33,217,758
	3,349,589,393	2,945,114,980
Costs and Expenses		
Cost of sales	**2,544,359,761**	2,230,276,128
Distribution, administration and general expense	**451,480,273**	410,493,372
Depreciation	**64,467,007**	56,179,121
Interest expense	**24,521,052**	23,591,881
Income taxes	**129,748,358**	102,084,461
	3,214,576,451	2,822,624,963
Net Income	**$ 135,012,942**	$ 122,490,017
Net income per common share	**$3.49**	$3.21

Consolidated Statement of Retained Earnings

	Years ended December 31	
	1968	1967
Retained Earnings – Prior Years	**$ 699,182,899**	$ 639,926,615
Plus: Net income	**135,012,942**	122,490,017
Pooling of interests adjustments	**1,296,357**	(1,339,742)
Less: Dividends paid on preferred stock	**1,409,714**	1,510,142
Dividends paid on common stock	**68,936,911**	60,383,849
Retained Earnings at Year-End	**$ 765,145,573**	$ 699,182,899

The accompanying Financial Review on pages 21, 22 and 23 is an integral part of these financial statements.

Principles of Consolidation: Wholly owned subsidiaries are consolidated in the financial statements, except Westinghouse Credit Corporation. Majority owned subsidiaries are not consolidated. The consolidated statements include the equity in the operating results of majority owned companies and the wholly owned non-consolidated subsidiaries.

Unconsolidated subsidiaries, primarily outside of the United States, not including Westinghouse Credit Corporation (see page 23) had assets of $179,645,000 and liabilities of $89,818,000. Sales in 1968 of $267,496,000 by these subsidiaries produced a net income of $4,217,000 of which the Corporation's equity was $2,848,000.

Sales in 1968 reached an all-time high of $3.3 billion, an increase of 13.6 per cent over 1967. The continuing growth over the past five years has been the most significant of any period in the Corporation's history, with sales up 55 per cent since 1963. Sales by broad product categories were:

	1968	1967
Electric Generation, Transmission & Distribution Equipment..	28%	28%
Electrical Industrial Apparatus.....	32%	34%
Household Appliances..	17%	17%
Aerospace and Defense Equipment.....	17%	15%
Other.....	6%	6%

The Corporation discontinued the sale of console TV and stereo lines in 1968. The facilities made available by this action will be utilized in expanded appliance manufacturing. In addition, the Corporation decided to limit the development of its integrated circuits to satisfy in-Company defense and space requirements.

Cost of Sales includes cost of materials and services, and employe compensation and benefits. Included in employe benefits are pension costs related to pension plans which cover substantially all employes of the Corporation and its subsidiaries. It is the policy of the Corporation and its subsidiaries to provide and fund each year the amount determined to be necessary to provide benefits earned during the year and to amortize prior service liability over a period of 30 years. The pension expense paid to pension trusts in 1968 was $23.5 million compared to $26.2 million in 1967. Unfunded prior service liability at December 31, 1968 was estimated at $227 million, down from an estimated $234 million at December 31, 1967.

In 1968 the Corporation continued to work on the turnkey nuclear power plant orders taken on a firm price basis starting as early as 1965. In 1966 it became apparent that plant construction costs were rising on the six domestic plants. Despite these cost increases, it was estimated that these contracts would be profitable. However, continuing unforeseen advances in plant construction costs and costs associated with licensing requirements have had an adverse effect on the profitability of these contracts. The Corporation has provided for anticipated direct contract losses based on our current estimates. Intensive efforts are being made to minimize these losses. No additional domestic turnkey nuclear power orders have been negotiated since 1966. However, since then, orders have been received for 25 nuclear power plants for which the Corporation will furnish equipment and fuel without the responsibility for plant construction.

Depreciation: Maximum guideline depreciation was charged to income for financial statement and Federal income tax purposes for those facilities acquired prior to January 1, 1968. For those facilities acquired after January 1, 1968 the Corporation adopted for financial statement purposes the straight-line method of depreciation retaining guideline lives. This change had the effect of increasing net income for 1968 by $2.4 million or six cents per common share. Accelerated methods and maximum guideline depreciation were retained for Federal income tax purposes with the provision for taxes payable in future years being credited to deferred Federal income tax.

Income Taxes provided in 1968 include $24,885,000 due to timing differences in tax reporting which relate primarily to product guarantees, long term contracts in process, and depreciation.

The investment tax credit, under the flow-through method of accounting, amounted to $9,087,000 in 1968 and $5,892,000 in 1967.

Long Term Contracts in Process consists of cost and estimated earnings on contracts being accounted for on the percentage of completion method. In previous years, progress billings applicable to these contracts were netted in this account. Progress billings on these contracts are now included in Progress Billing on Contracts. Amounts for 1967 have been restated to reflect this change.

Short Term Bank Loans: At year-end the Corporation had borrowed $134 million from banks. Of this amount, $114 million was borrowed under a credit agreement with 12 major banks. The original 1966 agreement was amended during 1968 providing for loans up to an aggregate principal amount of $300 million bearing interest at the prime commercial rate. A fee of ¼ of one per cent per annum is payable quarterly on the average daily unused balance of open commitments. The agreement permits conversion of revolving credit loans on July 28, 1971 to term loans, ⅓ payable in each of the years 1972, 1973 and 1974, to bear interest at ¼ of one

per cent per annum greater than the prime commercial rate.

Deferred Federal Income Taxes: The Corporation in 1968 segregated income taxes in the balance sheet to reflect the amount payable currently and the amount which may become payable because of timing differences in tax reporting. This change reflects the reporting recommended by the American Institute of Certified Public Accountants. Amounts for 1967 have been restated to reflect this change.

Long Term Debt: Sinking fund requirements for 1968 of the 2⅝ per cent debentures were met by delivery of purchased and retired debentures.

Sinking fund requirements for the 3½ per cent debentures, aggregating $15 million annually to 1980, were met in 1968 by delivery of $15 million principal amount of these debentures which had been acquired by tender procedure under the indenture.

The 5⅜ per cent debentures are redeemable at the Corporation's option in whole or in part at any time (but not, prior to April 1, 1977, from or in anticipation of moneys borrowed at an interest cost of less than 5⅜ per cent per annum) at the principal amount and accrued interest plus a premium of 5 per cent to April 1, 1969, such premium declining at stated intervals, and without premium after December 1, 1987. As a sinking fund for such debentures, the Corporation will redeem annually, commencing in 1972, $8 million principal amount (subject to a credit for debentures otherwise acquired or redeemed) and may redeem annually up to an additional $8 million principal amount. The sinking fund redemption price is the principal amount and accrued interest, without premium.

The 6¼ per cent Coral Ridge sinking fund subordinated debentures require annual contributions to a sinking fund of $250,000 on April 1, 1969 through 1972 and $500,000 on April 1, 1973 through 1976. During the year $158,000 of debentures were purchased in anticipation of 1969 and subsequent years' requirements.

Mortgages and notes payable are secured by hotels, land and shopping centers of Coral Ridge Properties, Inc. and mature serially in various annual amounts through 1988.

Preferred Stock: Sinking fund requirements for 1968 were met by delivery of purchased and retired preferred stock.

Common Stock: During 1968 the Corporation issued 489,689 shares of common stock, 211,757 of which were purchased by employes under the Employe Stock Plan and Stock Option Plans and 123,663 shares were sold to Trustees under the Westinghouse Savings and Investment Plans for future distribution to employes. The Corporation also delivered 82,000 shares of its common stock in exchange for the net assets and business of K-W Battery Company, Skokie, Ill. The transaction was treated as a pooling of interests for accounting purposes and K-W Battery Company continues its operations as a subsidiary of the Corporation. Net income of K-W Battery Company in 1967 was $406,177 on sales of $5,726,000. The financial statements for 1967 do not include the amounts for this company because they were not considered significant. The net assets and business of Measurement Research Center, Inc., Iowa City, Ia., was acquired by purchase for 72,269 common shares.

The Corporation has entered into an agreement and plan of merger, which—if consummated—will be treated on a pooling of interests basis for accounting purposes, involving the issuance of approximately 5.4 million shares of $3 convertible cumulative preference stock in exchange for all of the outstanding stock of MCA, Inc. As of this date, the agreement and plan of merger has not been consummated and a decision has not yet been reached as to whether it will be consummated.

Common stock awards of 7,024 treasury shares were made to management personnel under the Management Incentive Compensation Plan.

Stock Option Plans: Changes in the status of options outstanding at January 1, 1968 under the Corporation's 1959 and 1966 Stock Option Plans are summarized as follows:

Year Granted	Average Option Price	Shares Under Option			
		Jan. 1 1968	Changes During Year		Dec. 31 1968
			Exercised	Terminated	
1959	$44	124,751	70,516		54,235
1960	$55	34,925	7,275		27,650
1961	$42	38,325	9,700		28,625
1962	$34	100,362	20,423	600	79,339
1963	$35	140,913	19,602		121,311
1964	$36	11,194	5,100		6,094
1966	$50	108,800	7,955	1,625	99,220
1967	$62	52,700	850	1,550	50,300

During 1968 stock options were granted for an aggregate of 68,000 shares at $73 per share.

All outstanding options conform to the requirements for "restricted stock options" or "qualified stock options" as defined in the Internal Revenue Code. The purchase price of the Common Stock under options granted on and after December 27, 1962 (covering 666,175 shares in the aggregate) is not less than the fair market value of the Common Stock at the date of granting, and the purchase price under all other options is not less than 95 per cent of such fair market value. The duration of the options is

five years (ten years in the case of options granted before January 1, 1964) from the date of grant, subject to earlier terminations in special circumstances. The 1959 Plan terminated on March 31, 1964 and no further options may be granted thereunder. The number of shares available for future options under the 1966 Plan was 533,050 shares at January 1, 1968 and 468,225 shares at December 31, 1968.

Capital Surplus: The net increase arises from issue of common stock under Employe Plans, the Stock Option Plans and adjustments in connection with acquisitions.

Contingencies: At December 31, 1968 the Corporation had contingent liabilities of $18 million on account of customers' notes sold to banks, guaranteed loans, etc. Aggregate annual amount of rentals on all real estate leases (287 in number) for terms expiring more than three years after December 31, 1968 is approximately $9.2 million.

Westinghouse Credit Corporation Condensed Financial Statements

Balance Sheet at December 31, 1968

Cash and marketable securities	$ 1,863,009
Receivables, less unearned finance charges ($37,363,583) and provision for losses ($4,658,083)	330,095,111
Other assets	775,145
Total Assets	$332,733,265
Notes payable and other liabilities	$272,980,752
Subordinated debt due Westinghouse Electric Corporation	29,400,000
Stockholders' Equity	30,352,513
Total Liabilities and Stockholders' Equity	$332,733,265

Statement of Income year ended December 31, 1968

Total earned income	$38,976,517
Less: Operating expenses	13,476,619
Interest	16,225,793
Income taxes	5,008,366
Net income for the year	$ 4,265,739

Westinghouse Electric Corporation Source and Use of Funds in millions of dollars

Source		Use	
Operations:			
Net income	$135	Customer receivables	$133
Depreciation	64	Long term contracts in process	23
Inventories	66	Investments	17
Progress billing on contracts	159	Plant and equipment	206
Debt increase	62	Dividends	70
Sale of common stock	26	Other	63
	$512		$512

Accountants' Report

Main Lafrentz & Co.
Certified Public Accountants

To the Stockholders, Westinghouse Electric Corporation:

We have examined the consolidated balance sheet of Westinghouse Electric Corporation and that of its wholly owned subsidiary, Westinghouse Credit Corporation, as of December 31, 1968, and the related consolidated statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and retained earnings present fairly the financial positions of Westinghouse Electric Corporation and Westinghouse Credit Corporation at December 31, 1968, and the 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.

January 21, 1969
Pittsburgh, Pennsylvania 15222

Main Lafrentz & Co.

Westinghouse Electric Corporation
Ten Year Highlights

For the Year		1968	1967
Sales		**$3,296,147**	$2,900,698
Employe compensation and benefits		**1,327,434**	1,216,907
Taxes		**200,116**	167,216
Depreciation		**64,467**	56,179
Interest on debentures		**18,452**	15,027
Net Income	Amount	**135,013**	122,490
	Per dollar of sales	**4.1¢**	4.2¢
	Per common share†	**3.49**	3.21
Dividends paid	Preferred	**1,410**	1,510
	Common	**68,937**	60,384
	Per common share†	**1.80**	1.60
Average number of employes		**136,527**	132,049
Working capital		**$ 765,127**	$ 865,260
Inventories		**623,253**	689,049
Land, buildings and equipment – at cost		**1,364,969**	1,194,808
Stockholders		**167,749**	175,206
Shares outstanding	Preferred	**339,825**	392,335
	Common†	**38,296,168**	37,730,958
Book value per common share†		**$ 32.27**	$ 30.26

Except for per share figures, all dollar amounts are in thousands.

†Based on common stock having a par value of $6.25 per share. For the year 1964 and subsequent years, common shares are average outstanding during year, excluding treasury shares. For these years book value is based on shares outstanding at year-end less treasury shares.

††Net income includes $7,196 and 21¢ per common share for special items.

1966	1965	1964	1963	1962	1961	1960	1959
$2,581,415	$2,389,909	$2,271,190	$2,127,306	$1,954,479	$1,913,770	$1,955,731	$1,910,730
1,103,538	989,266	938,550	909,735	865,516	840,765	859,324	816,158
164,731	147,721	132,590	111,522	108,981	103,956	127,838	127,174
59,586	63,868	61,328	59,649	56,091	47,378	47,429	46,696
8,876	9,245	9,816	10,392	10,917	11,049	11,051	11,051
119,657	106,903	76,678	47,824	57,061	45,446	79,057	85,947††
4.6¢	4.5¢	3.4¢	2.2¢	2.9¢	2.4¢	4.0¢	4.5¢
3.16	2.88	2.08	1.28	1.56	1.23	2.22	2.43††
1,541	1,548	1,548	1,548	1,548	1,560	1,630	1,721
51,936	45,564	43,509	42,890	42,529	42,205	41,483	36,157
1.40	1.25	1.20	1.20	1.20	1.20	1.20	1.05
125,349	115,141	113,680	115,170	109,966	109,394	114,842	112,737
$ 719,127	$ 746,210	$ 764,209	$ 734,972	$ 713,925	$ 715,309	$ 774,285	$ 771,400
662,117	525,177	485,926	500,116	465,625	404,612	433,890	398,533
1,079,005	996,743	931,121	895,601	869,217	848,137	802,717	752,757
187,573	189,751	196,993	186,644	187,214	172,172	158,823	150,909
402,677	407,327	407,327	407,327	407,327	407,327	419,800	440,485
37,382,218	36,551,409	36,198,189	36,243,921	35,623,294	35,612,003	34,813,842	34,679,456
$ 28.37	$ 26.68	$ 25.62	$ 25.61	$ 26.11	$ 26.13	$ 26.48	$ 25.38

Westinghouse Electric Corporation
Directors and Officers

Directors

Dillon Anderson, *Partner, Baker, Botts, Shepherd & Coates, Houston, Tex.*

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Robert E. Kirby, *Executive Vice President, Westinghouse Electric Corporation*

George G. Main, *Vice Chairman, Westinghouse Electric Corporation*

Roger Milliken, *President, Deering Milliken, Inc., Spartanburg, S.C.*

W. A. Patterson, *Chairman and Chief Executive Officer, Retired, United Air Lines, Inc., Chicago, Ill.*

John W. Reavis, *Partner, Jones, Day, Cockley & Reavis, Cleveland, Ohio*

John M. Schiff, *Partner, Kuhn, Loeb & Co., New York, N.Y.*

Julius A. Stratton, *Chairman, The Ford Foundation, New York, N.Y.*

George L. Wilcox, *Vice Chairman, Westinghouse Electric Corporation*

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George G. Main, *Vice Chairman and Consultant*

George L. Wilcox, *Vice Chairman – Corporate Affairs*

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Donald H. McGannon, *President, Broadcasting, Learning & Leisure Time*

John W. Simpson, *President, Power Systems*

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T. J. Murrin, *Executive Vice President, Defense*

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Richard J. Sargent, *Executive Vice President, Consumer Products Distribution*

E. H. Seim, *Executive Vice President, Construction*

H. C. Smith, *Executive Vice President, Home Equipment*

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Jose de Cubas, *Westinghouse Electric International Company*

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L. E. Hedrick, *Large Turbine Division*

S. W. Herwald, *Engineering*

George W. Holton, *Motor & Industrial Control Divisions*

W. E. Johnson, *Astronuclear/Underseas Divisions*

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M. J. McDonough, *Power Systems Marketing*

Dale McFeatters, *Information Services*

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C. S. Weber, *Washington*

Robert L. Wells, *Atomic Equipment Divisions*

Leo W. Yochum, *Controller*

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John O. Campbell, *Pacific Coast*

Thomas H. Kenton, Jr., *Southwestern*

B. W. Morrison, *Atlantic*

John E. Payne, *Central*

Carroll V. Roseberry, *Midwestern*

Paul B. Shiring, *Northeastern*

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Charles E. Hammond, *President, Consumer Products*

D. C. Burnham, *Chairman*

George L. Wilcox, *Vice Chairman – Corporate Affairs*

Marshall K. Evans, *Vice Chairman – Planning*

Rear, left to right:

Donald H. McGannon, *President, Broadcasting, Learning & Leisure Time*

George G. Main, *Vice Chairman and Consultant*

John W. Simpson, *President, Power Systems*

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President
Power Systems

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Executive Vice President
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PWR Systems Division
T. Stern

Nuclear Fuel Division
D. J. Povejsil

Advanced Reactors Division
J. C. R. Kelly, Jr.

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  E. J. Cattabiani
- Specialty Metals Division
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- Pensacola Division
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A. M. Harrison

Small Steam and Gas Turbine Division
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M. J. McDonough, Vice President

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P. N. Ross

J. W. Stirling
Executive Vice President
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C. E. Hutchison

Distribution Transformer Division
R. P. Wagner

Distribution Apparatus Division
D. M. Sauter

Power Circuit Breaker Division
A. L. Shepler

Switchgear Division
J. A. Babcock

Measurements Divisions
A. J. Petzinger

- Meter Division
  F. E. Reiber
- Relay-Instrument Division
  M. W. Mardis

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President
Consumer Products

E. S. Glines
Executive Vice President
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Dishwasher & Specialty Products Division
D. D. Stark

Room Air Conditioner Division
T. B. Simon

Mansfield Divisions
C. J. McLaughlin, Jr.

- Laundry Equipment Division
  E. G. Lipski
- Range Division
  J. H. Fooks

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Executive Vice President
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T. W. Landrum,
Vice President

H. C. Smith
Executive Vice President
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- Residential Air Conditioning Division
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- Luxaire, Inc.
  C. W. Millsom, President
- Fraser & Johnston Company
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W. M. Day

Decorative Micarta Division
D. E. Baldwin

I-XL Furniture Company
H. Paxinos, President

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President
Industry & Defense Products

T. J. Murrin
Executive Vice President
Defense

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N. V. Petrou, Vice President

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  H. B. Smith
- Surface Division
  R. W. Esarey
- Systems Operations
  R. L. Hale

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  G. F. Mechlin, Jr.
- Astronuclear Laboratory
  H. F. Faught

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A. C. Chiazza

Marine Division
A. L. Bethel

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E. H. Seim
Executive Vice President
Construction

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D. W. Norris, Vice President

Sturtevant Division
H. W. Rainey

Lighting Division
N. J. Hawke, Jr.

Commercial & Industrial Air Conditioning Division
R. L. Sherrill, Jr.

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Coral Ridge Properties, Inc.
J. S. Hunt, Sr., Chairman
J. P. Taravella, President

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H. J. Bichsel

Marketing
W. B. Weathers, Manager

F. E. Spindler
Executive Vice President
Industrial

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G. W. Holton, Vice President

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  F. N. Hines
- Medium AC Motor and Gearing Division
  T. L. Rehg
- General Control Division
  M. D. Simonson
- Industrial Systems Division
  W. S. McIntyre

Industrial Equipment Division
E. B. Wright

Transportation Activities
G. W. Jernstedt, Director

- Transportation Division
  W. P. Bollinger

Hagan/Computer Systems Division
G. C. Turner

Repair Division
C. E. Price

Thermo King Corporation
M. B. Green, President

Marketing
J. E. Goetz, Manager

- Electric Service Division
  P. F. Holstein

D. D. Danforth
Executive Vice President
Components & Materials

Standard Control Division
A. J. Hendry

Bryant Division
W. D. Ligon

Small Motor Division
C. R. Rhine

Electronic Components Divisions
S. N. Donahoe

- Electronic Tube Division
  E. F. Dick
- Semiconductor Division
  J. C. Marous

Specialty Transformer Division
J. F. Farrell

Wire Division
W. G. Miller

Industrial Plastics Division
F. H. Tyaack

K-W Battery Company
W. B. Loewenherz, Chairman

Industrial Ceramics Division
R. D. Cairns

Marketing
E. V. Clarke, Jr., Manager

Westinghouse Electric Supply Company
B. H. Boatner, President

Management - Broadcasting, Learning & Leisure Time

D. H. McGannon
President
Broadcasting, Learning & Leisure Time

D. H. McGannon
President
Westinghouse Broadcasting Company

Television
J. E. Allen, President
KDKA-TV, Pittsburgh
KPIX-TV, San Francisco
KYW-TV, Philadelphia
WBZ-TV, Boston
WJZ-TV, Baltimore

Radio
J. Chaseman, President
KDKA, Pittsburgh
KFWB, Los Angeles
KYW, Philadelphia
WBZ, Boston
WIND, Chicago
WINS, New York
WOWO, Fort Wayne

TV Advertising Representatives, Inc.
M. L. Shapiro, President

Radio Advertising Representatives, Inc.
P. B. Bascom, President

Group W Films
R. M. Pack, President

CATV Enterprises, Inc.
C. C. Woodard, President

Group W Productions, Inc.
J. R. Reeves, President

V. S. Atwater
President
Westinghouse Learning Corporation

Headquarters in New York, N.Y. Operations in Iowa City, Ia.; Albuquerque, N.M.; Palo Alto, Calif.; Bladensburg, Md.; Pittsburgh, Pa. Designs and distributes educational systems for schools, conducts training programs for industry and for governmental projects, such as the Peace Corps. Operates Atterbury Job Corps Center, Edinburg, Ind.

Management - Headquarters

M. K. Evans
Vice Chairman – Planning

Marketing
T. P. Jones, Vice President

Headquarters
A. M. Kennedy, Jr., Vice President, Marketing Services

Regions – Vice Presidents
C. H. Bartlett, Southeastern

J. O. Campbell, Pacific Coast

T. H. Kenton, Jr., Southwestern

B. W. Morrison, Atlantic

J. E. Payne, Central

C. V. Roseberry, Midwestern

P. B. Shiring, Northeastern

Manufacturing
P. M. Sarles, Vice President

Engineering
S. W. Herwald, Vice President

Research
W. E. Shoupp, Vice President

Corporate Development
P. O. Gaddis, Vice President

Specialty Electronics Division
W. S. Perkins

X-Ray Division
W. J. Denton

Titles not listed on pages 28, 29, 30, 31 and 32 are "General Manager".

G. L. Wilcox
Vice Chairman – Corporate Affairs

Personnel & Public Affairs
H. S. Kaltenborn, Vice President

Industrial Relations
R. D. Blasier, Vice President

Information Services
Dale McFeatters, Vice President

Management & Professional Personnel
R. H. Wagner, Vice President

L. W. Yochum, Vice President & Controller

R. B. Read, Vice President & Treasurer

L. E. Kust, Vice President & General Tax Counsel

Westinghouse Credit Corporation
J. C. Sheehan, President

C. P. Myers, Vice President & General Counsel, Secretary

Westinghouse Electric International Company
J. L. de Cubas, President

Canadian Westinghouse Company, Ltd.
W. J. Cheesman, President

Government Affairs
C. H. Weaver, Vice President

Bettis Atomic Power Laboratory
N. A. Beldecos

Plant Apparatus Division
A. Squire

Washington Office
C. S. Weber, Vice President

F. P. Cotter, Vice President

Government Relations
C. E. Hobbs, Director

G. G. Main
Vice Chairman & Consultant

Executive Offices
3 Gateway Center,
Pittsburgh, Pa.

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Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.

Crocker-Citizens National Bank, San Francisco, Calif.

Registrars
The Chase Manhattan Bank, National Association, New York, N.Y.

The Northern Trust Company, Chicago, Ill.

Bank of America, National Trust and Savings Association, San Francisco, Calif.

Stock exchange listings
New York, Pittsburgh, Boston, Midwest and Pacific Coast Stock Exchanges