Westinghouse Electric Corporation

Commercial Nuclear Fuel Division

Box 355
Pittsburgh Pennsylvania 15230-0355

RS 92-45

November 16, 1992

U. S. Nuclear Regulatory Commission
Decommissioning and Regulatory Issues Branch
Division of Low-Level Waste Management and Decommissioning
Office of Nuclear Material Safety and Safeguards
Washington, D. C. 20555

Attention: John H. Austin, Chief

Subject: RESPONSE TO FINANCIAL ASSURANCE INFORMATION REQUESTED IN NRC LETTER DATED OCTOBER 19, 1992 TO WESTINGHOUSE

Gentlemen:

Westinghouse Electric Corporation submits the financial assurance documentation requested in Enclosure 2 of the NRC letter of October 19, 1992. Attachment 1 to this letter provides the specific financial assurance information addressing the self-guarantee criteria identified in the enclosed NRC Staff Requirements Memorandum dated August 12, 1992. Attachment 2 to this letter provides the current status of The Standard and Poor's bond rating for Westinghouse Electric Corporation. Included in this enclosure is the 1991 Westinghouse Annual Report which contains additional financial information certified by an independent public account firm.

The information provided by Westinghouse in Enclosure 1 and 2 completes the additional documentation requested by the NRC regarding Westinghouse meeting the self-guarantee criteria referenced above.

Should you have any questions, please contact Mr. A. J. Nardi at 412/374-4652 or A. T. Sabo at 412/374-4645.

Sincerely,

A. Joseph Nardi

A. J. Nardi, Manager
Regulatory Services

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Enclosures

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Westinghouse

ANNUAL REPORT

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Contents

Westinghouse Electric Corporation is a technology-based firm dedicated to achieving solid growth for shareholders, customers and employees. A world leader in the electrical industry over its 106-year history, the Corporation now serves a variety of customers in seven market segments. These segments and major Westinghouse activities related to them include:

Broadcasting 17 radio and five television stations, broadcast television production and syndication, cable television programming and distribution, satellite and business communications.

Electronic Systems Advanced electronic systems for military and commercial applications, electronic warfare, anti-submarine warfare, space sensors, information services, logistics and support systems.

Environmental Nuclear and hazardous waste environmental systems and services, waste-to-energy plants and services, emissions monitoring and control, large motors, equipment repair and modernization, management of government-owned nuclear facilities.

Financial Services Corporate financing, real estate financing, leasing.

Industries Transport temperature control, electrical distribution and control, wholesale distribution of electrical products, community land development.

Office Furniture Office systems, executive furniture, filing and seating.

Power Systems Nuclear and fossil power systems and plants, nuclear fuel, process control systems, superconducting magnets, alternative energy systems, naval nuclear power systems.

Financial Highlights
(in millions except per share amounts)

	1991	1990	1989	1988	1987
Sales and operating revenues	**$12,794**	$12,915	$12,844	$12,500	$11,332
Net income (loss)	**(1,086)**	268	922	823	901
Common share data:					
Earnings (loss) per share	**$ (3.46)**	$ 0.91	$ 3.15	$ 2.83	$ 3.12
Dividends	**1.40**	1.35	1.15	0.96	0.82
Book value at end of year	**11.04**	13.43	15.10	13.18	11.22
Market value at end of year	**18**	28 1/2	37	26 3/8	24 7/8
Shares outstanding at end of year	**339**	290	290	288	288
Capital expenditures	**$ 367**	$ 405	$ 424	$ 422	$ 420
Depreciation and amortization	**378**	363	367	348	324

Fellow Shareholders:

For 1991, Westinghouse reported a net loss of $1.086 billion, or $3.46 a share on revenues of $12.794 billion. The results were affected by the recession and, more significantly, by a $1.68 billion valuation provision to reflect anticipated losses in liquidating assets of Westinghouse Financial Services, Inc. (WFSI), and a $160 million provision to offset the costs of eliminating 4,000 jobs across the Corporation.

These financial results are as unsatisfactory to the management of your Corporation as they are to you, the shareholders.

I won't try to sugar-coat these results. But it is important that you understand that your current management team has taken a series of actions to lay the foundation for a return to profitable growth.

Management Actions

Here are the most important actions:

- We established the $1.68 billion valuation provision to recognize in accounting terms the impact of restricted financial markets, especially real estate, on the assets of Financial Services;
- We negotiated a $6 billion revolving credit agreement with many of the world's leading banks;
- We received the approval of the Board of Directors to issue $500 million in equity in the form of Preferred Equity Redemption Cumulative Stock;
- We reduced net portfolio investments of WFSI by more than $1.5 billion;
- We reduced the dividend rate to reflect the Corporation's current financial condition;
- We implemented a cost-reduction program that will save at least $200 million a year.

Your Board of Directors and management took these actions — distasteful as some of them were — because of the difficult financial condition of WFSI. The cost-reduction program addressed the weakened profitability of some of our other business units affected by the recession.

I want to emphasize that even in one of the worst economic environments the country has faced in years, Westinghouse achieved an operating profit of almost $1 billion, exclusive of the special provisions.

In previous letters to shareholders in February and November of 1991, I reviewed the actions we took to deal with the situation at WFSI. The key decision was to adopt a strategy to downsize Financial Services, improve the risk profile of its portfolio, reduce its underperforming assets and preserve its liquidity.

Demonstrating Progress

Some observers voiced concern as to whether this strategy would succeed in the current economic environment.

"YOUR CURRENT MANAGEMENT TEAM HAS TAKEN A SERIES OF ACTIONS TO LAY THE FOUNDATION FOR A RETURN TO PROFITABLE GROWTH."

They feared that we would be forced to dispose of some of our best assets at unrealistically low prices to meet our financial obligations.

That did not happen. I am gratified that our success to date seems to have greatly lessened that concern. We have demonstrated that we can work our way through this situation.

Execution of the Financial Services strategy has been entrusted to Leo W. Yochum, former long-time chief financial officer of the Corporation, who accepted my invitation to return as chief executive of WFSI.

The progress made by Mr. Yochum and his executive team in 1991 and the anticipated asset sales in 1992 provide encouraging evidence that we will succeed in stabilizing WFSI.

Reducing Costs

Our $200 million cost-reduction program required difficult decisions throughout the Corporation. Operating and staff management reduced employment and other costs in line with marketplace expectations for 1992 and beyond. These actions recognize that, even after an economic recovery, being a low-cost producer will require unprecedented attention to operating effectiveness.

The summary reports on the following pages describe how each of our seven basic operating units is responding to these market challenges.

Revolving Credit Established

The negotiation of the $6 billion revolving credit agreement was an important step toward recovery. The agreement reflects the confidence of the participating banks — including some of the world's most respected financial institutions — that Westinghouse has the basic earning power and growth prospects to meet its financial obligations.

The decision to reduce the quarterly dividend rate to 18 cents per share from 35 cents was financially prudent in view of our cash requirements and current earnings. This action will help strengthen the balance sheet by reducing debt and building equity.

The Board of Directors' action in January 1992 authorizing the issuance of $500 million in equity in the form of Preferred Equity Redemption Cumulative Stock, or PERCS, is an important step toward improving the financial condition of the Corporation. These certificates, preferred stock that converts to common stock within three years, provide a higher dividend but limit price appreciation.

In 1991, the improved performance of the Westinghouse pension fund and the advance contribution of Westinghouse common stock to the fund resulted in a restoration of about $350 million to shareholders' equity.

Effect of New Accounting Standards

In 1992, Westinghouse plans to adopt the provisions of two new accounting standards of the Financial Accounting Standards Board. If the new standards are adopted, there would be a one-time net after-tax charge of about $300 million to first-quarter 1992 earnings, a figure much lower than had been expected. Details of Statement of Financial

Accounting Standards No. 106 and the replacement to SFAS No. 96, and their implications for the Corporation are explained on Pages 30 and 31 of this report.

These accounting changes, combined with the performance of the Westinghouse pension fund in 1991, would have no material impact on shareholders' equity.

Looking Ahead

Economically, 1992 appears as challenging as the year just past. Few of our operations have seen evidence of any near-term rebounding of the nation's economy. The consensus of leading economists is that the second half of 1992 will be somewhat stronger than the first. Even so, our business plans are designed to deal with various economic scenarios.

Looking farther ahead, I want to restate my confidence in the basic long-term growth prospects of Westinghouse. We are satisfied with the outlook for all our business segments. However, we will continue to fine-tune our operations so that we can invest resources in the markets that will benefit our customers, reward our shareholders and provide the best opportunities for all our people.

The key to our future success is the continued commitment and motivation of our employees. For this reason, one of my highest priorities in the near term will be to visit as many Westinghouse locations as possible to thank them for their individual contributions and to encourage them to maintain their dedication to performance leadership.

The year just ended presented extremely difficult problems. Some we could not control. The others we addressed with the decisive actions described above and elsewhere in this report.

Re-establishing a pattern of profitable growth will require continued discipline in all our operations and hard work by everyone in Westinghouse. It will also take persistence and time.

The management and the Board of Directors are confident that we will reach that objective.

Paul E. Lego

Paul E. Lego
February 5, 1992

Sales And Operating Revenues

(in millions of dollars)

	1991	1990	1989
Broadcasting	**$ 832**	$ 858	$ 755
Electronic Systems	**3,245**	3,196	2,948
Environmental	**1,191**	1,347	1,221
Financial Services	**1,064**	1,209	1,065
Industries	**3,120**	3,301	3,472
Westinghouse Communities	**258**	141	127
The Knoll Group	**673**	422	177
Power Systems	**2,651**	2,442	2,000
Divested and Other	**64**	310	1,488
Intersegment Sales	**(304)**	(311)	(409)
Sales and Operating Revenues	**$12,794**	$12,915	$12,844

Operating Profit

(in millions of dollars)

	1991	1990	1989
Broadcasting	**$ 144**	$ 186	$ 127
Electronic Systems	**262**	329	197
Environmental	**16**	154	79
Financial Services	**20**	131	164
Industries	**165**	264	225
Westinghouse Communities	**122**	78	37
The Knoll Group	**26**	28	15
Power Systems	**283**	323	204
Divested and Other	**(65)**	(16)	(54)
Operating Profit before Major Provision	**973**	1,477	994
Major Provision*	**(1,840)**	(975)	—
Operating Profit (Loss) after Major Provision	**$ (867)**	$ 502	$ 994

**In 1991, the major provision consisted of the valuation provision at Westinghouse Financial Services, Inc. (WFSI) of $1,680 million and the provision for costs associated with the workforce reduction of $160 million. In 1990, the major provision consisted solely of the valuation provision of $975 million at WFSI.*

Broadcasting

With a diversified portfolio of entertainment, sales and communications operations, Westinghouse Broadcasting — known as Group W — holds solid positions in all its markets and has distinguished itself from other broadcasting companies by its record of programming excellence, community service and customer orientation.

Despite these favorable competitive positions, 1991 was a difficult year in broadcasting, especially in television, due to the recession and the slowdown in advertising during the Persian Gulf War. These factors created the weakest advertising climate in three decades. As a result, the Broadcasting group's revenues were down.

The Broadcasting group is comprised of: Group W Television, a leading television station group; Group W Radio, the largest non-network radio broadcaster in the nation; Group W Productions, a television programming and distribution company; and Group W Satellite Communications, which provides programming, marketing and technical services to the cable and broadcast television industries. Also included is Westinghouse Communications, which provides voice/data communications to the Corporation as well as to mid-sized industrial and service companies.

Group W Television is composed of five network-affiliated television broadcasting stations that reach 10% of the entire U.S. viewing audience. The television group made significant advances in realigning and streamlining its operations, cutting operating costs by 12% in 1991 alone.

Group W Radio operates 17 radio stations serving 11 major markets. Virtually all of the group's stations hold leadership positions in their programming formats.

Group W Productions distributes the well-known animated hit *Teenage Mutant Ninja Turtles* and the weekly reality programs *Missing/Reward*, *On-Scene: Emergency Response* and *Home Again With Bob Vila*. The production group also holds an equity position in Castle Rock Entertainment, a leading programming company that produced the hit movie *City Slickers*.

Group W Satellite Communications (GWSC) serves the fastest growing segment of the media business — cable programming. GWSC provides sales, marketing and affiliate relations support for The Nashville Network (TNN), one of cable's most successful programming networks. The group's Home Team Sports network, serving the Washington-Baltimore area, passed the 2.2 million subscriber mark.

When the economy rebounds, broadcasting revenues and profits are expected to grow.

With a rich history of success in an ever-changing market, Group W remains a vital contributor to the strength of the Corporation.

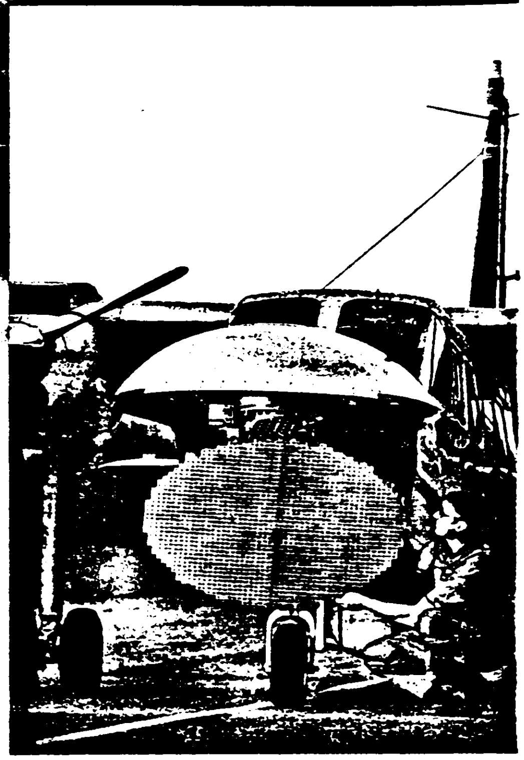
Electronic Systems

The Westinghouse Electronic Systems Group (ESG) continued its record as a world leader in advanced electronics with sales of $3.2 billion.

For more than 50 years, ESG has served the United States by providing advanced technology to the U.S. military and its allies. The effectiveness of that role became clear in 1991 as the buildup of Desert Shield evolved into the action of Desert Storm.

Several hundred Westinghouse employees were in-theater during that conflict, either on active duty or supporting thousands of ESG systems: sensors that tracked every aspect of the engagement — on the ground, in the air, and from space; propulsion equipment for our ships; and radar jammers that protected our pilots.

Rick Quan, a sports reporter for Group W television station KPIX in San Francisco, interviews San Francisco 49ers center Jesse Sapolu for the evening news. In pursuit of its strategy to become the Bay Area's "sports station," KPIX broadcasts three of the top franchises in the market—the 49ers, Oakland A's and Golden State Warriors.



Westinghouse test pilot Rich Badendorf inspects an F-16 radar derivative on a Multi-Sensor Surveillance Aircraft. The new aircraft, also equipped with an infrared imaging system, provides wide-area surveillance of targets in applications such as drug interdiction and border patrol.

As part of Westinghouse Broadcasting's commitment to children's programming, Group W Productions distributes "Way Cool," an upbeat, humorous variety series that features socially responsible themes for 9- to 13-year-olds.

While the war demonstrated the effectiveness of defense technology, it also capped an era of heavy defense spending. Faced with Department of Defense (DoD) budget cuts, such as the cancellation of the Navy's A-12 attack aircraft, ESG reduced its workforce and is continuing an aggressive cost-control program.

Despite the overall downturn in defense budgets, ESG won several major contracts during the year, including radar for the Air Force F-22 Advanced Tactical Fighter. Navy contracts awarded to ESG included MK-48 and MK-50 torpedoes, Airborne Self-Protection Jammers and an advanced gas turbine engine system for ship propulsion. ESG also won an important contract for the development of avionic systems for the Army's Comanche helicopter.

Throughout the year, ESG continued its strategy of diversification into the commercial arena. ESG's 1991 business mix was 71% DoD and 29% non-DoD; its goal is to achieve a 50-50 ratio.

Already a world leader in air traffic control systems, Westinghouse is growing a variety of commercial businesses related to its existing electronics expertise. Law enforcement systems, security systems, transportation management systems and postal systems represent promising commercial applications for defense technologies.

Among the law enforcement products ESG unveiled in 1991 is the Multi-Sensor Surveillance Aircraft. This aircraft uses an advanced radar sensor and an infrared imaging system for wide-area surveillance of land, sea and airborne targets — day or night.

ESG's advances into the security systems business have resulted in more than 100,000 home-monitoring accounts. This business was bolstered by the acquisition of Schlage Electronics — a leading manufacturer of proximity electronic access control systems for securing commercial and government buildings and facilities.

In another commercial venture, ESG is leveraging its electronic command and control capabilities to meet freight and municipal vehicle tracking, monitoring and scheduling requirements. An automatic vehicle location system, which helps to keep passengers safe and buses on time, is now operating in Baltimore and the city of Denver has contracted for a similar system.

ESG continues to penetrate the information technology market with Micros point-of-sale and airline reservation terminals and advanced forms-processing technology. Broadening its mail-sorting equipment business beyond the U.S. Postal Service, the group developed and began marketing "Sure Post," a modular mailroom processing system to handle mail in commercial and government operations.

With a $4.4 billion backlog, ESG is well-positioned to pursue new commercial opportunities while continuing to supply advanced electronic systems to the defense industry.

Environmental Group

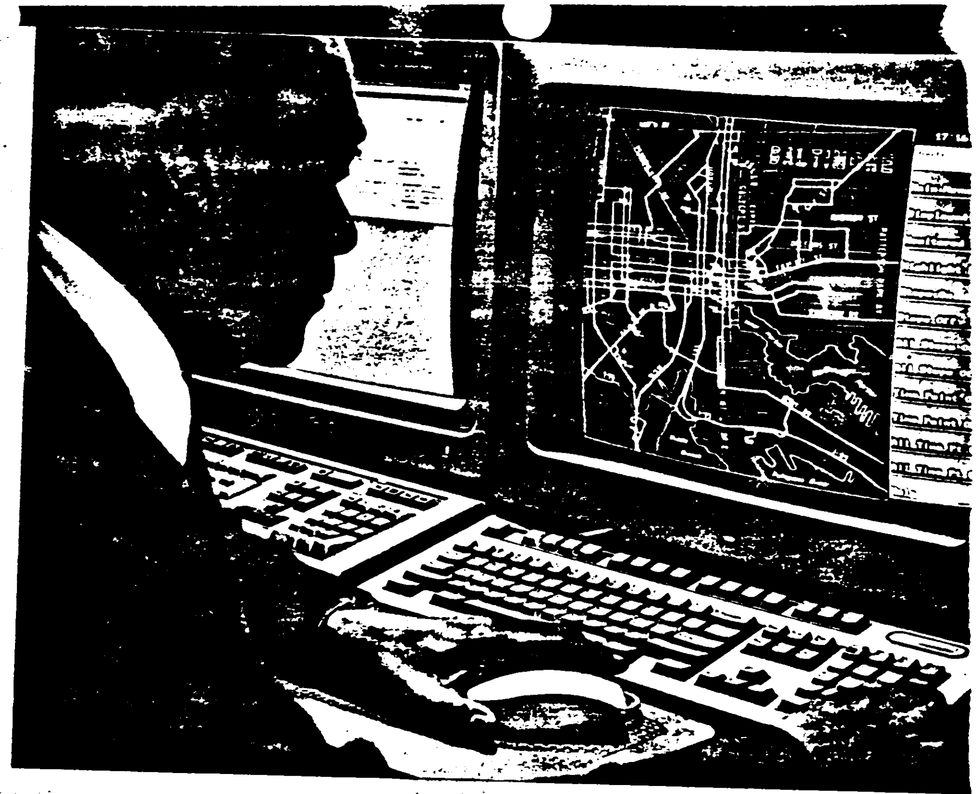
The wide array of waste disposal regulations, combined with regulatory enforcement, is creating a growing demand for certain environmental services. Westinghouse provides a significant share of these specialized services through its Environmental Group.

The group was formed when existing Westinghouse hazardous-waste businesses were merged in 1991 with an eye toward becoming a leading worldwide environmental service company.

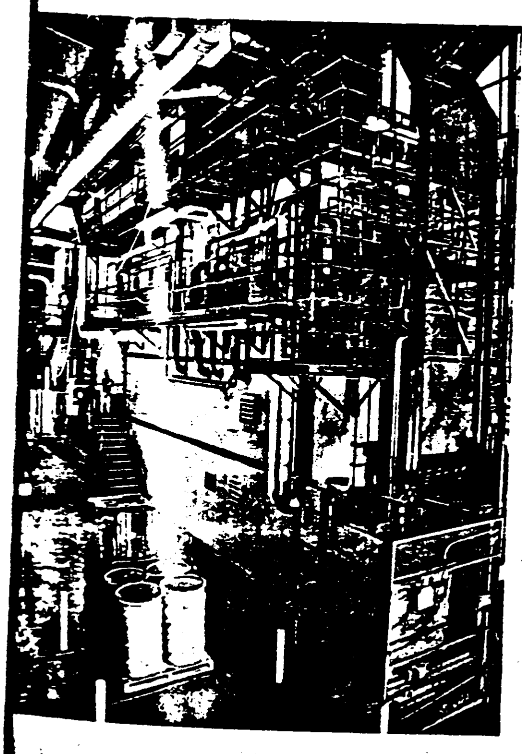
While the new organization has significant positions within the industry, with about 15% of the U.S. capacity for hazardous solid-waste incineration, radical changes have occurred in the group's segments. The engineering and remediation segments of the business were down as customers deferred expenditures on construction and major environmental cleanup projects. The municipal segment was hard hit as municipalities delayed or canceled commitments for waste-to-energy plants. In addition, increased recycling has begun to reduce the amount of waste generated.

Responding to these changes, the group's management redirected activi-

Claude Harris, supervisor of computer-aided dispatch at the Maryland Mass Transit Administration's control center in Baltimore, monitors the movement of buses throughout the city with an advanced vehicle management system developed by the Electronic Systems Group. The system provides two-way voice and data communications and a computer-generated map for visual tracking.

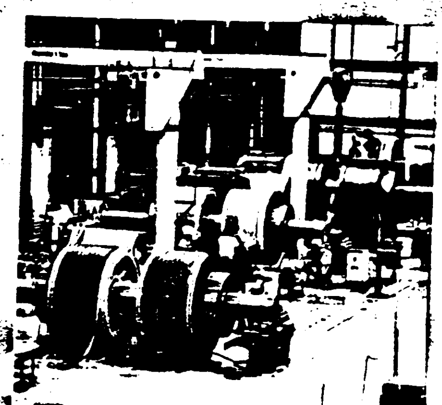


The world's largest incinerator dedicated to commercial low-level nuclear waste and the only one of its kind licensed in the U.S. is operated around the clock by the Westinghouse subsidiary Scientific Ecology Group, Inc., in Oak Ridge, Tenn.



Westinghouse radar technology was used widely during Operation Desert Storm when both U.S. and Saudi Arabian E-3 AWACS aircraft—equipped with Westinghouse radars—provided high- and low-altitude surveillance of other aircraft over Kuwait and Iraq.

For over a century, Westinghouse has been a leader in developing new DC-motor applications and technologies. Large double-armature motors such as these at the Corporation's Round Rock, Texas, facility were shipped to India for use in that country's steel industry.



ties in 1991. In the waste-to-energy business, costs were reduced substantially, the organization was realigned and certain planned projects were terminated. In the electrical products and services business, operations were consolidated and the workforce was reduced significantly to reflect the depressed volume.

Hazardous-waste incineration is one of the group's more successful businesses. A full-service hazardous-waste incinerator was completed in Tooele County, Utah. With a 200-ton-per-day capacity, the facility will serve the entire country, but particularly the western U.S.

In a further expansion of its hazardous-waste incineration business, the group obtained permits to offer additional services at its Coffeyville, Kan., facility. The group also signed a large contract with the state of New York for a major project involving site remediation activities and hazardous-waste incineration.

In the nuclear waste area, Westinghouse will evaluate and handle radioactive wastes in Bulgaria and will provide a low-level nuclear waste compaction and storage system.

The group's substantial business interests outside the U.S. — representing 30% of 1991 revenues — were expanded during the year, including a new environmental engineering operation established in Germany.

The Electrical Products and Services business unit also supported international sales through subsidiaries and joint ventures in a dozen countries, including Canada, Brazil, Venezuela, Thailand, Saudi Arabia, Singapore and Australia.

The Westinghouse Motor Company derived more than 23% of its sales volume from international markets, serving the global steel, mining, pulp and paper, electric utility and petrochemical industries with motors from one to 35,000 horsepower.

Determined to become one of the leading environmental businesses in the world, the Environmental Group is expanding its capabilities in environmental engineering, site remediation and the treatment and disposal of hazardous and radioactive wastes.

Industries

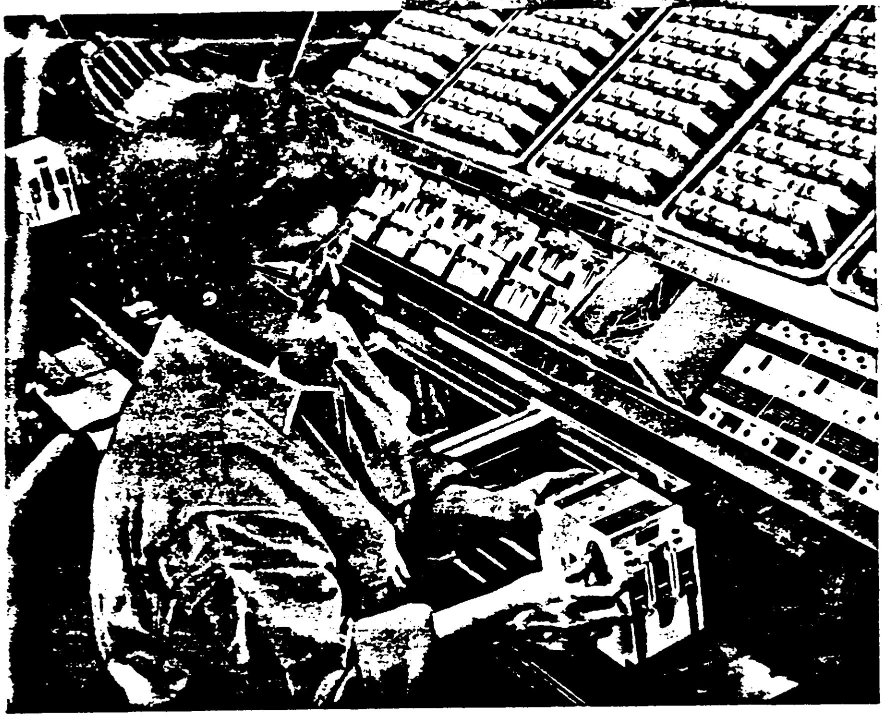
Westinghouse Communities and Thermo King, two of the four Industries group businesses, performed well in 1991 despite the difficult economic environment. The other two units — Distribution & Control and Westinghouse Electric Supply Company — were more affected by economic conditions.

Overall, the group's sales and operating profit decreased in 1991.

Westinghouse Communities' strategy to develop unique, upscale properties has proved extremely successful. Defying the national slowdown in residential construction, the unit nearly doubled revenues compared to 1990, with strong sales of luxury sites on both Florida coasts and at Bighorn, a new development near Palm Springs, Calif.

The world's number-one supplier of mobile temperature control for trucks, trailers, buses and rail cars, Thermo King increased 1991 sales modestly, reflecting the continuing U.S. recession. Operating profit was slightly lower than in 1990.

Thermo King's international sales, benefiting from the reunification of Germany and new European regula-



Technician Otis Malcom, Jr., monitors the operation of a mobile stabilization and fixation unit at a site in North Carolina. Westinghouse Remediation Services uses the unit to process chemical waste with cement, transforming it into a non-hazardous composite.

Maria Teresa Esparra assembles a Westinghouse "Advantage" motor starter. The new Advantage line is expected to increase U.S. market share significantly over the next two years. Advantage offers industrial customers dramatically longer motor starter life in a competitively priced unit half the size of traditional starters.

A truck equipped with a Thermo King refrigeration system negotiates a busy street in Hong Kong, where the subsidiary established its Asia-Pacific marketing base during the year. Thermo King will construct a manufacturing facility in the People's Republic of China in 1992 in a joint venture with the Dalian Refrigeration Company.

tions for the transport of temperature-sensitive products, were up over the previous year's. For the first time, the majority of Thermo King's sales were international. One milestone was a joint venture with Dalian Refrigeration in the People's Republic of China. Construction of a Westinghouse-owned facility there will begin early in 1992 with production scheduled to begin early in 1993.

Sales and operating profit for the Distribution & Control (D&C) business unit, a supplier of electrical-distribution, circuit-protection and control products, were off sharply compared to 1990. The declines were attributable to recessions in the U.S., Brazil and Canada and the continuing softness in construction-related markets. Careful investment management, however, allowed the unit to remain a strong cash contributor to the Corporation.

D&C continued its technological leadership with a significant advance in control technology. A new motor starter called "Advantage" offers substantially longer life, a lower cost and a smaller size than conventional motor starters. Key to this leap in technology is a microchip developed by the Westinghouse Science and Technology Center.

One of the largest electrical wholesalers in the U.S., Westinghouse Electric Supply Company (WESCO) felt the brunt of the soft construction market in 1991. Operating profit was sharply lower. In late 1991, WESCO streamlined its organization and implemented the most advanced distribution, inventory management and product procurement methods to improve customer satisfaction.

Overall, Industries group businesses enjoy strong positions in the markets they serve and have taken actions necessary to improve those positions in the future.

The Knoll Group

Architects, designers, facility managers, corporate purchasers — these key customer groups reacted favorably in 1991 to the extensive product offering created through formation of The Knoll Group. The merging of Westinghouse Furniture Systems, Shaw-Walker, Reff and Knoll International under the Knoll name enables Westinghouse to provide an expanded range of products and services unmatched in the office furniture industry. These services include the unique resources of Westinghouse's Science and Technology Center and Productivity and Quality Center.

During the year, the group integrated four sales, marketing and distribution organizations into a single unit in order to reduce its cost structure and improve access to customers. It began consolidating worldwide manufacturing operations in North America and Europe to achieve lower break-even and product costs. Employment was reduced by 14%.

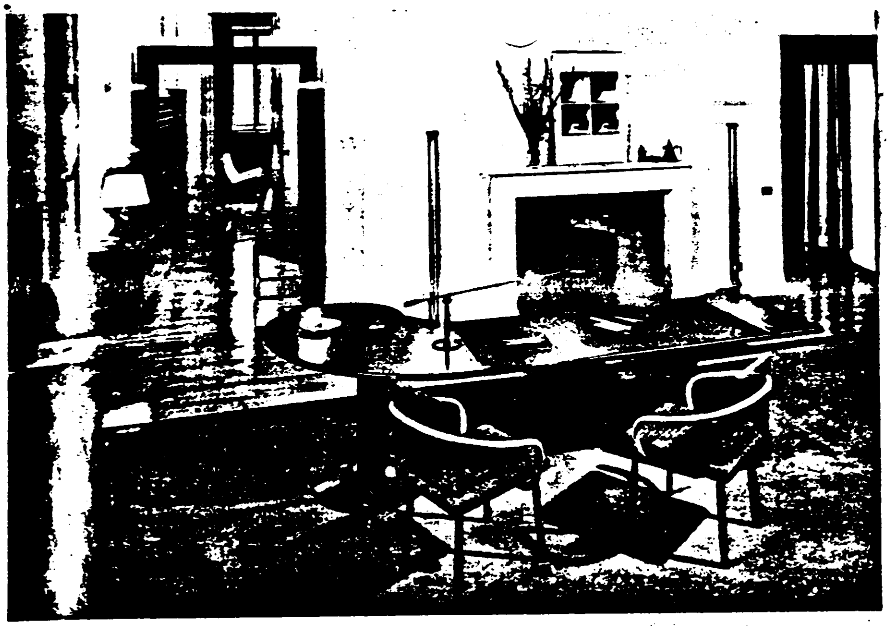
At the same time, the furniture group invested in new state-of-the-art production equipment to further improve its cost position on new products scheduled for introduction over the next two years.

Revenues increased significantly due to the 1990 acquisitions, while operating profit was down due to the weak economy and curtailed government spending. Despite these adverse conditions, Knoll improved market share during the year through aggressive sales and marketing efforts.

Looking ahead, The Knoll Group is well-positioned to capitalize on anticipated growth opportunities in the $22 billion global office furniture market.

Power Systems

Ever since the Corporation's founding over 100 years ago, the business of generating power has been a mainstay of Westinghouse.



The Knoll Group strengthened its international market presence with the opening of new showrooms in Rome, pictured here, and Brussels. Another European showroom—in Frankfurt—is scheduled to open in 1992. The Knoll Group provides a full line of office furnishings to customers in Europe, Japan, Southeast Asia, Mexico, and North and South America.

Well-known fashion designer Jhane Barnes discusses her line of upholstery and panel fabrics, which she designed exclusively for KnollTextiles, a division of The Knoll Group.

Westinghouse Communities is developing the 780-acre Bighorn project, which will be a community of luxury homes surrounding a championship golf course near Palm Springs, Calif. Westinghouse has developed the communities of Coral Springs, near Ft. Lauderdale, and Pelican Bay, in Naples, Fla.

Today, the Power Systems group offers products and services that span the full range of the global power generation market.

The group took firm actions in 1991 to counter the effects of the recession and increased competition. Power Systems management initiated an aggressive cost-improvement program, including workforce reductions, spending cuts and productivity improvements.

With sales representing more than 20% of the Corporation's total, the group offers products that use nearly every known fuel — oil, natural gas, coal, and uranium — and offers everything from plant design to the manufacture of power equipment to the maintenance of existing power plants.

Power Systems' two business units, Power Generation and Energy Systems, serve utilities in 43 countries. The group's markets are large and growing. In the U.S. alone, increasing demand for electricity will create a 20% expansion of the current generating base in the next ten years. International markets will grow even faster.

Most of the near-term growth will come from natural gas-fired combustion turbine or combined-cycle plants, benefiting the Power Generation unit, but later demand may also require the construction of a new generation of nuclear plants. The Energy Systems unit will be ready for that demand with the AP600, a simplified, economical light-water reactor now in development.

Westinghouse is set to participate in the growth of international markets through a strong network of alliances. More than one-third of Power Systems' 1991 orders were outside the U.S.

The Power Generation unit supplies and services steam and combustion turbine generators and total power plant projects for the production of electricity. It is also developing and commercializing advanced power generation technologies.

The unit sold 3,600 megawatts of power generation capacity to utilities and non-utility generators in 1991 and it was one of the fastest-growing businesses in the Corporation, with sales up 26% over 1990. Among the year's milestones were a $350 million contract to supply two power plants to Korea and shipment of the first 501D5 combustion turbine from the unit's new North American factory, an integrated manufacturing network.

The unit, assisted by the Westinghouse Science and Technology Center, also contracted to provide dipole magnets for the U.S. Department of Energy's planned superconducting supercollider.

The Energy Systems business unit is involved primarily in equipping and servicing nuclear power plants, providing nuclear fuel to utilities and fuel components to other manufacturers. It also supplies process control systems to utilities and industries.

Significant 1991 orders included an important contract for nuclear instrumentation and control at the Sizewell B nuclear power station in the United Kingdom.

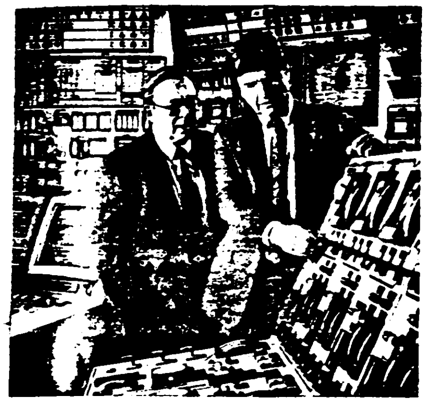
With 425 nuclear power plants operating worldwide, representing an annual service market of nearly $30 billion, Energy Systems is working to strengthen its global position.

With a commitment to product and process improvements, a backlog that increased by $300 million to reach $5.1 billion, and a strong position in expanding markets, Power Systems is seeded for growth well into the 21st century.

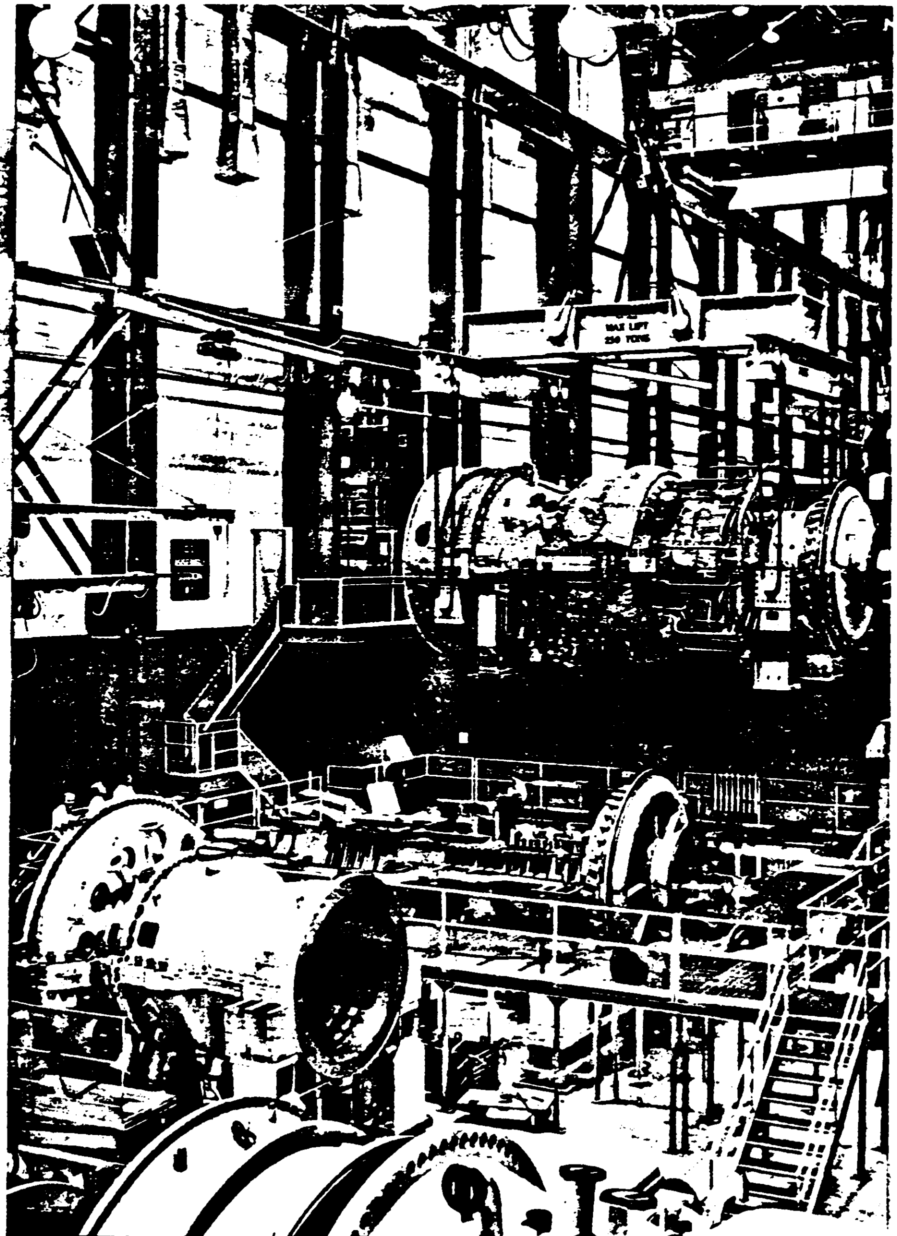
Financial Services

Throughout 1991, Westinghouse management took decisive steps to deal with significant problems at Westinghouse Financial Services, Inc. (WFSI). These actions included a pre-tax valuation provision against earnings totaling $1.68 billion.

A strategy to downsize the operations through the orderly disposition of assets is being implemented and a



Bart Withers, right, of the Wolf Creek Nuclear Operating Corporation in Burlington, Kan., is pictured with Westinghouse's Max Wood in the training facility of the Wolf Creek generating station. Westinghouse provided the nuclear steam supply system for the plant, which holds the world record for continuous operation for light water reactors.



After final assembly at Power Generation's Pensacola, Fla., plant, this 501D5 combustion turbine is readied for shipment to the Orlando Utilities Commission, the city's municipal utility. In just 17 months, Westinghouse completed a multi-million dollar program to expand its U.S. manufacturing capability for combustion turbines.

Operator Roxanne Dubay monitors the newly-installed Westinghouse WDPF Process Control System at the East Bay Municipal Utility District's wastewater treatment plant in Oakland, Calif. One of the largest such facilities in the U.S., it serves 600,000 people and has a capacity of 415 million gallons of water per day.

change in top management was made. Leo W. Yochum, former chief financial officer of Westinghouse, was appointed chairman and chief executive officer of WFSI.

The group made progress disposing of assets during 1991, including marketable securities, certain corporate lending and leasing receivables, and commercial and residential real estate loans and properties.

In 1991, WFSI sold $646 million of marketable securities; only $46 million remained to be sold at year-end.

WFSI announced its intention to raise more than $1 billion in cash through the liquidation of corporate lending, leasing and real estate assets. More than $700 million in cash was raised during the fourth quarter of 1991. The remainder is expected to be raised early in 1992.

WFSI reduced total employment by 16% in 1991. Lower operating expenses are planned for the group.

WFSI will continue to be downsized with a focus on managing both debt levels and earnings performance.

Corporate

Westinghouse is recognized worldwide as an innovator in productivity and quality improvement and technology development.

The Corporation's efforts in these areas are supported by a wealth of talent at the Productivity and Quality Center (PQC) and the Science and Technology Center (STC).

STC's scientists and engineers have helped the Corporation maintain a leading position among American companies in U.S. patents issued.

STC achievements in 1991 included advances in microelectronic materials and circuitry and the development of a diamond-coating process to protect infrared sensors mounted on high-speed aircraft. In addition, STC's research in such technologies as hot-gas cleaning and solid oxide fuel cells promises more economical methods for converting fossil fuels into energy with minimal environmental impact.

The Productivity and Quality Center helped Westinghouse business units improve processes and profitability in 1991. In addition, it increased its activities with both customers and suppliers of the Corporation as well as with other outside clients.

The combined efforts of PQC and the business units have made Westinghouse the only company selected as a finalist or winner of the Malcolm Baldrige National Quality Award every year of the award's existence.

Engineer John Lichauer monitors the automated inspection of nuclear fuel pellets at Westinghouse's Science and Technology Center near Pittsburgh. The automated machine-vision inspection system was designed by Westinghouse engineers for the Corporation's Commercial Nuclear Fuel Division in Columbia, S.C.

Management's Discussion and Analysis

Overview

The Corporation reported a net loss of $1,086 million for 1991 or $3.46 a share. Net income was $268 million in 1990 and $922 million in 1989. Earnings per share were $0.91 for 1990 and $3.15 for 1989. Valuation provisions recorded at Financial Services of $1,680 million and $975 million, before provisions for taxes, reduced net income for 1991 and 1990. See Segment Results — Financial Services for a discussion of valuation provisions. Also included in 1991 net income was a $160 million pre-tax charge for a corporate-wide workforce reduction. See note 22 to the financial statements. At the January 29, 1992 meeting of the Corporation's Board of Directors, the quarterly dividend on Westinghouse Common Stock was reduced from $0.35 to $0.18 per share. This action was taken as part of the Corporation's program to strengthen its balance sheet by reducing debt and building equity.

Sales and operating revenues were $12,794 million in 1991 compared to $12,915 million in 1990 and $12,844 million in 1989. Depressed economic conditions reduced growth in 1991. In light of current economic conditions, the Corporation does not anticipate that there will be significant growth in consolidated sales for the full year 1992 over 1991 levels.

Segment Results

Operations Excluding Financial Services — 1991 Versus 1990

Broadcasting sales for 1991 decreased 3% compared to 1990. This decline was due primarily to a drop in television advertising revenue caused by the Persian Gulf War and the recession. The decrease in television revenues was partially offset by increased revenues at Group W Productions and Group W Satellite Communications. Operating profit for the year declined 27% compared to the 1990 level due primarily to the reduced levels of television advertising. Included in 1991 operating profit was $8 million of the workforce reduction costs. Excluding that amount, operating profit decreased 23% in 1991 compared to 1990.

Electronic Systems sales increased slightly in 1991 compared to 1990 due principally to the termination settlement on the carrier based A-12 aircraft program this year. Operating profit declined 41% from 1990 due to lower margins resulting from an unfavorable sales mix in government production and development contracts and higher strategic costs incurred to expand the non-Department of Defense (DOD) business. Also included in 1991 operating profit was $69 million of the workforce reduction costs. Excluding that amount, operating profit decreased 20% in 1991 compared to 1990. The recently proposed reductions in DOD's 1993 fiscal year budget, if enacted as proposed, are not expected to have a material adverse effect on segment business. However, until budget measures are actually enacted, it is difficult to predict the effect on the segment.

Environmental sales declined 12% in 1991 compared to 1990 due to depressed economic conditions. Industrial repair and engineering service businesses showed declines in the U.S. and Canada. The operating loss in 1991, compared to a profit in 1990, was due to reduced sales and construction delays and cost overruns in the waste-to-energy business. Included in 1991 operating profit was $23 million of the workforce reduction costs. Excluding that amount, operating profit decreased 90% in 1991 compared to 1990.

Industries sales decreased 5% in 1991 compared to 1990 due to the continued economic slump in the U.S. commercial and residential construction industry. The depressed economies of Canada and Brazil also contributed to the decrease in 1991 sales. Operating profit for 1991 decreased 46% due principally to the reduced sales volume. Included in 1991 operating profit was $23 million of the workforce reduction costs. Excluding that amount, operating profit decreased 38% in 1991 compared to 1990. Sales for Westinghouse Communities, Inc. (WCI) increased 83% in 1991 due primarily to higher levels of commercial and residential land sales. Operating profit for WCI in 1991 increased 56% due principally to the higher volume.

The Knoll Group sales increased 59% in 1991 compared to 1990 reflecting a full year of operations of Knoll International, Inc., which was acquired in August 1990. Operating profit for 1991 declined slightly from 1990 due primarily to the impact of deep discount levels caused by competitive pressures in the weakened economy.

Power Systems sales for 1991 improved by 9% over 1990 due principally to increased demand for power generation equipment. Operating profit for 1991 decreased by 19% compared to last year due to the recognition of revenue from significant levels of licensing and plant completions in 1990, partially offset by increased profits from the higher volume in the power generation businesses. Included in 1991 operating profit was $22 million of the workforce reduction costs. Excluding that amount, operating profit decreased 12% in 1991 compared to 1990.

Operations Excluding Financial Services — 1990 Versus 1989

Broadcasting sales increased 14% for the year due primarily to the December 1989 acquisition of the Legacy and Metropolitan Broadcasting Companies. Operating profit for 1990 increased 46% due to the inclusion of restructuring provisions of $41 million in 1989. Excluding restructuring, operating profit increased 11% due primarily to the acquired radio stations.

Electronic Systems sales increased 8% reflecting growth in production programs. Operating profit increased 67% due to the inclusion of restructuring provisions of $74 million in 1989. Excluding restructuring, operating profit increased 21% due primarily to higher revenues.

Environmental sales increased 10% in 1990 primarily in the environmental services and industrial repair services businesses. Operating profit almost doubled in 1990 due to the inclusion of restructuring provisions of $35 million in 1989. Excluding restructuring, operating profit increased 35% due to increased volume and higher fees from the Department of Energy (DOE) for managing the various government-owned facilities.

Industries 1990 sales decreased 5%. Operating profit increased 17% in 1990 due to the inclusion of restructuring provisions of $23 million in 1989. Excluding restructuring, operating profit increased 6%. Sales for WCI increased 11% in 1990 compared to 1989. Operating profit more than doubled in 1990 due to improved operating results and the inclusion of $19 million of restructuring provisions in 1989. Excluding restructuring, operating profit increased 39%.

The Knoll Group sales more than doubled in 1990 compared to 1989 due primarily to the acquisitions of Reff Inc. and Shaw-Walker in the fourth quarter of 1989. Operating profit also increased significantly in 1990 due to the 1989 acquisitions.

Power Systems 1990 sales increased 22% because of significant improvement in the steam and combustion turbine businesses. Operating profit increased 58% in 1990 due to the inclusion of restructuring provisions of $52 million in 1989. Excluding restructuring, operating profit increased 26% due primarily to volume increases.

Financial Services

In February 1991, the Board of Directors of the Corporation adopted a new strategy which entailed the downsizing of Westinghouse Financial Services, Inc.'s (WFSI) business and a reduction of its exposure to underperforming and higher risk assets. That decision was based on continuing deterioration in the U.S. economy, and weakness in several of the markets served by WFSI and Westinghouse Credit Corporation (WCC), notably real estate, highly leveraged corporate transactions, and high yield securities. The changing and uncertain business conditions in those markets made it prudent, in management's view, to alter WFSI's strategy of holding underperforming assets for long-term resolution to a strategy that entails the near-term liquidation of certain of those assets. As a result, assets totalling $3,381 million were classified as assets held for sale or restructuring. To reflect the decline in the then estimated realizable value of those assets, a pre-tax valuation provision of $975 million was recognized in 1990.

Through September 1991, WFSI made significant progress in disposing of high yield marketable securities. However, management experienced only limited progress in liquidating or restructuring real estate and corporate financing assets. The real estate and highly leveraged corporate financing markets continued to weaken and suffered from a lack of liquidity for refinancing. This lack of liquidity, coupled with a national oversupply of commercial real estate properties and the prolonged recession, contributed to increased loan defaults and further depressed property and asset values. WFSI's portfolio investments were similarly adversely affected.

In response to these conditions, management conducted an extensive review of WFSI's assets and in October 1991, management identified $3,140 million of additional assets for classification as assets held for sale or restructuring. To reflect the worsened markets and credit liquidity problems and management's experience in liquidating or restructuring assets held for sale or restructuring, a $1,680 million pre-tax valuation provision was recorded to reduce the carrying values of all assets held for sale or restructuring. Such valuation provision assumed an orderly liquidation over a reasonable marketing period, which in some cases may take as long as five years. Sale or restructuring of these assets in a bulk transaction or on a more accelerated basis could result in lower realized values.

Management believes that the strategy to manage its existing asset portfolios to downsize and improve performance will reduce risk and strengthen its balance sheet. However, WFSI has issued various loan or investment commitments, guarantees, standby letters of credit, and standby commitments. Depending on market conditions, funding of approximately 43% of these outstanding commitments may be required in 1992. Further discussion of outstanding financing commitments appears in note 19 to the financial statements. In addition, in order to preserve or strengthen existing portfolios, WFSI may provide certain financing services on a limited basis.

Financial Services revenues for 1991 declined 12% compared to 1990 reflecting a reduction of portfolio assets through sales and reduced volume, an increase in underperforming assets, and a reduction in equity gains. Revenues for 1990 increased 14% over 1989 due primarily to higher levels of loans at WCC. The 1991 and 1990 operating losses of $1,660 million and $844 million are due to the valuation provisions recorded in each year.

Margin as a percent of average portfolio investment has been declining in recent periods. Margin in 1991 was 2.2% compared to 3.0% for 1990. This decline is primarily the result of higher levels of nonearning assets and real estate properties owned. The decline also reflects an increase in partnerships and other equity investments not expected to produce a current return.

WFSI's assets consist of receivables, real estate properties owned, investments in partnerships and other entities, and marketable securities. At December 31, 1991, gross receivables totalled $8,596 million and included $2,910 million classified as assets held for sale or restructuring. Total receivables included $3,949 million of real estate receivables and $3,460 million of corporate financing transactions. The remaining receivables relate to leasing transactions.

Real estate receivables consist of loans for commercial and residential real estate properties. At December 31, 1991, first mortgages on income producing properties comprised 87% of total real estate receivables. Hotels and motels secured 27% of the receivables at December 31, 1991, apartments secured 15%, office buildings secured 11%, and shopping centers secured 10%. Of these properties, 15% were located in California, 12% in Florida, and 12% in Illinois. No other significant geographic concentrations exist. Excluding the receivables of WCI and Westinghouse Savings Corporation (WSAV), a subsidiary of WFSI, the largest single borrower exposure in the real estate portfolio totalled $296 million at December 31, 1991; average borrower exposure was $12 million.

At December 31, 1990, first mortgages on income-producing properties comprised 90% of real estate receivables. Also at December 31, 1990, hotels and motels secured 22% of the receivables and apartments secured 14%. The remaining properties included shopping centers and office buildings. Of these properties, 18% were located in California, 16% in Illinois, and 13% in Florida. There were no other significant geographic concentrations. The largest single borrower exposure in the real estate portfolio totalled $302 million at December 31, 1990; average borrower exposure, excluding WCI and WSAV, was $16 million.

Corporate financing receivables are generally considered highly leveraged financing transactions. A transaction is highly leveraged if the related financing involves a buyout, acquisition, or recapitalization of an existing business, and involves a high debt-to-equity ratio.

At December 31, 1991, 53% of corporate financing receivables were senior obligations of the borrowers, and 47% were subordinated. Variable-amount commercial line-of-credit loans secured by the borrowers' inventory or receivables represented 20% of the corporate receivables. An additional 33% of corporate receivables represented fixed-amount loans secured by specified assets, general assets, stock, or other tangible assets of the borrower. The remaining corporate receivables were unsecured.

Borrowers in the corporate portfolio, generally middle market companies, are located primarily throughout the U.S. Manufacturing, retail trade, financial services, and media represent the significant industry concentrations in this portfolio. Exposure to the largest borrower totalled $182 million at December 31, 1991; average borrower exposure was $19 million.

At December 31, 1990, 49% of corporate financing receivables were senior obligations of the borrowers, and 51% were subordinated. Approximately 13% of corporate receivables at December 31, 1990 represented variable-amount commercial line-of-credit loans. Fixed-amount loans comprised 36% of corporate receivables. Exposure to the largest single borrower totalled $163 million; average borrower exposure was $15 million.

Real estate properties owned include properties acquired through foreclosure proceedings or represent "in-substance" foreclosures. Properties are carried at the lower of former loan amount or estimated net realizable value. The properties are being operated by WFSI or contracted professional management until their sale. At December 31, 1991, real estate properties owned totalling $730 million were classified as assets held for sale or restructuring.

At December 31, 1991, investments in partnerships and other entities totalled $677 million of which $155 million were classified as assets held for sale or restructuring.

At December 31, 1991, marketable securities totalled $498 million, of which $452 million are assets of WSAV, and consist of U.S. and other government obligations and mortgage backed securities. Marketable securities held for sale or restructuring decreased 93% from $654 million at December 31, 1990 to $46 million at December 31, 1991. This decrease is attributable to sales during 1991 of nearly all the high yield corporate marketable debt securities held in the portfolio at December 31, 1990. During 1991, proceeds from sales of investments in debt securities totalled $535 million. Gross gains of $24 million and gross losses of $103 million were realized on those sales.

Nonearning receivables at December 31, 1991 totalled $1,512 million, an increase of $960 million from year end 1990. Reduced earning receivables totalled $1,065 million at December 31, 1991, a decrease of $229 million since December 31, 1990. Of these amounts, 80% of the nonearning receivables and 65% of the reduced earning receivables relate to assets held for sale or restructuring. Reduced earning receivables consist generally of real estate loans which were renegotiated, the income from which will fluctuate depending on the performance of the properties. Income earned during 1991 on nonearning and reduced earning receivables at December 31, 1991 represented yields of 3.7% and 5.9%, respectively, versus an average interest cost of 7.4%. The reduction in revenues for 1991 resulting from nonearning and reduced earning receivables at December 31, 1991 was $169 million.

Management believes that under current economic conditions, the allowance for credit losses and valuation allowances at December 31, 1991 should be adequate to cover losses that are inherent in the various portfolios. However, no assurance can be given that a further lack of liquidity in the markets in which WFSI's customers operate, a further or more prolonged downturn in the economy, or other adverse conditions will not have a negative effect on the ability of borrowers to repay and on asset values generally. This could result in increased credit losses and additional reserves to reflect asset revaluations, and could have a negative impact on WFSI's ability to sell assets.

Other Income and Expense Items — Consolidated

Other income for 1991 decreased to $5 million from the $173 million reported in 1990 due primarily to reduced gains recognized from the sale of assets. Additionally, losses incurred from the disposition of marketable securities and foreign exchange losses contributed to the decrease in other income.

Other income for 1990 was $56 million higher than the $117 million reported in 1989 due to higher gains recognized on the sales of assets and securities, and to improved operating results from affiliates.

Interest expense decreased $13 million in 1991 due primarily to lower effective interest rates on average outstanding debt compared with last year. In 1990, interest expense increased $12 million because of higher average outstanding debt compared to 1989.

The Corporation's 1991 benefit for income taxes was 2.3% of loss before income taxes and minority interest in income of consolidated subsidiaries. The 1990 and 1989 provisions for taxes were 33.6% and 26.7% of income before income taxes and minority interest in income of consolidated subsidiaries. The changes in effective tax rates for each year were due primarily to the Statement of Financial Accounting Standards (SFAS) No. 96 limitations on recognition of deferred tax benefits. See note 3 to the financial statements.

Minority interest in income of consolidated subsidiaries was about even with 1990, and includes $13 million in each year related to dividends on WCC's preferred stock. Minority interest in income of consolidated subsidiaries was $13 million in 1989, nearly all related to a joint venture with Asea Brown Boveri.

Liquidity and Capital Resources

Operations Excluding WFSI

Cash and cash equivalents for operations excluding WFSI decreased $411 million compared to a decrease of $132 million in 1990. Excluding the capital contribution to WFSI, cash flow increased $994 million in 1991.

The consolidated debt-to-total capital ratio was 76% and 77% at December 31, 1991 and 1990. A debt-to-total capital ratio of this magnitude reflects the more highly leveraged capital structure common to finance companies. The debt-to-total capital ratio at December 31, 1991 and 1990, excluding WFSI's debt, was 51% and 43%. The net debt-to-total capital ratio, excluding WFSI's debt, at the same dates was 47% and 32%.

At December 31, 1991, short-term debt totalled $2,577 million, a $594 million increase from the 1990 level. Commercial paper outstanding at year-end 1991 was $1,442 million, a decrease of $344 million from December 31, 1990. This reduction was principally the result of the application of the net proceeds of the $250 million 8⅞% notes due 2001 issued in June 1991.

In December 1991, the Corporation signed a three-year $6 billion revolving credit facility with a syndicate of 49 domestic and international banks. The facility provides for short-term borrowings and serves as backup for commercial paper issued by the Corporation and WCC. At December 31, 1991, consolidated borrowings under the facility totalled $1,990 million, of which $985 million was borrowed by the Corporation and $1,005 million was borrowed by WCC. The Corporation's borrowing was used primarily to fund the fourth quarter equity contribution to WCC. Borrowings under the facility by the Corporation and WCC are guaranteed by each other. Covenants under the facility place restrictions on the incurrence of liens, the amount of debt on a consolidated basis and at the subsidiary level, and the amount of contingent liabilities. The covenants also require the maintenance of a leverage ratio, a minimum coverage ratio, and minimum consolidated net worth. The facility replaces all revolving credit agreements previously held by the Corporation and WCC. At December 31, 1991, the revolving credit facility had sufficient capacity to replace all outstanding commercial paper net of cash and cash equivalents issued by both the Corporation and WCC. See note 12 to the financial statements.

Long-term debt increased $333 million to $1,264 million at December 31, 1991. The increase is due primarily to the sale in June 1991 of $250 million 8⅞% notes under the $750 million shelf registration filed in 1989. Interest rate swap agreements have changed the effective interest rate for the first two years of the notes' term to a variable rate based on the 30-day commercial paper rate. Also during 1991, the Corporation issued $124 million of medium-term notes under the $750 million shelf registration filed in 1989. The medium-term notes range in maturity from two to 10 years and have interest rates ranging from 7.5% to 9.4%. The Corporation filed an additional shelf registration for $500 million of debt securities in June 1991. At December 31, 1991, the Corporation's total availability under shelf registrations was $626 million.

During 1991, Moody's Investors Service (Moody's) and Standard and Poor's (S & P) lowered their ratings on the Corporation's debt. Fitch Investor's Service Inc. (Fitch) initially rated the Corporation's debt in 1991. The following table summarizes the agencies' ratings of the Corporation's debt at the beginning and end of 1991.

	Moody's	S & P	Fitch
At January 1, 1991			
Commercial paper	Prime-1	A-1+	Not rated
Senior long-term debt	A1	AA–	Not rated
Subordinated debt	A2	A+	Not rated
At December 31, 1991			
Commercial paper	Prime-2	A-1	F-1
Senior long-term debt	A3	A	A
Subordinated debt	Baa1	A–	Not rated

Reasons for the downgrades cited by the agencies included expected lower levels of cash flow protection for the debt, a weakened financial profile resulting from the restructuring actions, and financial pressures placed on the Corporation due to the weakened asset quality at WFSI. The Corporation believes its current ratings will not have a material adverse affect on its ability to borrow funds or on its operations or financial position. However, future downgrades to the commercial paper ratings may diminish access to these markets and cause increased reliance on the revolving credit facility.

In 1991, the Corporation initiated several steps to enhance its support of WCC. A new support agreement was signed by both parties, superseding the previous agreements, and requires the Corporation to provide financial support necessary to adjust WCC's consolidated total debt-to-equity ratio to not more than 6.5-to-1 at the end of a prior quarter, and maintain WCC's minimum equity at the end of a prior quarter at an amount of $1 billion. The agreement will continue until terminated by three years prior notice. In a separate agreement which became effective in December 1991, the Corporation guaranteed WCC's then outstanding and future commercial paper borrowings. This agreement may be terminated upon 90 days prior written notice.

Pursuant to the Corporation's prior agreement to support WCC's equity, the Corporation transferred cash of $525 million in the first quarter and $880 million in the fourth quarter of 1991 to reduce WCC's adjusted total debt-to-equity ratio to 6.5-to-1. Additional equity contributions may be required during 1992. The need for additional contributions is dependent on the level of funding of future commitments, the results of the asset disposition program at WFSI, fluctuations in the value of WCC's assets, and its debt level.

In May 1991, the Corporation sold 21,500,000 shares of newly-issued common stock at a price of $26.50 per share. Net proceeds of $551 million were used to reduce short-term debt.

In 1991, the Corporation announced its intention to raise an additional $900 million in equity through various methods. In October 1991, the Corporation contributed 22,645,000 shares of common stock held in treasury to the pension plan. The pension plan trustee valued the stock at $375 million at the date of contribution. Prepaid pensions were increased by that amount. On January 29, 1992, the Corporation announced that it intends to issue approximately $500 million of convertible preferred stock.

Capital expenditures for 1992 are expected to be lower than the 1991 level. Funding for future capital requirements will be provided from operations, borrowings, and the capital markets available to the Corporation. Management believes that sufficient capital resources will be available from such sources to fund operations for the foreseeable future. The final determination of the source of funds will depend on the impact of normal business variables to which the Corporation is subject.

WFSI

WFSI cash and cash equivalents increased $479 million in 1991 compared to a decrease of $86 million in 1990. Excluding the capital contribution from the parent, WFSI cash flow decreased $926 million in 1991.

During 1991, WFSI decreased its total debt by $2,000 million. Short-term debt totalled $4,155 million at year-end 1990 compared to $3,299 million at year-end 1991. Long-term debt totalled $5,160 million at December 31, 1990 and $4,016 million at December 31, 1991.

As a direct issuer, WCC placed over $76 billion of commercial paper during 1991. In conjunction with its strategy to downsize, borrowings under various revolving credit agreements during 1991 were used to pay down commercial paper. At December 31, 1991, commercial paper comprised 30.1% of total debt, compared to 55.1% at December 31, 1990. The borrowings from these credit agreements were replaced by borrowings from the three-year $6 billion revolving credit facility. At December 31, 1991, WCC had borrowed $1,005 million under this facility. This facility will continue to be a source of borrowings, if required.

Long-term debt decreased $1,144 million during 1991. The decrease is due primarily to the paydown of commercial paper that was classified as long-term debt and the retirement of the variable-rate bank loan due in 1992, partially offset by the issuance of additional medium-term notes.

During 1991, both Moody's and S & P lowered certain of their ratings of WCC's securities, citing concerns about the economic risks of its portfolio and future payments from the Corporation under its support obligation, which could be impacted by the timing of a recovery of the Corporation's core business activities. Fitch initially rated WCC's debt during 1991. Future ratings downgrades could cause WCC to incur increased borrowing costs. The following table summarizes the agencies' ratings of WCC's securities at the beginning and end of 1991.

	Moody's	S & P	Fitch
At January 1, 1991			
Commercial paper	Prime-1	A-1	Not rated
Senior long-term debt	A2	A+	Not rated
Preferred stock	a2	A–	Not rated
At December 31, 1991			
Commercial paper	Prime-2	A-1	F-1
Senior long-term debt	A3	A	A
Preferred Stock	a3	A–	Not rated

In addition to the commercial paper previously discussed, WCC has access to £250 million of sterling commercial paper or its U.S. dollar equivalent of Euro-commercial paper. At December 31, 1991, the revolving credit facility had sufficient capacity to replace all outstanding commercial paper net of cash and cash equivalents issued by both the Corporation and WCC. WFSI maintains the ability to issue senior or subordinated debt through its subsidiaries. At December 31, 1991,

$2,199 million was available for the future issuance of debt securities under a 1990 shelf registration which became effective in 1991.

Pursuant to the operating strategy, funding for WFSI's future capital requirements will be provided from operations, the liquidations of portfolio investments, and from capital markets available to WFSI. In addition, funding may also be provided from capital infusions, loans, or advances from the Corporation. The Corporation may also guarantee fundings provided by others. The final determination of the source of funds will depend on the impact of normal business variables to which the Corporation, WFSI, and WCC are subject.

Other Matters

With regard to environmental matters, particularly remedial actions under the federal superfund law, the Corporation has been named as a potentially responsible party at numerous sites located throughout the country. In many instances, however, the Corporation is either not a responsible party or its site involvement is very limited. Depending upon the development of further information, the Corporation may have varying degrees of clean-up responsibilities at 54 of these sites. With regard to clean-up costs, in many cases the Corporation will share these costs with other responsible parties and the Corporation believes that any liability incurred with respect to clean-up costs will be satisfied over a number of years. In addition, the Corporation continues to implement a 1985 Consent Decree relating to the remediation of six sites in Bloomington, Indiana. Applications for permits to build an incinerator required by this Consent Decree are pending. Revenues from the operation of the incinerator are expected to offset in part the Corporation's clean-up costs. It should also be noted that in 1987, Westinghouse filed an action in New Jersey against over 100 insurance companies seeking recovery for these and other environmental liabilities. The first trial, regarding an environmental site in New Jersey, is scheduled to begin in the fourth quarter of 1992. Management continues to believe that the ultimate aggregate cost of environmental remediation by the Corporation will not result in a material adverse effect on its future financial condition or results of operations.

At present, there are 10 pending actions brought by utilities claiming a substantial amount of damages in connection with alleged tube degradation in steam generators sold by the Corporation as components for nuclear steam supply systems. Management believes that the Corporation has meritorious defenses to these actions. Westinghouse has also entered into agreements with five utility plant owners groups which toll the statute of limitations regarding their steam generator tube degradation claims. Westinghouse has notified its insurance carriers of the 10 pending steam generator actions and the claims.

The Corporation continues to work with its customers and to respond to requests from the Nuclear Regulatory Commission regarding various steam generator issues, involving detection of steam generator tube anomalies, plugging of tubes, or other remedial responses to steam generator tubes displaying anomalies.

The Corporation is defending 13 class action, derivative and individual lawsuits brought by shareholders of the Corporation against the Corporation, WFSI, WCC, and/or certain present and former directors and officers of the Corporation, as well as other unrelated parties. One lawsuit is pending in each of the following jurisdictions: the U.S. District Court (USDC) for the Southern District of New York, the USDC for the Southern District of Texas, a Pennsylvania state court, and a Texas state court. The remaining nine actions are pending in the USDC for the Western District of Pennsylvania. Together, these actions allege various federal securities law and common law violations arising out of (i) alleged misstatements or omissions contained in the Corporation's public filings concerning the financial condition of the Corporation, WFSI, and WCC in connection with a $975 million charge to earnings announced on February 27, 1991, a public offering of Westinghouse common stock in May 1991, and a $1,680 million charge to earnings announced on October 7, 1991, and (ii) the Corporation's acquisition of substantially all the assets of Knoll International, Inc. and Knoll Nevada, Inc. in exchange for Westinghouse common stock in August 1990 (these claims are asserted only by the seller of these assets). Management believes that the Corporation and its officers and directors have meritorious defenses to these actions.

As discussed in note 19 to the financial statements, the Corporation is a party to other lawsuits. Management believes these matters will ultimately be resolved with no material adverse financial effect.

In December 1990, the Financial Accounting Standards Board (FASB) issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The new Statement must be adopted generally for fiscal years beginning after December 15, 1992. See note 2 to the financial statements.

In June 1991, the FASB issued an exposure draft titled "Accounting for Income Taxes" which is intended to replace SFAS No. 96. A final statement is expected to be issued in the first quarter of 1992. See note 3 to the financial statements.

Report of Management

The Corporation has prepared the consolidated financial statements and related financial information included in this Annual Report. Management has the primary responsibility for the financial statements and other financial information and for ascertaining that the data fairly reflect the financial position, results of operations and cash flows of the Corporation. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and necessarily include amounts that are based on best estimates and judgments with appropriate consideration given to materiality. Financial information included elsewhere in this Annual Report is presented on a basis consistent with the financial statements.

The Corporation maintains a system of internal accounting controls, supported by adequate documentation, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation. Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. Westinghouse believes its system of internal accounting controls, augmented by its corporate auditing function, appropriately balances the cost/benefit relationship.

The independent accountants provide an objective assessment of the degree to which management meets its responsibility for fair financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and procedures they deem necessary to express an opinion on the fairness of the financial statements.

The Board of Directors pursues its responsibility for the Corporation's financial statements through its Audit Review Committee composed of directors who are not officers or employees of the Corporation. The Audit Review Committee meets regularly with the independent accountants, management, and the corporate auditors. The independent accountants and the corporate auditors have direct access to the Audit Review Committee, with and without the presence of management representatives, to discuss the scope and results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

We believe that the Corporation's policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with the applicable securities laws and with a corresponding standard of business conduct.

Report of Independent Accountants

**To The Board of Directors
and Shareholders of
Westinghouse Electric Corporation**

In our opinion, the accompanying consolidated financial statements appearing on pages 24 through 44 of this Annual Report present fairly, in all material respects, the financial position of Westinghouse Electric Corporation and its subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

600 Grant Street
Pittsburgh, Pennsylvania 15219-9954
January 28, 1992

Consolidated Statement of Income

(in millions except per share amounts)

Year Ended December 31	1991	1990	1989
Product sales	**$ 8,351**	$ 8,583	$ 8,691
Service sales	**3,121**	2,982	2,961
WFSI revenue	**1,322**	1,350	1,192
Total sales and operating revenues	**12,794**	12,915	12,844
Cost of products sold	**(6,408)**	(6,035)	(6,447)
Cost of services sold	**(2,154)**	(2,253)	(2,001)
Cost of WFSI revenue, including interest	**(2,646)**	(1,927)	(841)
Total cost of sales and revenues	**(11,208)**	(10,215)	(9,289)
Marketing, administration and general expenses	**(2,075)**	(1,835)	(1,810)
Depreciation and amortization	**(378)**	(363)	(367)
Gains from major business divestitures (note 21)	**—**	—	399
Provisions for restructuring (note 21)	**—**	—	(384)
Other income and expenses, net	**5**	173	117
Interest expense	**(234)**	(247)	(235)
Income (loss) before income taxes and minority interest in income of consolidated subsidiaries	**(1,096)**	428	1,275
Income taxes	**25**	(144)	(340)
Minority interest in income of consolidated subsidiaries	**(15)**	(16)	(13)
Net income (loss)	**$ (1,086)**	$ 268	$ 922
Net income (loss) per common share (note 17)	**$ (3.46)**	$ 0.91	$ 3.15
Cash dividends per common share (note 17)	**1.40**	1.35	1.15

The information on pages 23 through 44 is an integral part of these financial statements.

Consolidated Balance Sheet

(in millions)

At December 31	1991	1990(a)
Assets		
Operations excluding WFSI:		
Cash (note 4)	$ 355	$ 286
Marketable securities (note 5)	204	790
Customer receivables (note 6)	1,609	1,847
Inventories (note 7)	1,343	1,249
Uncompleted contracts costs over related billings (note 7)	397	473
Prepaid and other current assets (note 8)	313	417
Total current assets	4,221	5,062
Plant and equipment (note 9)	2,526	2,506
Intangible and other noncurrent assets (note 10)	3,054	2,974
Total assets excluding WFSI	9,801	10,542
WFSI:		
Cash and cash equivalents (note 4)	685	206
Marketable securities (note 5)	452	241
Receivables held for investment, net (note 11)	5,312	7,490
Assets held for sale or restructuring, net (note 11)	2,248	2,356
Other assets (note 10)	1,661	1,198
Total assets — WFSI	10,358	11,491
Total assets	$20,159	$22,033
Liabilities and Shareholders' Equity		
Operations excluding WFSI:		
Short-term debt (note 12)	$ 2,577	$ 1,983
Accounts payable	838	805
Uncompleted contracts billings over related costs (note 7)	580	703
Other current liabilities (note 13)	1,515	1,625
Total current liabilities	5,510	5,116
Long-term debt (note 14)	1,264	931
Other noncurrent liabilities (note 15)	938	1,587
Total liabilities excluding WFSI	7,712	7,634
WFSI:		
Short-term debt (note 12)	3,299	4,155
Long-term debt (note 14)	4,016	5,160
Thrift deposits (note 16)	672	689
Other liabilities (note 15)	541	327
Total liabilities — WFSI	8,528	10,331
Total liabilities	16,240	17,965
Contingent liabilities and commitments (note 19)		
Minority interest in equity of consolidated subsidiaries	173	171
Shareholders' equity (note 17):		
Preferred stock, $1.00 par value (no shares issued)	—	—
Common stock, $1.00 par value (393 million and 370 million shares issued)	393	370
Capital in excess of par value	1,039	659
Common stock held in treasury	(1,264)	(1,887)
Other	(4)	(346)
Retained earnings	3,582	5,101
Total shareholders' equity	3,746	3,897
Total liabilities and shareholders' equity	$20,159	$22,033

The information on pages 23 through 44 is an integral part of these financial statements.
(a) Certain amounts have been reclassified for comparative purposes. See note 1.

Consolidated Statement of Cash Flows

(in millions)

Year Ended December 31	1991	1990(1)	1989(1)
Operations Excluding WFSI:			
Cash Flows from Operating Activities			
Net income (loss)	$ (53)	$ 772	$ 770
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**360**	345	354
Deferred income taxes	**478**	188	(100)
Gain from major business divestitures	**—**	—	(399)
Change in assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in customer receivables	**235**	230	(32)
Increase in inventoried costs, net of related billings	**(149)**	(447)	(176)
(Increase) decrease in deferred taxes, net	**5**	(9)	15
(Increase) decrease in other current assets	**2**	176	(66)
Increase in other assets	**(230)**	(157)	(650)
Increase (decrease) in income taxes currently payable	**(104)**	2	87
Increase (decrease) in liability for restructuring programs	**(42)**	(196)	137
Increase (decrease) in other current liabilities	**10**	(263)	366
Increase (decrease) in other liabilities	**(92)**	(46)	474
Net cash flow provided by operating activities	**420**	595	780
Cash Flows from Investing Activities			
Proceeds from major business divestitures	**—**	166	1,015
Net investment in major business acquisitions	**—**	—	(503)
Decrease in marketable securities	**106**	16	165
Capital expenditures	**(363)**	(401)	(420)
Advances to affiliates	**(299)**	(147)	—
Repayment of advance from affiliate	**—**	—	(73)
Capital contributed to WFSI under parent support agreement	**(1,405)**	(70)	—
Other, net	**(7)**	9	(17)
Net cash flow provided by (used in) investing activities	**(1,968)**	(427)	167
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt	**594**	107	(99)
Proceeds from issuance of long-term debt	**406**	279	—
Repayment of long-term debt	**(72)**	(182)	(154)
Proceeds from issuance of common stock	**551**	—	—
Common stock purchased for treasury	**(15)**	(261)	(166)
Common stock issued to employees	**87**	96	58
Dividends paid	**(433)**	(392)	(334)
Other, net	**19**	53	32
Net cash flow provided by (used in) financing activities	**1,137**	(300)	(663)
Net increase (decrease) in cash and cash equivalents from operations excluding WFSI	**$ (411)**	$(132)	$ 284

Consolidated Statement of Cash Flows — *Continued*

(in millions)

Year Ended December 31	1991	1990(a)	1989(a)
WFSI:			
Cash Flows from Operating Activities			
Net income (loss)	**$(1,033)**	$ (504)	$ 152
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**18**	18	13
Deferred income taxes	**(514)**	(262)	44
Provision for losses, including valuation provisions	**1,814**	1,139	119
Change in assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in interest receivable	**23**	(1)	(27)
Increase (decrease) in other liabilities	**(13)**	4	4
Other, net	**(12)**	(6)	(32)
Net cash flow provided by operating activities	**283**	388	273
Cash Flows from Investing Activities			
Cash acquired in thrift acquisitions	**—**	78	—
Investments in marketable securities	**(372)**	(268)	(559)
Proceeds from maturities and sales of marketable securities	**163**	351	338
Investments in receivables held for investment	**(3,817)**	(6,285)	(6,527)
Collections on and sales of receivables held for investment	**3,463**	4,485	4,777
Investments in partnerships and other entities	**(112)**	(223)	(144)
Investments in land held for development and sale	**(138)**	(121)	(89)
Collection of advance to parent company	**—**	—	73
Investments in operating leases	**—**	(45)	(72)
Proceeds from sales of real estate properties owned	**—**	9	72
Investments in assets held for sale or restructuring	**(848)**	—	—
Collections on and proceeds from sales of assets held for sale or restructuring	**2,163**	—	—
Other, net	**(11)**	(2)	(36)
Net cash flow provided by (used in) investing activities	**491**	(2,021)	(2,167)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt	**(2,158)**	299	1,023
Proceeds from issuance of long-term debt	**1,313**	1,951	1,446
Repayment of long-term debt	**(1,154)**	(975)	(564)
Proceeds from issuance of WCC preferred stock	**—**	—	152
Capital received under parent support agreement	**1,405**	70	—
Advances and capital received from parent company	**299**	147	—
Government assistance for thrift acquisition	**—**	55	—
Net cash flow provided by (used in) financing activities	**(295)**	1,547	2,057
Net increase (decrease) in cash and cash equivalents from WFSI	**479**	(86)	163
Increase (decrease) in cash and cash equivalents	**68**	(218)	447
Cash and cash equivalents at beginning of period (note 4)	**1,176**	1,394	947
Cash and cash equivalents at end of period (note 4)	**$ 1,244**	$ 1,176	$ 1,394
Supplemental Disclosure of Cash Flow Information			
Interest paid excluding WFSI	**$ 347**	$ 229	$ 233
Interest paid — WFSI	**759**	777	674
Income taxes paid	**111**	191	308

For a description of noncash investing and financing transactions, see notes 2, 17, and 21.
The information on pages 23 through 44 is an integral part of these financial statements.
(a) Certain amounts have been reclassified for comparative purposes. See note 1.

Notes To The Financial Statements

Note 1: Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Westinghouse Electric Corporation and its subsidiary companies after elimination of intercompany accounts and transactions. Investments in joint ventures and other companies in which the Corporation does not have control, generally less than 50% owned, but has the ability to exercise significant management influence over operating and financial policies, are accounted for by the equity method.

The consolidated financial statements and notes are presented in a format that groups data in two categories: (1) operations excluding Westinghouse Financial Services, Inc. and its subsidiaries (WFSI) and (2) WFSI. The largest WFSI subsidiaries are Westinghouse Credit Corporation (WCC), Westinghouse Savings Corporation (WSAV), and Westinghouse Communities, Inc. (WCI). For segment reporting (note 22), WCI is included in the Industries segment, WCI's reporting segment for management purposes.

Certain previously reported amounts have been reclassified to conform to the 1991 presentation.

Revenue Recognition

Sales are recorded primarily as products are shipped and services are rendered. The percentage-of-completion method of accounting is used for nuclear steam supply system orders with delivery schedules generally in excess of five years, major power generation systems with a cycle time in excess of one year, and certain construction projects where this method of accounting is consistent with industry practice. For certain long-term contracts in which development and production are combined, revenue is recognized as development milestones are completed or units are delivered.

WFSI revenues are recognized generally on the accrual method. When accounts become delinquent for more than two payment periods, usually 60 days, income is recognized only as payments are received. Such delinquent accounts for which no payments are received in the current month, and other accounts on which income is not being recognized because the receipt of either principal or interest is questionable, are classified as nonearning receivables.

Amortization of Intangible Assets

Goodwill and other acquired intangible assets are amortized on the straight-line method over their estimated lives, but not in excess of 40 years.

Investment Tax Credit — WFSI

The investment tax credit earned prior to its repeal on property leased to others has been deferred and is recognized as income over the contractual terms of the respective leases.

Inventories

A portion of the value of domestic inventories is determined on the last-in, first-out (LIFO) method of inventory valuation. Inventories not on LIFO are valued at current standard cost which approximates actual or average cost. The elements of cost included in inventories are direct labor, direct material and certain overheads. Long-term contracts in process include costs incurred plus estimated profits on contracts accounted for according to the percentage-of-completion method.

Plant and Equipment

Plant and equipment assets are recorded at cost and depreciated generally under the straight-line method based on recognized useful lives. Expenditures for additions and improvements are capitalized, and costs for repairs and maintenance are charged to operations as incurred.

Allowance for Credit Losses and Other Valuation Allowances — WFSI

An allowance for credit losses is maintained at a level which provides for losses inherent in the present portfolio of receivables. To determine the adequacy of the allowance, management examines current delinquencies, the characteristics of the accounts, the value of the underlying collateral, and past chargeoff experience. Management also assesses general economic conditions and trends, and its strategy with respect to underperforming assets.

Valuation allowances are also maintained for assets held for sale or restructuring at levels that are intended to reduce the carrying value of such assets to net realizable value.

The provision for losses includes charges to income necessary to increase the allowance for credit losses and other valuation allowances to adequate levels based on management's evaluation. Amounts are written off against the allowances when management's review indicates that the receivables are not collectible, securities' values are impaired, or property values are not recoverable.

Assets Held for Sale or Restructuring — WFSI

In February 1991, the Board of Directors adopted a new strategy which entails the downsizing of WFSI's business and a reduction of its exposure to underperforming and higher risk assets. That decision was based on continuing deterioration in the U.S. economy, and weakness in several of the markets served by WFSI and WCC, notably real estate, highly leveraged corporate transactions, and high yield securities. The changing and uncertain business conditions in those markets made it prudent, in management's view, to alter WFSI's strategy of holding underperforming assets for long-term resolution to a strategy that entails the near-term liquidation of certain of those assets. As a result, assets held for sale or restructuring, which primarily include receivables, real estate properties owned, investments in partnerships, and marketable securities, have been identified and are classified on the balance sheet as such. Pretax valuation provisions of $1,680 million and $975 million were recognized in the third quarter of 1991 and fourth quarter of 1990 to cover estimated losses to be realized on the disposition or restructuring of those assets (note 11).

Financial Instruments

In 1990, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk." The disclosure requirements of this Statement have been applied in various notes to the financial statements.

In December 1991, SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," was issued and will be adopted by the Corporation for the year ended December 31, 1992, as required. This Statement is an extension of SFAS No. 105 and requires the disclosure of the fair value of certain financial instruments. The impact of adopting this Statement on the Corporation is currently being evaluated; however at this time, it is anticipated that WFSI disclosures will be primarily affected.

Note 2: Pensions and Other Postretirement Benefits

The Corporation has various pension arrangements covering substantially all employees. Most plan benefits are based on either years of service and compensation levels at the time of retirement or a formula based on career earnings. Pension benefits are paid from trusts funded by contributions from employees and the Corporation. The pension funding policy is consistent with the funding requirements of U.S. federal and other government laws and regulations. Plan assets consist primarily of listed stocks, fixed income securities, and real estate investments.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered to date. Service cost is the actuarial present value of that portion of the projected benefits attributable to employee service rendered during the year.

Net Periodic Pension Costs
(in millions)

[illegible]	1991	1990	1989
Service cost	$ 65	$ 65	$ 69
Interest cost on projected benefit obligation	439	438	432
Amortization of unrecognized net obligation	48	44	46
Amortization of unrecognized prior service cost	8	11	12
	560	558	559
Return on plan assets:			
Actual return on plan assets	(699)	53	(662)
Unrecognized return on plan assets	216	(525)	212
Recognized return on plan assets	(483)	(472)	(450)
Net periodic pension cost	$ 77	$ 86	$109

For the principal plans, a 9% discount rate and a 6% rate of increase in future compensation levels was used in determining the actuarial present value of the projected benefit obligation. The expected long-term rate of return on plan assets was 11%.

For financial reporting purposes, a pension plan is considered underfunded when the fair value of plan assets is less than the accumulated benefit obligation. When that is the case, a liability must be recognized for the sum of the underfunded amount plus the amount of any prepaid pension contributions. In recognizing such a liability, an intangible asset is usually recorded. However, the amount of the intangible asset may not be greater than the sum of the prior service costs not yet recognized and the unrecognized transition obligation as shown in the Funding Status table. When the liability to be recognized is greater than the intangible asset limit, a charge must be made to shareholders' equity for the difference, net of any tax effects which could be recognized in the future.

At December 31, 1991, no pension liability was provided since the fair value of plan assets was in excess of the accumulated benefit obligation due to the improved investment performance of plan assets plus the October 1991 contribution of the Corporation's common stock (note 17).

At December 31, 1990, a liability of $1,018 million was recognized for the sum of the underfunded amount of $572 million plus the prepaid pension contribution of $446 million. Offsetting the liability was an intangible asset for the maximum allowed amount of $592 million and a charge to shareholders' equity of $426 million which was reduced to $352 million due to tax deferrals of $74 million (notes 10, 15, and 17).

The prior service cost not yet recognized for 1991 reflects a decrease from the prior year due to plan amendments for the Older Workers Benefit Protection Act and plan design.

Funding Status
(in millions)

At December 31	1991	1990
Actuarial present value of benefit obligation:		
Vested	$(4,365)	$(4,323)
Nonvested	(409)	(347)
Accumulated benefit obligation	(4,774)	(4,670)
Effect of projected future compensation levels	(324)	(436)
Projected benefit obligation for service rendered to date	(5,098)	(5,106)
Plan assets at fair value	4,856	4,098
Projected benefit obligation in excess of plan assets	(242)	(1,008)
Unrecognized net loss	643	862
Prior service cost not yet recognized in net periodic pension cost	13	98
Unrecognized transition obligation at January 1, net of amortization	450	494
Prepaid pension contribution	$ 864	$ 446

In addition to pension benefits, certain health care and life insurance benefits are provided to employees who retire from the parent company and certain of its subsidiaries. Health care and similar benefits for retired and active employees are provided through insurance companies whose premiums are based on the benefits paid during the year. The related cost is recognized as expense as premiums and claims are paid. The cost of retiree health care was approximately $70 million in 1991, $62 million in 1990, and $51 million in 1989.

In December 1990, the Financial Accounting Standards Board (FASB) issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Statement is effective for fiscal years beginning after December 15, 1992, except for plans outside the U.S., for which adoption is required for fiscal years beginning after December 15, 1994. The most significant change required by the Statement is recognition of postretirement benefits other than pensions on an accrual basis of accounting as opposed to the cash basis that is currently used for these benefits. Rules included in the Statement permit either immediate recognition of the transition obligation or amortization over a 20-year period. The impact on the Corporation of adopting this Statement is expected to be in the range of $1,100 million to $1,200 million. The after-tax impact of adoption of SFAS No. 106 is expected to be in the range of $700 million to $750 million assuming that the Corporation adopts SFAS No. 106 concurrent with or after the adoption of a soon to be issued replacement for SFAS No. 96, "Accounting for Income Taxes."

Note 3: Income Taxes

Income Taxes
(in millions)

	1991	1990	1989
Current:			
Federal	$(30)	$135	$241
State	(2)	19	52
Foreign	43	64	103
Total income taxes current	11	218	396
Deferred:			
Federal	(77)	(69)	(41)
State	47	(3)	—
Foreign	(6)	(2)	(15)
Total income taxes deferred	(36)	(74)	(56)
Income taxes	$(25)	$144	$340

The foreign portion of income before income taxes and minority interest in income of consolidated subsidiaries in the consolidated statement of income was $32 million in 1991, $120 million in 1990, and $156 million in 1989. Such income consists of profits and losses generated from foreign operations and can be subject to both U.S. and foreign income taxes.

Deferred federal income taxes have not been provided on cumulative undistributed earnings from foreign subsidiaries, totalling $493 million at December 31, 1991, in which the earnings have been reinvested for an indefinite time. It is not practicable to determine the income tax liability that would result had such earnings been repatriated. The amount of withholding taxes that would be payable upon such repatriation is estimated to be $30 million.

Net income includes income of certain manufacturing operations in Puerto Rico which are exempt from U.S. federal income tax and partially exempt from Puerto Rican income tax under grants of industrial tax exemptions. These exemptions will expire at various dates from 1996 through 2008.

Deferred income taxes result from temporary differences in the financial bases and tax bases of assets and liabilities. The type of differences that give rise to significant portions of deferred income tax liabilities or assets are shown in the accompanying table.

Deferred Income Tax Sources
(in millions)

At December 31	1991	1990
Provisions for expenses and losses	$1,255	$ 845
Long-term contracts in process	111	79
Financial basis operating losses and credit carryforwards	(184)	(130)
Accumulated depreciation	(245)	(252)
Pensions	(287)	(33)
Leasing activities	(674)	(631)
Other	(123)	(12)
Net deferred income tax liability	$ (147)	$(134)

At December 31, 1991, operating loss and tax credit carryforwards for financial reporting purposes totalled $1,329 million in the aggregate. Of that amount, $34 million, all investment tax credits, will expire between 2003 and 2007. The remainder of the $1,329 million will expire after 2007. Alternative minimum tax credit carryforwards for tax purposes, which do not expire, totalled $302 million at December 31, 1991.

Consolidated Effective Tax Rate

	1991	1990	1989
Federal statutory income tax rate	**(34.0)%**	34.0%	34.0%
Increase (reduction) in the tax rate resulting from:			
Change related to application of financial basis net operating losses and credit carryforwards	**35.1**	14.4	(4.5)
State income tax, net of federal effect	**2.7**	2.4	2.9
Goodwill amortization	**0.8**	1.7	0.2
Federal income tax on dividends from foreign subsidiaries	**0.5**	1.5	1.7
Dividend received deduction	**(0.4)**	(2.1)	(0.7)
Lower tax rate on income of foreign sales corporations	**(1.3)**	(2.3)	(0.7)
Lower tax rate on net income of Puerto Rican operations	**(5.0)**	(19.0)	(5.9)
Other	**(0.7)**	3.0	(0.3)
Consolidated effective tax rate	**(2.3)%**	33.6%	26.7%

The federal income tax returns of the Corporation and its wholly-owned subsidiaries are settled through the year ended December 31, 1986. Management believes that adequate provisions for taxes have been made through December 31, 1991.

In June 1991, the FASB issued for comment an exposure draft titled "Accounting for Income Taxes" which is intended to replace SFAS No. 96. Among other things, the new Statement, as currently proposed, would permit recognition of deferred tax benefits on temporary differences in situations not permitted under the current Statement. If the final version, expected to be issued in the first quarter of 1992, contains provisions similar to those included in the exposure draft, the impact on the Corporation is expected to be favorable in the $400 million to $450 million range.

Note 4: Cash and Cash Equivalents

Cash and Cash Equivalents
(in millions)

At December 31	1991	1990
Operations excluding WFSI:		
Cash	**$ 355**	$ 286
Marketable securities (note 5)	**204**	684
Total cash and cash equivalents excluding WFSI	**559**	970
Cash and cash equivalents — WFSI	**685**	206
Cash and cash equivalents	**$1,244**	$1,176

The Corporation considers all securities with a maturity of three months or less when acquired to be cash equivalents. All cash and temporary investments are placed with high credit-quality financial institutions and the amount of credit exposure to any one financial institution is limited.

Note 5: Marketable Securities

Marketable securities excluding WFSI are carried at cost which approximates market value. At December 31, 1991 and 1990, marketable securities included cash equivalents of $204 million and $684 million.

WFSI marketable securities, all assets of WSAV, consisted of U.S. and other government obligations and mortgage-backed securities. A portion of these assets, which are carried at amortized cost, secured certain short-term debt obligations of WSAV. At December 31, 1991, the market value of these securities exceeded their carrying value by $20 million. At December 31, 1990, the carrying value of WFSI's marketable securities approximated market value.

Additional marketable securities held at December 31, 1991 and 1990 are classified as assets held for sale or restructuring (note 11).

During 1991 and 1990, $72 million and $11 million of marketable securities matured. During 1991, sales of marketable securities totalled $91 million. Gross realized gains and gross realized losses on these sales were not material.

At December 31, 1991, the carrying value of marketable securities maturing in each of the following years is: 1992 – $3 million; 1993 through 1996 – $9 million; 1997 through 2001 – $6 million; after 2001 – $434 million.

Note 6: Customer Receivables Excluding WFSI

Customer receivables at December 31, 1991 included $187 million which represented the sales value of material shipped under long-term contracts but not billed to the customer. Collection of these receivables, which will be billed upon shipment of major components of the contract, is expected to be substantially completed within one year.

Allowance for doubtful accounts of $71 million and $48 million at December 31, 1991 and 1990 were deducted from customer receivables.

As of December 31, 1991, the Corporation had no significant concentrations of credit risk due to the large number of customers comprising the Corporation's customer base and their dispersion across many different industries and geographic areas. The Corporation performs on-going credit evaluations of its customers and generally does not require collateral.

Note 7: Inventories and Costs and Billings on Uncompleted Contracts

The portion of the year-end gross inventory value of raw materials, work in process, and finished goods determined using the LIFO method was 24% for 1991 and 1990.

The excess of production cost over the cost of inventories valued on the LIFO basis was approximately $130 million and $153 million at December 31, 1991 and 1990.

Inventories

(in millions)

At December 31	1991	1990
Raw materials	$ 159	$ 173
Work in process	952	948
Finished goods	337	357
	1,448	1,478
Long-term contracts in process	923	855
Progress payments to subcontractors	203	221
Recoverable engineering and development costs	504	695
	3,078	3,249
Less: inventoried costs related to contracts with progress billing terms	1,735	2,000
Inventories	$1,343	$1,249

Costs and Billings on Uncompleted Contracts

(in millions)

At December 31	1991	1990
Costs included in inventories	$1,264	$1,272
Progress billings on contracts	(867)	(799)
Uncompleted contracts costs over related billings	$ 397	$ 473
Progress billings on contracts	$1,051	$1,431
Costs included in inventories	(471)	(728)
Uncompleted contracts billings over related costs	$ 580	$ 703

Raw materials, work in process, and finished goods included costs related to short- and long-term contracts of approximately $1,008 million at December 31, 1991 and $1,046 million at December 31, 1990. All costs in long-term contracts in process, progress payments to subcontractors, and recoverable engineering and development costs were contract-related.

Inventories other than those related to long-term contracts are generally realized within one year. Inventoried costs do not exceed realizable values.

Note 8: Prepaid and Other Current Assets

Prepaid and Other Current Assets

(in millions)

At December 31	1991	1990
Deferred income taxes	$ 90	$182
Other	223	235
Prepaid and other current assets	$313	$417

Note 9: Plant and Equipment

Plant and Equipment

(in millions)

At December 31	1991	1990
Land and buildings	$1,002	$ 989
Machinery and equipment	3,722	3,544
Construction in progress	346	317
Plant and equipment, at cost	5,070	4,850
Accumulated depreciation	(2,544)	(2,344)
Plant and equipment	$2,526	$2,506

Note 10: Intangible and Other Noncurrent Assets

Intangible and Other Noncurrent Assets

(in millions)

At December 31	1991	1990
Goodwill and other acquired intangible assets	$1,269	$1,185
Prepaid pension contribution (note 2)	864	446
Unrecognized pension costs (note 2)	—	592
Joint ventures and other affiliates	201	163
Uranium settlement assets	54	58
Other	666	530
Intangible and other noncurrent assets	$3,054	$2,974

Uranium settlement assets relate to uranium inventory awaiting delivery and settlement items being produced under uranium supply contract settlement agreements (note 19). Inventory and other settlement items expected to be delivered within one year are included in other current assets.

Other Assets — WFSI

(in millions)

At December 31	1991	1990
Partnerships and other entities	$ 522	$ 438
Deferred income taxes	444	—
Land held for development and sale	403	361
Real estate properties owned, net	—	85
Other	292	314
Other assets — WFSI	$1,661	$1,198

At December 31, 1991 and 1990, real estate properties owned totalling $730 million and $285 million, and partnerships and other entities totalling $155 million and $24 million were classified as assets held for sale or restructuring (note 11).

Note 11: Receivables Held for Investment and Assets Held for Sale or Restructuring — WFSI

At December 31, 1991, WFSI receivables held for investment totalled $5,312 million, net of an allowance for credit losses of $374 million. Assets held for sale or restructuring totalled $2,248 million, net of a valuation allowance of $1,667 million. The receivables component of assets held for sale or restructuring totalled $2,910 million, prior to the valuation allowance. See the Assets Held for Sale or Restructuring table on page 35.

At December 31, 1990, WFSI receivables held for investment totalled $7,490 million, net of an allowance for credit losses of $298 million. At the same date, assets held for sale or restructuring totalled $2,356 million, net of a valuation allowance of $1,025 million. Receivables held for sale or restructuring, prior to the valuation allowance, totalled $2,412 million at December 31, 1990.

Receivables held for investment and held for sale or restructuring are summarized in the table below to facilitate the following discussion.

Total Receivables
(in millions)

Category of Financing	Real Estate	Corporate	Leasing	Total
At December 31, 1991				
Held for Investment	$1,996	$2,527	$1,163	$ 5,686
Held for Sale or Restructuring	1,953	933	24	2,910
Receivables	$3,949	$3,460	$1,187	$ 8,596
At December 31, 1990				
Held for Investment	$3,174	$3,237	$1,377	$ 7,788
Held for Sale or Restructuring	1,297	1,086	29	2,412
Receivables	$4,471	$4,323	$1,406	$10,200

Real estate receivables consist of loans for commercial and residential real estate properties. At December 31, 1991 first mortgages on income-producing properties comprised 87% of total real estate receivables. Hotels and motels secured 27% of the receivables at December 31, 1991, apartments secured 15%, office buildings secured 11%, and shopping centers secured 10%. Of these properties, 15% were located in California, 12% in Florida, and 12% in Illinois. No other significant geographic concentrations exist. Excluding the receivables of WCI and WSAV, the largest single borrower exposure in the real estate portfolio totalled $296 million at December 31, 1991; average exposure to all borrowers was $12 million.

At December 31, 1990, first mortgages on income-producing properties comprised 90% of real estate receivables. Also at December 31, 1990, hotels and motels secured 22% of the receivables and apartments secured 14%. The remaining properties included shopping centers and office buildings. Of these properties, 18% were located in California, 16% in Illinois, and 13% in Florida. There were no other significant geographic concentrations. The largest single borrower exposure in the real estate portfolio totalled $302 million at December 31, 1990; average borrower exposure, excluding WCI and WSAV, was $16 million.

WFSI has entered into participation agreements with lending institutions which provide for the recourse sale of a senior interest in certain real estate loans. No loans were sold in 1991; however in 1990, proceeds from the sale of such loans were $47 million. The receivables sold under participation agreements had remaining outstanding balances of $142 million and $270 million at December 31, 1991 and 1990. During 1991, WFSI repurchased $92 million of receivables previously sold under these agreements.

Corporate financing receivables are generally considered highly leveraged financing transactions. A transaction is highly leveraged if the related financing involves a buyout, acquisition, or recapitalization of an existing business, and involves a high debt-to-equity ratio.

At December 31, 1991, 53% of corporate financing receivables were senior obligations of the borrowers, and 47% were subordinated. Variable-amount commercial line-of-credit loans secured by borrowers' inventory or receivables represented 20% of the corporate receivables. An additional 33% of corporate receivables represented fixed-amount loans secured by specified assets, general assets, stock, or other tangible assets of the borrower. The remaining corporate receivables were unsecured.

Borrowers in the corporate portfolio, generally middle-market companies, are located primarily throughout the U.S. Manufacturing, retail trade, financial services, and media represent the significant industry concentrations in this portfolio. Exposure to the largest single borrower totalled $182 million at December 31, 1991; average borrower exposure was $19 million.

At December 31, 1990, 49% of corporate financing receivables were senior obligations of the borrowers, and 51% were subordinated. Approximately 13% of corporate receivables at December 31, 1990 represented variable-amount commercial line-of-credit loans. Fixed-amount loans comprised 36% of corporate receivables. Exposure to the largest single borrower totalled $163 million; average borrower exposure was $15 million.

The leasing portfolio consists of direct financing and leveraged leases. At December 31, 1991, nearly 64% of these leases relate to aircraft. The portfolio also includes leases for cogeneration facilities, railcars, marine vessels, and trucking equipment.

Net Investment in Leases
(in millions)

At December 31	1991	1990
Rentals receivable (net of principal and interest on nonrecourse loans)	$1,303	$1,565
Estimated residual value of leased assets	503	560
Unearned and deferred income	(614)	(733)
Investment in leases	1,192	1,392
Deferred taxes and deferred ITC arising from leases	(620)	(607)
Net investment in leases	$ 572	$ 785

Maturities for receivables held for investment and held for sale or restructuring are presented in the tables below.

Receivables Held for Investment and Related Contractual Maturities
(in millions)

	At December 31, 1991							At December 31, 1990
		Year of Maturity						
Category of Financing	Total	1992	1993	1994	1995	1996	1997 and After	Total
Real estate	$1,996	$1,056	$169	$257	$135	$148	$ 231	$3,174
Corporate	2,527	325	212	292	337	231	1,130	3,237
Leasing	1,163	13	22	26	32	43	1,027	1,377
Receivables	5,686	$1,394	$403	$575	$504	$422	$2,388	7,788
Allowance for credit losses	(374)							(298)
Receivables, net	$5,312							$7,490

Receivables Held for Sale or Restructuring and Related Contractual Maturities
(in millions)

	At December 31, 1991							At December 31, 1990
		Year of Maturity						
Category of Financing	Total	1992	1993	1994	1995	1996	1997 and After	Total
Real estate	$1,953	$1,065	$118	$164	$218	$278	$110	$1,297
Corporate	933	52	55	95	179	133	419	1,086
Leasing	24	1	1	2	3	3	14	29
Receivables	$2,910	$1,118	$174	$261	$400	$414	$543	$2,412

Experience has shown that numerous accounts may be repaid or refinanced prior to contractual maturity. For real estate receivables at December 31, 1991, management expects actual cash collections to be significantly less than their scheduled contractual maturities during 1992. Accordingly, the maturities shown in the tables above should not be regarded as a forecast of future cash collections.

During 1991, receivables liquidations totalled $4,888 million. Of this amount, $801 million represented sales of receivables and the remainder were principally repayments under commercial line-of-credit loans. During 1990, receivables liquidations totalled $4,694 million, principally repayments under commercial line-of-credit loans.

Nonearning and Reduced Earning Receivables
(in millions)

At December 31	1991	1990
Category of Financing		
Nonearning receivables:		
Real estate	$ 931	$ 309
Corporate	562	243
Leasing	19	—
Nonearning receivables	$1,512	$ 552
Reduced earning receivables:		
Real estate	$1,036	$1,293
Corporate	29	—
Reduced earning receivables	$1,065	$1,293

In the preceding table, 80% of the nonearning receivables and 65% of the reduced earning receivables relate to assets held for sale or restructuring. The remaining nonearning and reduced earning receivables pertain to receivables held for investment.

Under original contractual terms, the interest income that would have been earned on nonearning receivables totalled $186 million and $67 million at December 31, 1991 and 1990. Interest income actually earned on nonearning receivables totalled $56 million and $16 million for those same years. WCC has issued commitments to fund $328 million related to accounts included in the table above. Included in nonearning receivables at December 31, 1991 were $106 million of receivables from borrowers who were in bankruptcy at year-end 1991.

Reduced earning receivables consist of accounts that, due primarily to financial difficulties of the borrower, have been modified and earn less than their original contractual rate. Repayment terms on restructured real estate receivables often provide for payments based on the performance of the underlying property as well as a residual interest in that property. Under original contractual terms, the interest income that would have been earned on reduced earning receivables at December 31, 1991 and 1990 totalled $101 million and $143 million. Actual interest income earned for those years totalled $62 million and $76 million.

In addition to receivables, assets held for sale or restructuring include real estate properties owned, partnerships and other entities, and marketable securities.

Assets Held for Sale or Restructuring — WFSI
(in millions)

At December 31	1991	1990
Receivables	$2,910	$2,412
Real estate properties owned	730	285
Partnerships and other entities	155	24
Marketable securities	46	654
Other	74	6
Valuation allowance	(1,667)	(1,025)
Assets held for sale or restructuring — WFSI	$2,248	$2,356

It is management's intent to liquidate substantially all of the assets held for sale or restructuring; however, a portion may be restructured and, at such time, would be reclassified to receivables held for investment.

Real estate properties owned include properties acquired through foreclosure proceedings or represent "in-substance" foreclosures. Properties are carried at the lower of former loan amount or estimated net realizable value. The properties are being operated by WFSI or contracted professional management until their sale.

Marketable Securities Held for Sale or Restructuring
(in millions)

At December 31	Carrying Value	Unrealized Losses	Market Value
1991			
Corporate debt securities	$ 46	$ 28	$ 18
1990			
Corporate debt securities	$504	$161	$343
Other debt securities	123	17	106
Other equity securities	27	—	27
Marketable securities	$654	$178	$476

Corporate debt securities include high yield securities, primarily subordinated, that were issued in highly leveraged transactions. The largest exposure to a single issuer was $15 million at December 31, 1991; the average exposure to all issuers was $3 million.

During 1991, proceeds from sales of investments in debt securities totalled $535 million. Gross gains of $24 million and gross losses of $103 million were realized on those sales. Proceeds from sales of investments in debt securities during 1990 totalled $340 million. Gross realized gains and gross realized losses on those sales were not material.

Note 12: Short-Term Debt

Short-Term Debt Excluding WFSI
(in millions)

	At December 31		During the Year		
	Balance	Composite Rate	Max. Outstanding	Avg. Outstanding	Wtd. Avg. Rate
1991					
Commercial paper	**$1,442**	**5.9%**	**$2,435**	**$1,897**	**6.3%**
Revolving credit facility	**985**	**5.7%**	**985**	**22**	**6.4%**
Short-term foreign bank loans	**104**	**13.3%**	**200**	**121**	**13.3%**
Other	**46**				
Short-term debt	**$2,577**				
1990					
Commercial paper	$1,786	8.0%	$2,014	$1,480	8.2%
Short-term foreign bank loans	106	14.3%	233	135	22.4%
Other	91				
Short-term debt	$1,983				
1989					
Commercial paper	$1,407	8.6%	$1,832	$1,232	9.2%
Short-term foreign bank loans	141	12.3%	141	79	14.0%
10.20% notes	100				
10.45% notes	100				
Other	114				
Short-term debt	$1,862				

Average outstanding borrowings were determined based on daily amounts outstanding for commercial paper and the revolving credit facility, and on monthly balances outstanding for bank loans. The average rates for short-term foreign bank loans compared to commercial paper reflect the impact of higher interest costs on local currency borrowings of subsidiaries.

In December 1991, the Corporation entered into a three-year $6 billion revolving credit facility agreement with a syndicate of 49 domestic and international banks. The largest commitment from any one bank is less than 5% of the total. The facility is available for use by the Corporation and WCC subject to the maintenance of certain ratios and compliance with other covenants. Among other things, these covenants place restrictions on the incurrence of liens, the amount of debt on a consolidated basis and at the subsidiary level, and the amount of contingent liabilities. The covenants also require the maintenance of a leverage ratio, a minimum coverage ratio, and minimum consolidated net worth among other things.

The interest rate is determined at the time of each borrowing under the facility and may be based on one of the following rates: LIBOR, certificate of deposit, prime, or federal funds. The interest rate for the current borrowing is 5.7% and is based on LIBOR. At December 31, 1991, consolidated borrowings under the facility totalled $1,990 million, of which $985 million was borrowed by the Corporation and $1,005 million was borrowed by WCC. The Corporation and WCC guarantee the other's borrowings under the facility.

There are no compensating balance requirements under the facility. Origination fees of $91 million will be amortized over the remaining term of the facility. Commitment fees range from .2% to .5% on the amount of the facility.

At December 31, 1991, the revolving credit facility had sufficient capacity to replace all outstanding commercial paper net of cash and cash equivalents issued by both the Corporation and WCC.

At December 31, 1990, confirmed bank lines of credit under previous arrangements totalled $1,300 million. These lines were placed with domestic banks and were unused and supported commercial paper. Commitment fees and compensating balance requirements under the credit arrangements at December 31, 1990 were not material.

Other short-term debt consisted primarily of the current portion of long-term debt at December 31, 1991, 1990, and 1989.

Short-Term Debt — WFSI
(in millions)

	At December 31		During the Year		
	Balance	Composite Rate	Max. Outstanding	Avg. Outstanding	Wtd. Avg. Rate
1991					
Commercial paper	**$2,202**	**5.3%**	**$4,384**	**$3,325**	**6.5%**
Revolving credit facility	**1,005**	**5.7%**	**1,005**	**25**	**6.4%**
Other revolving credit facilities	**—**	**—**	**1,470**	**282**	**5.8%**
Sterling commercial paper	**—**	**—**	**109**	**30**	**12.9%**
Variable-rate trust master notes	**—**	**—**	**287**	**39**	**6.3%**
Other	**92**				
Short-term debt	**$3,299**				
1990					
Commercial paper	$3,725	7.9%	$6,012	$5,648	8.2%
Sterling commercial paper	109	14.1%	139	72	14.5%
Variable-rate trust master notes	164	7.2%	197	156	8.1%
Other	157				
Short-term debt	$4,155				
1989					
Commercial paper	$4,029	8.7%	$4,341	$3,817	9.2%
Variable-rate trust master notes	174	8.0%	270	210	9.0%
Bank loan	—	—	146	47	9.6%
Other	3				
Short-term debt	$4,206				

Average outstanding borrowings for WFSI were determined based on daily amounts outstanding for commercial paper and revolving credit facilities, and on monthly balances outstanding for variable-rate trust master notes and bank loans.

At December 31, 1990, confirmed credit facilities consisting of irrevocable bank revolving credit agreements and bank lines of credit totalling $5,128 million were available to WFSI and unused. The unused credit facilities were maintained at a level to support approximately 96% of total short-term notes payable, including commercial paper classified as long-term debt supported by irrevocable bank revolving credit agreements, less short-term investments. Commitment fees and compensating balance requirements under the credit arrangements at December 31, 1990, were not material.

Note 13: Other Current Liabilities

Other Current Liabilities
(in millions)

At December 31	1991	1990
Accrued employee compensation	$ 268	$ 329
Income taxes currently payable	152	256
Accrued product warranty	100	102
Other	995	938
Other current liabilities	$1,515	$1,625

Note 14: Long-Term Debt

Long-Term Debt Excluding WFSI
(in millions)

At December 31	1991	1990
8.60% notes due 1993	$ 250	$250
Medium-term notes due through 2001	124	—
$7^3/_4$% notes due 1996	300	300
$8^7/_8$% notes due 2001	250	—
Variable-rate notes due 2007	219	219
Other	121	162
Long-term debt	$1,264	$931

Medium-term notes totalling $124 million were issued at various times during 1991. The notes range in maturity from two to ten years and carry interest rates ranging from 7.5% to 9.4%.

In June 1991, the Corporation issued $250 million of $8^7/_8$% notes due June 1, 2001.

At December 31, 1991, $25 million of the medium-term notes and all of the $8^7/_8$% notes were subject to interest-rate swap agreements. These agreements have changed the effective interest rate for the first two years of the notes' term to a variable rate based on the 30-day commercial paper rate. At December 31, 1991, the effective interest rates on the medium-term notes and $8^7/_8$% notes were 8.6% and 5.0%.

The variable-rate notes mature in December 2007 unless redeemed at the holders' option. The effective interest rate on the notes of 5.4% and 8.2% at December 31, 1991 and 1990 is based on the average of the London interbank bid and offered rate.

The 8.60% notes, the medium-term notes, the $7^3/_4$% notes, and the $8^7/_8$% notes may not be redeemed prior to maturity.

The 8.60% notes due 1993, the medium-term notes due through 2001, and the $8^7/_8$% notes due 2001 were issued under the $750 million shelf registration statement filed in 1989. In June 1991, the Corporation filed an additional shelf registration statement for $500 million. The total amount available to the Corporation for future issuance of debt securities under these registration statements is $626 million at December 31, 1991.

At December 31, 1991, long-term debt excluding WFSI maturing in each of the following years is: 1992 – $46 million, 1993 – $284 million, 1994 – $4 million, 1995 – $7 million, and 1996 – $319 million.

Long-Term Debt — WFSI
(in millions)

At December 31	1991	1990
Commercial paper supported by variable-rate revolving credit agreements	$ —	$1,303
Medium-term notes due through 2001	3,084	2,464
7.4% to 8.6% Federal Home Loan Bank advances due through 1995	94	70
Variable-rate bank loan due 1992	—	299
Variable-rate bank loan due through 1994	96	79
Variable-rate senior notes due 1995	200	200
$8^7/_8$% senior notes due 1995	150	150
$8^3/_8$% senior notes due 1996	100	100
$8^7/_8$% senior notes due 2014	150	150
Other	142	345
Long-term debt — WFSI	$4,016	$5,160

WFSI has entered into interest-rate and currency swap agreements with notional amounts totalling $3,133 million at December 31, 1991. WFSI's exposure under the agreements is limited to the cost of replacing the exchange agreement in the event of nonperformance by the other parties.

WFSI's medium-term notes at December 31, 1991 and 1990 included $507 million and $536 million which had been issued on a variable-rate basis, after consideration of any associated interest-rate swap agreements. Average interest rates on variable-rate medium-term notes outstanding at December 31, 1991 and 1990 were 5.1% and 8.2% and the average interest rates on fixed-rate medium-term notes at those dates were 8.7% and 8.8%.

The variable-rate bank loan due through 1994 consists of floating-rate construction mortgage notes. The effective interest rate was 5.7% at December 31, 1991 and is based on a federal funds rate.

The variable-rate senior notes due 1995 will be redeemed in February 1992. At December 31, 1991, the effective interest rate on the notes was 6.3%.

At December 31, 1991, WFSI's long-term debt maturing in each of the following years is: 1992 – $1,547 million, 1993 – $895 million, 1994 – $602 million, 1995 – $251 million, and 1996 – $372 million.

Note 15: Other Noncurrent Liabilities

Other Noncurrent Liabilities Excluding WFSI
(in millions)

At December 31	1991	1990
Deferred income taxes	$625	$ 182
Minimum pension liability (note 2)	—	1,018
Other	313	387
Other noncurrent liabilities	$938	$1,587

Other Liabilities — WFSI
(in millions)

At December 31	1991	1990
Deferred investment tax credit	$ 56	$ 64
Deferred income taxes	—	70
Other	485	193
Other liabilities — WFSI	$541	$327

Note 16: Thrift Deposits — WFSI

The thrift deposits detailed in the accompanying table are liabilities of WSAV, a subsidiary of WFSI.

Thrift Deposits
(in millions)

At December 31	1991		1990	
Type of Account	Balance	Avg. Rate	Balance	Avg. Rate
Term accounts:				
Due in 3 months	$123	6.5%	$155	7.8%
Due in 3 to 6 months	80	6.4%	108	7.9%
Due in 6 to 12 months	115	6.6%	135	8.0%
Due in over 12 months	182	7.4%	122	8.0%
Passbook accounts	72	4.7%	52	5.2%
Money market accounts	37	4.3%	36	5.9%
NOW accounts	38	4.5%	34	5.1%
Other, noninterest and escrow	25		47	
Thrift deposits	$672		$689	

Note 17: Shareholders' Equity

Shareholders' Equity
(in millions)

At December 31	1991	1990	1989
Common Stock			
Balance at January 1	$ 370	$ 184	$ 183
Two-for-one stock split	—	185	—
Shares issued	23	1	1
Balance at December 31	393	370	184
Capital in Excess of Par Value:			
Balance at January 1	659	795	764
Two-for-one stock split	—	(185)	—
Shares issued	548	21	29
Shares issued under various compensation and benefit plans	(169)	(2)	(4)
Shares issued for acquisitions	—	25	—
Other	1	5	6
Balance at December 31	1,039	659	795
Common Stock Held in Treasury:			
Balance at January 1	(1,887)	(1,798)	(1,780)
Shares purchased by the Corporation	(15)	(261)	(166)
Shares issued under various compensation and benefit plans	631	96	58
Shares issued for acquisitions	—	76	90
Other	7	—	—
Balance at December 31	(1,264)	(1,887)	(1,798)
Other			
Balance at January 1	(346)	(22)	(9)
Foreign currency translation adjustments	(10)	24	(12)
Unrealized gain (loss) on WFSI's marketable equity securities	—	4	(1)
Pension liability adjustment, net of deferred taxes	352	(352)	—
Balance at December 31	(4)	(346)	(22)
Retained Earnings:			
Balance at January 1	5,101	5,225	4,637
Net income (loss)	(1,086)	268	922
Cash dividends	(433)	(392)	(334)
Balance at December 31	3,582	5,101	5,225
Shareholders' equity	$ 3,746	$ 3,897	$ 4,384

During May 1991, the Corporation issued 21,500,000 shares of its common stock in a public offering, the net proceeds of which totalled $551 million. The proceeds of the offering were used to reduce the Corporation's short-term debt.

During the third quarter of 1991, the Corporation offered a Dividend Reinvestment and Common Stock Purchase Plan (Plan) whereby shareholders may elect to reinvest cash dividends, and may optionally invest additional cash, in shares of the Corporation's common stock without paying commissions or service charges. Proceeds received from Plan participants for shares which are newly-issued or treasury shares will be used for general corporate purposes.

During October 1991, the Corporation contributed 22,645,000 shares of common stock held in treasury to the Westinghouse pension plan. The contribution was valued at $375 million by the pension plan trustee and is included as a component of prepaid pension contribution (notes 2 and 10).

Common Shares
(in thousands)

	Issued	Treasury	Outstanding
Balance at January 1, 1989	183,424	39,458	143,966
Shares purchased for treasury	—	2,360	(2,360)
Shares issued for employee plans	—	(1,377)	1,377
Shares issued for acquisitions	—	(1,162)	1,162
Shares issued on conversion of 9% convertible debentures	987	—	987
Balance at December 31, 1989	184,411	39,279	145,132
Two-for-one stock split	184,865	39,050	145,815
Shares purchased for treasury	—	7,743	(7,743)
Shares issued for employee plans	—	(2,740)	2,740
Shares issued for acquisitions	—	(3,224)	3,224
Shares issued on conversion of 9% convertible debentures	940	—	940
Balance at December 31, 1990	370,216	80,108	290,108
Public stock offering	21,500	—	21,500
Shares purchased for treasury	—	542	(542)
Shares issued for dividend reinvestment plan	—	(289)	289
Shares issued for employee plans	—	(26,616)	26,616
Shares issued on conversion of 9% convertible debentures	1,282	—	1,282
Other	—	17	(17)
Balance at December 31, 1991	392,998	53,762	339,236

During 1990, the Board of Directors approved a two-for-one split of the Corporation's common stock effective May 5, 1990, and an increase in authorized common stock from 240,000,000 shares to 480,000,000 shares.

At December 31, 1991, 25,000,000 shares of preferred stock were authorized. No preferred shares have been issued. On January 29, 1992, the Corporation announced that it intends to issue approximately $500 million of convertible preferred stock.

Net income or loss per common share is computed based on the weighted average number of common shares outstanding during the year plus the weighted average common stock equivalents. Common stock equivalents consist of shares subject to stock options and shares potentially issuable under deferred compensation programs. For this computation, net income or loss was adjusted for the after-tax interest expense applicable to the deferred compensation programs. The weighted average number of common shares used for computing earnings or loss per share was 313,984,000 in 1991, 293,592,000 in 1990, and 292,465,000 in 1989.

The Corporation has a shareholder rights plan for all shareholders. This plan is designed to help ensure that all Westinghouse shareholders receive fair and equal treatment in the event of any proposal to acquire control of the Corporation. One right was attached to each share of common stock outstanding on December 17, 1988, and to each share issued thereafter. Initially, no separate rights certificates were issued because the rights are represented by and automatically traded with the Corporation's common stock certificates. Under certain circumstances, the rights may be redeemed at a price of $.005 per right. The rights will expire in December 1998 unless redeemed earlier by the Corporation. The rights become exercisable at $100 per right upon occurrence of certain events related to the accumulation of 20% or more of the Corporation's shares by any one person or group. Also, the rights become exercisable upon occurrence of certain events related to the Corporation's involvement in a merger or other business combination. Thereafter, the rights will trade separately from the Corporation's common stock, and separate certificates representing the rights will be issued.

Note 18: Stock Options and Other Long-Term Incentive Compensation Awards

The 1991 and 1984 Long-Term Incentive Plans provide for the granting of stock options, stock appreciation rights, and other performance awards to key employees of the Corporation and its subsidiaries. The 1991 Plan is similar in all material respects to the 1984 Plan with the 1984 Plan being restricted to corporate officers and non-officer business unit managing executives effective with the adoption of the 1991 Plan for other executives.

Four million shares have been authorized for awarding under the 1991 Plan. Options covering 2,225,600 shares were granted as of December 31, 1991 under the 1991 Plan. An aggregate of 12,000,000 shares has been authorized for awarding under the 1984 Plan, of which stock options covering 10,327,676 shares, 694,200 performance shares, 36,200 restricted shares, and 51,600 performance stock options were granted as of December 31, 1991.

During 1991, 255 employees of the Corporation and its subsidiaries were eligible and were granted options and other performance awards under the 1991 Plan and 307 employees were eligible and were granted options and other performance awards under the 1984 Plan. The option price under the Plans may not be less than the fair market value of the shares on the date the option is granted. The options were granted for terms of 10 years and become exercisable in whole or in part after the commencement of the second year of the term, except for the grants of stock options in December 1991 which became exercisable immediately.

Stock options are also outstanding under the 1979 Stock Option and Long-Term Incentive Plan. No additional awards may be granted under that Plan.

At December 31, 1991, 255 employees held outstanding options under the 1991 Plan, 393 employees held outstanding options under the 1984 Plan, and 24 employees held outstanding options under the 1979 Plan. All options outstanding under the 1979 and 1991 Plans, and all options outstanding under the 1984 Plan except those granted in April 1991, were exercisable at December 31, 1991. Outstanding options have expiration dates ranging from 1992 to 2001.

Stock Option Information
(shares in thousands)

At December 31	1991	1990	1989
Shares subject to option:			
Balance at January 1	3,737	3,177	3,278
Options granted	6,715	946	1,004
Options exercised	(178)	(340)	(1,066)
Options terminated	(47)	(46)	(39)
Balance at December 31	10,227	3,737	3,177
Weighted average option price:			
Balance at January 1	$28.67	$25.58	$22.99
Options granted	20.62	36.53	27.78
Options exercised	17.18	21.43	19.62
Options terminated	34.08	30.23	27.73
Balance at December 31	$23.56	$28.67	$25.58

During 1991, 94,400 performance shares totalling $3 million were paid to 15 employees based on performance shares granted in 1988 for the performance period 1988 through 1990.

Note 19: Contingent Liabilities and Commitments

Uranium Settlements

The Corporation had previously provided for all estimated future costs associated with the resolution of all uranium supply contract suits and related litigation dating back to the 1970's. The remaining balance at December 31, 1991, is believed to be adequate considering all facts and circumstances known to management. The future obligations require providing specific quantities of uranium and products and services over a period extending beyond the year 2010. The net costs of meeting these obligations and other related settlement transactions are applied to the balance of the liability and are not reflected in results of operations. Variances from estimates which may occur will be considered in determining if an adjustment of the liability is necessary.

Litigation

The age discrimination suit filed by the Equal Employment Opportunity Commission in the early 1980's alleging that the Corporation's policy relating to severance benefits available to certain retirement-eligible employees violated the Age Discrimination and Employment Act has been resolved in favor of Westinghouse. The courts found that Westinghouse had not discriminated on the basis of age and that Westinghouse had not violated the law nor incurred any liability.

In December 1988, the Republic of the Philippines (Republic) and the Philippines National Power Corporation (NPC) filed a lawsuit in the U.S. District Court for the District of New Jersey asserting claims against the Corporation and other parties related to a contract for the construction of a nuclear power plant in the Philippines and a related consulting contract. All of the counts, except for the count alleging tortious interference with fiduciary duty, were stayed pending their disposition in arbitration before the International Chamber of Commerce (ICC). The Republic and NPC challenged the jurisdiction of the ICC, arguing that the contract between the parties, including its arbitration provision, was invalid due to alleged bribery in the procurement of the contract.

On December 19, 1991, the ICC arbitration panel issued its award finding that the Republic and NPC had failed to carry their burden of proving the alleged bribery by the Corporation. The panel thereby concluded that the arbitration clauses and the contracts were valid and that the panel has jurisdiction over the remaining disputes between NPC and the Corporation. The next phase of the arbitration will address the construction of the plant and other commercial claims.

The New Jersey court, with respect to the one count remaining before it, has reserved until trial the question of whether punitive damages may be sought and has limited compensatory damages in the case to the amount of the alleged bribes. Westinghouse has denied that there have been any bribes and believes that in any case the compensatory damages, if any, that could result from the court's ruling would be in the range of $17 million. The Republic will likely argue that the damages are higher. A trial date in the lawsuit has been set for March 1992, although Westinghouse has moved to dismiss the suit based upon the ICC panel's ruling. The Corporation deems the claims against it to be without merit.

At present, there are 10 pending actions brought by utilities claiming a substantial amount of damages in connection with alleged tube degradation in steam generators sold by the Corporation as components for nuclear steam supply systems. Management believes that the Corporation has meritorious defenses to these actions. Westinghouse has also entered into agreements with five utility plant owners groups which toll the statute of limitations regarding their steam generator tube degradation claims. Westinghouse has notified its insurance carriers of the 10 pending steam generator actions and the claims.

The Corporation is defending 13 class action, derivative and individual lawsuits brought by shareholders of the Corporation against the Corporation, WFSI, WCC, and/or certain present and former directors and officers of the Corporation, as well as other unrelated parties. One lawsuit is pending in each of the following jurisdictions: the U.S. District Court (USDC) for the Southern District of New York, the USDC for the Southern District of Texas, a Pennsylvania state court, and a Texas state court. The remaining nine actions are pending in the USDC for the Western District of Pennsylvania. Together, these actions allege various federal securities law and common law violations arising out of (i) alleged misstatements or omissions contained in the Corporation's public filings concerning the financial condition of the Corporation, WFSI, and WCC in connection with a $975 million charge to earnings announced on February 27, 1991, a public offering of Westinghouse common stock in July 1991, and a $1,680 million charge to earnings announced on October 7, 1991, and (ii) the Corporation's acquisition of substantially all of the assets of Knoll International, Inc. and Knoll Nevada, Inc. in exchange for Westinghouse common stock in August 1990 (these claims are asserted only by the seller of these assets). Management believes that the Corporation and its officers and directors have meritorious defenses to these actions.

The Corporation's commitments for the purchase of plant and equipment and for other contingent liabilities consisting of guarantees, pending litigation, and other claims, except as described below, were not material.

Financing Commitments — WFSI

Commitments with Off-Balance-Sheet Credit Risk
(in millions)

At December 31	1991	1990
Guarantees and credit enhancements	$1,082	$1,228
Standby letters of credit and other standby agreements	427	527
Commitments to extend credit	913	1,340
Partnership calls and other investment commitments	360	495
Commitments with off-balance-sheet credit risk	$2,782	$3,590

During the course of its normal business activities, WFSI issues various commitments to provide funds, including loan or investment commitments, guarantees, standby letters of credit, and standby commitments, generally in exchange for fees.

Guarantees and credit enhancements, standby letters of credit and other standby agreements are associated primarily with real estate projects. They were issued to assist customers in obtaining construction project financing from a third party at a lower rate than otherwise would be available or to improve the salability of private or public bonds. Typically, the sole condition for funding under these commitments is default by the borrower to the third party lender. Standby letters of credit and other standby agreements typically require the satisfaction of various conditions by the customer before funding is required. Such conditions may include a specified percentage of construction completion or a minimum occupancy level.

More than half of the commitments to extend credit at December 31, 1991 represent amounts available to corporate customers under existing revolving credit agreements. Commitments to extend credit issued to real estate customers total 32% at the same date. Investment commitments comprise the remainder of the commitments to extend credit. Investment commitments include agreements to fund, upon call, equity interests in partnerships, generally as a limited partner, or in other entities. Commitments have fixed expiration dates from 1992 through 2000 and may expire unexercised.

Depending on market conditions, funding of approximately 43% of these commitments may be required in 1992, primarily related to standby agreements, commitments to extend credit, and partnership calls. Based upon the expectation of funding, approximately $280 million of the $1,680 million valuation allowance was assigned to financing commitments.

Note 20: Leases

The Corporation has commitments under operating lease for certain machinery and equipment and facilities used in various operations. Rental expense in 1991, 1990, and 1989 was $276 million, $233 million, and $215 million. These amounts include immaterial amounts for contingent rentals and sublease income.

Minimum Rental Payments
(in millions)

Year Ending December 31	
1992	$ 172
1993	149
1994	117
1995	88
1996	73
Subsequent years	784
Minimum rental payments	$1,383

Note 21: Acquisitions, Divestitures and Restructurings

During 1991, there were no significant acquisitions or divestitures; however, in 1990 and 1989, the Corporation acquired and divested many businesses and entered into several joint ventures. All acquisitions were accounted for under the purchase method. Material transactions are discussed below.

In August 1990, the Corporation acquired substantially all of the assets and assumed certain of the liabilities of Knoll International, Inc., an office furniture company. The stock of subsidiary and related companies was also acquired. Total consideration included cash and Westinghouse common stock valued at $112 million in total, and the assumption of $111 million of existing Knoll debt. Purchase accounting adjustments relating to this acquisition were recorded in 1990 and 1991.

Also in August 1990, substantially all of the assets of Westinghouse Beverage Group were sold to a corporation organized by former managers of Beverage for total consideration of $209 million, including $166 million of cash. Westinghouse retained a 15% interest in the new venture.

In October 1990, WSAV acquired United Federal Savings Bank (United), an Illinois thrift. In December 1990, United acquired all of the assets and certain of the liabilities of Enterprise Savings Bank (Enterprise), another Illinois thrift. To complete the acquisition of Enterprise, United received $55 million of government assistance. The assets of the combined thrifts totalled $876 million at the acquisition date. WSAV contributed total cash of $41 million to the thrifts, which was sufficient to meet current regulatory capital requirements.

In December 1989, the Corporation acquired the Legacy and Metropolitan Broadcasting Companies for $369 million including a 5.3% interest in a newly-formed subsidiary which included existing Group W radio stations.

Shaw-Walker, an office furniture company, was acquired in November 1989 for $78 million which included 934,826 shares of Westinghouse stock valued at $66 million. In December 1989, the Corporation acquired Reff Inc., also an office furniture company, for $100 million.

In February 1989, the Corporation and Asea Brown Boveri (ABB) formed a joint venture involving transmission and distribution equipment. The Corporation owned 55% of the joint venture until ABB exercised its option in December 1989 to purchase the remainder from Westinghouse. The results of operations for 1989 include the activities of this business for the entire year.

In January 1989, the Corporation completed the sale of most of the assets of its elevator business to Schindler Corporation.

The transmission and distribution equipment and elevator divestitures resulted in gains totalling $399 million in 1989.

In July 1989, Westinghouse Canada's transmission and distribution business was sold to ABB. Sales and segment operating profit for the businesses sold to ABB in 1989 totalled $1,149 million and $65 million.

During 1989, $384 million of restructuring provisions were recorded for business restructuring programs, primarily for product line relocations and the sale or closedown of businesses and facilities.

Note 22: Segment Information

Westinghouse is a diversified, global, technology-based corporation operating in the principal business arenas of television and radio broadcasting, defense electronics, financial services, and the industrial, construction and electric utility markets. The Corporation's businesses are structured into seven segments — Broadcasting, Electronic Systems, Environmental, Financial Services, Industries, The Knoll Group, and Power Systems. Results of international manufacturing entities, export sales, and foreign licensee income are included in the financial information of the segment that has operating responsibility.

Broadcasting (Group W) provides a variety of communications services consisting primarily of commercial broadcasting, program production, and distribution. It sells advertising time to radio, television, and cable advertisers through national and local sales organizations. Group W currently owns and operates five network affiliated television broadcasting stations and 17 radio stations. The group also provides programming and distribution services to the cable television industry. The Longines-Wittnauer Watch Company and Westinghouse Communications are also included in this segment.

The Electronic Systems segment is a world leader in the research, development, production and support of advanced electronic systems for the Department of Defense, Federal Aviation Administration, National Aeronautics and Space Administration, other government agencies, and U.S. allies. Products include surveillance and fire control radars, command and control systems, electronic countermeasures equipment, electro-optical and spaceborne sensors, missile launching and handling equipment, torpedoes, sonar, and communications. The group is moving to expand in technologically complementary commercial markets such as air traffic control, security systems, and drug traffic interdiction.

The Environmental segment includes all of the Corporation's capabilities in the treatment and disposal of radioactive, hazardous and toxic, and municipal waste. This group also operates several government-owned facilities primarily under contract with the Department of Energy.

The Financial Services segment is comprised of WFSI and its principal subsidiaries, WCC and WSAV. WCI, a part of the legal entity WFSI, is included in Industries for segment reporting. The primary function of the Financial Services segment is to manage its existing asset portfolios and debt in order to reduce risk and to strengthen its asset performance. WSAV owns and operates an Illinois thrift institution with 20 branch offices.

The Industries segment consists of businesses that supply a variety of products and services to a broad range of customers in the capital goods, industrial, construction and electrical equipment markets, and to original equipment manufacturers. The group's products are distributed through WESCO's 280 distribution centers. WESCO distributes Westinghouse electrical products as well as products manufactured by other suppliers. WCI, which conducts land and community development activities primarily in Florida, California, and Arizona, is included in this segment for management purposes, but presented separately in the accompanying tables.

The Knoll Group designs, manufactures, and distributes office furniture to an expanding global market and consists of Westinghouse Furniture Systems, Reff Inc., Shaw-Walker, and Knoll International, Inc.

The Power Systems segment designs, develops, manufactures and services nuclear and fossil-fueled power generation systems and is a leading supplier of reload nuclear fuel to the global electric utility market.

Financial information for the beverage business, divested in 1990, and the elevator and transmission and distribution businesses, divested in 1989, is included in the Divested and Other category.

Sales and Operating Revenues and Segment Operating Profit
(in millions)

	Total Sales and Operating Revenues			Segment Operating Profit (Loss)		
	1991	1990	1989	1991	1990	1989
Broadcasting	$ 832	$ 858	$ 755	$ 136	$ 186	$127
Electronic Systems	3,245	3,196	2,948	193	329	197
Environmental	1,191	1,347	1,221	(7)	154	79
Financial Services	1,064	1,209	1,065	(1,660)	(844)	164
Industries	3,120	3,301	3,472	142	264	225
WCI	258	141	127	122	78	37
The Knoll Group	673	422	177	26	28	15
Power Systems	2,651	2,442	2,000	261	323	204
Divested and Other	64	310	1,488	(80)	(16)	(54)
Intersegment sales	(304)	(311)	(409)	—	—	—
Total	$12,794	$12,915	$12,844	$ (867)	$ 502	$994

Segment sales and operating revenues include products that are transferred between segments generally at inventory cost plus a margin. Segment operating profit or loss consists of sales or operating revenues less segment operating expenses that include cost of sales or revenue, marketing, administrative and general expenses, depreciation and amortization, and restructuring provisions.

A provision for costs associated with the Corporation's workforce reduction was recorded in the third quarter 1991 and totalled $160 million. Prior to that provision, operating profit totalled $144 million for Broadcasting, $262 million for Electronic Systems, $16 million for Environmental, $165 million for Industries, and $283 million for Power Systems.

In 1989, the Corporation recorded $384 million of restructuring provisions (note 21). Operating profit prior to restructuring provisions was $168 million for Broadcasting, $271 million for Electronic Systems, $114 million for Environmental, $248 million for Industries, $56 million for WCI, and $256 million for Power Systems. The remainder of the provisions were for corporate restructuring activities and other unusual items.

Revenues and profits of foreign manufacturing operations are included in the applicable segments.

Identifiable assets, depreciation and amortization, and capital expenditures are presented below. Assets not identified to segments principally include cash and marketable securities, both excluding WFSI, deferred income taxes, prepaid pension contribution, and unrecognized pension costs. Adjustments and eliminations deducted from segment identifiable assets represent the removal of intersegment operating profit from the identifiable assets.

Other Financial Information
(in millions)

	Identifiable Assets			Depreciation and Amortization			Capital Expenditures		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
Broadcasting	$ 933	$ 893	$ 910	$ 33	$ 34	$ 22	$ 31	$ 31	$ 26
Electronic Systems	1,646	1,606	1,760	93	93	91	65	73	109
Environmental	798	695	606	32	29	21	77	83	54
Financial Services	9,689	10,981	9,494	15	15	12	2	2	2
Industries	1,551	1,579	1,509	67	62	64	56	79	95
WCI	669	510	359	3	3	1	2	2	2
The Knoll Group	669	759	289	29	16	6	31	20	9
Power Systems	1,476	1,420	1,339	81	80	81	99	104	97
Divested and Other	1,134	1,316	466	25	31	69	4	11	30
Adjustments and eliminations	(30)	(22)	(46)						
	18,535	19,737	16,686	$378	$363	$367	$367	$405	$424
Corporate assets	1,624	2,296	3,628						
Total	$20,159	$22,033	$20,314						

The largest single customer of the Corporation is the U.S. government and its agencies, whose purchases accounted for 23% of the consolidated sales and operating revenues in 1991 and 1990, and 22% in 1989. Of the 1991 purchases, 85% were made from the Electronic Systems segment. No other customer made purchases totalling 10% or more of consolidated sales and operating revenues.

Research and Development
(in millions)

	1991	1990	1989
Westinghouse sponsored:			
Electronic Systems	$ 90	$ 84	$ 79
Power Systems	73	75	69
Other	46	40	33
Customer sponsored:			
Electronic Systems	524	698	477
Power Systems	77	83	65
Other	39	35	46
Total research and development expenditures	$849	$1,015	$769

Included in the net loss for 1991 is income of subsidiaries located outside the U.S. These subsidiaries contributed $36 million of net income. These same operations had a net income contribution of 23% in 1990 and 9% in 1989. Subsidiaries located outside the U.S. comprised 4% of total assets and 2%, 1%, and 2% of total liabilities for the same three years.

Financial Information by Geographic Area
(in millions)

	1991	1990	1989
Total sales and operating revenues:			
U.S.	$11,130	$11,359	$11,305
Outside the U.S.	1,664	1,556	1,539
Total	$12,794	$12,915	$12,844
Operating profit (loss):			
U.S.	$ (959)	$ 389	$ 846
Outside the U.S.	92	113	148
Total	$ (867)	$ 502	$ 994
Segment identifiable assets:			
U.S.	$17,767	$18,911	$15,950
Outside the U.S.	768	826	736
Total	$18,535	$19,737	$16,686

The Corporation sells products manufactured domestically to customers throughout the world using domestic divisions and subsidiaries doing business primarily outside the U.S. Generally, products manufactured outside the U.S. are sold outside the U.S.

Sales From Products and Services Sold Outside the U.S.
(in millions)

	1991		1990		1989	
	Amount	% of Consol. Sales	Amount	% of Consol. Sales	Amount	% of Consol. Sales
Subsidiaries Outside the U.S.	$1,664	13.0%	$1,556	12.1%	$1,539	12.0%
U.S. exports	1,141	8.9%	1,195	9.2%	1,131	8.8%
Total	$2,805	21.9%	$2,751	21.3%	$2,670	20.8%

Note 23: WFSI and Consolidated Subsidiaries

Intercompany transactions and balances between WFSI and Westinghouse Electric Corporation (WELCO) have not been eliminated in the following statements.

Condensed Consolidated Balance Sheet
(in millions)

At December 31	1991	1990
Cash and cash equivalents	$ 685	$ 206
Marketable securities	452	241
Receivables held for investment, net	5,312	7,490
Assets held for sale or restructuring, net	2,248	2,356
Other assets *(a)*	1,726	1,723
Total assets	$10,423	$12,016
Short-term debt	$ 3,299	$ 4,155
Long-term debt	4,016	5,160
Thrift deposits	672	689
Other liabilities *(b)*	879	441
Minority interest in equity of consolidated subsidiaries	152	152
Shareholders' equity	1,405	1,419
Total liabilities and shareholders' equity	$10,423	$12,016

(a) Other assets include a receivable from WELCO of $525 million at December 31, 1990, related to the support agreement.

(b) Other liabilities include a payable to WELCO at December 31, 1991, related to WELCO's retirement of a $299 million WFSI bank loan on December 23, 1991. At December 31, 1990 $114 million of the balance relates to the funding of WCI activities.

Condensed Consolidated Statement of Income
(in millions)

	1991	1990	1989
Earned income and other revenues	$ 1,322	$ 1,353	$1,197
Interest expense	(741)	(778)	(677)
Provision for losses, including valuation allowances	(1,815)	(1,139)	(119)
Other expenses	(311)	(205)	(197)
Income taxes	525	278	(52)
Minority interest in income of consolidated subsidiaries	(13)	(13)	—
Net income (loss)	$(1,033)	$ (504)	$ 152

Five-Year Summary
Selected Financial and Statistical Data *(unaudited)*

(dollars in millions except per share amounts)

	1991	1990	1989	1988	1987
Total sales and operating revenues	**$12,794**	$ 12,915	$ 12,844	$ 12,500	$ 11,332
Other income and expenses, net	**5**	173	117	145	98
Interest expense	**(234)**	(247)	(235)	(220)	(125)
Income taxes	**25**	(144)	(340)	(243)	(147)
Net income (loss)	**(1,086)**	268	922	823	901
Net income (loss) as a percentage of sales	**(8.5)%**	2.1%	7.2%	6.6%	7.9%
Return on average equity	**NM**	5.7%	22.2%	23.5%	31.2%
Earnings (loss) per share	**$ (3.46)**	$ 0.91	$ 3.15	$ 2.83	$ 3.12
Dividends per share	**1.40**	1.35	1.15	0.96	0.82
Cash and marketable securities excluding WFSI	**$ 559**	$ 1,076	$ 1,224	$ 1,105	$ 1,435
Cash and cash equivalents — WFSI	**685**	206	292	129	387
Marketable securities — WFSI	**452**	241	765	470	381
Plant and equipment, net	**2,526**	2,506	2,381	2,495	2,337
Receivables held for investment, net — WFSI	**5,312**	7,490	7,761	6,305	5,227
Assets held for sale or restructuring, net — WFSI	**2,248**	2,356	—	—	—
Other assets — WFSI	**1,661**	1,198	1,035	630	226
Total assets	**20,159**	22,033	20,314	16,937	15,196
Short-term debt excluding WFSI	**2,577**	1,983	1,862	1,953	1,528
Long-term debt excluding WFSI	**1,264**	931	744	892	823
Short-term debt — WFSI	**3,299**	4,155	4,206	3,293	2,500
Long-term debt — WFSI	**4,016**	5,160	3,621	2,629	2,528
Common shareholders' equity	**3,746**	3,897	4,384	3,795	3,222
Average shares for earnings (loss) per share	**313,984,242**	293,591,984	292,465,132	291,088,150	290,360,540
Market price range per share	**$31-13 3/4**	$39 3/8-24 1/4	$38 1/8-25 5/8	$28 3/4-23 7/8	$37 1/2-20
Common shareholders at year end	**120,833**	101,157	106,770	112,774	116,898
Average number of employees	**113,664**	115,774	121,963	119,640	112,478

NM – Not meaningful because of net loss in 1991.

Quarterly Financial Information *(unaudited)*

(in millions except per share amounts)

Quarter Ended	Sales and Operating Revenues	Gross Profit (Loss)	Net Income (Loss)	Earnings (Loss) Per Share	Dividends Per Share	Common Stock Prices *High*	*Low*
1991							
December 31	**$ 3,417**	**$ 914**	**$ 171**	**$ 0.51**	**$0.35**	**22 1/2**	**13 3/4**
September 30	**3,426**	**(898)**	**(1,482)**	**(4.86)**	**0.35**	**28 7/8**	**21 5/8**
June 30	**3,174**	**851**	**127**	**0.41**	**0.35**	**30 1/2**	**26 1/4**
March 31	**2,777**	**719**	**98**	**0.34**	**0.35**	**31**	**22**
	$12,794	**$1,586**	**$(1,086)**	**$(3.46)**	**$1.40**	**31**	**13 3/4**
1990							
December 31	$ 3,703	$ 71	$ (449)	$(1.53)	$0.35	31 1/4	24 1/4
September 30	3,175	912	255	0.87	0.35	39 3/8	26
June 30	3,175	910	252	0.86	0.35	39	34
March 31	2,862	807	210	0.71	0.30	38 7/8	34
	$12,915	$2,700	$ 268	$ 0.91	$1.35	39 3/8	24 1/4

Additional Financial Information *(a) (unaudited)*

(in millions)

	TOTAL			WELCO			WFSI		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
Statement of Income									
Year Ended December 31									
Sales and Operating Revenues									
Product sales	$ 8,351	$ 8,583	$ 8,691	$ 8,351	$ 8,583	$ 8,691	$ —	$ —	$ —
Service sales and revenues	4,443	4,332	4,153	3,121	2,982	2,961	1,322	1,353	1,197
Total sales and operating revenues	12,794	12,915	12,844	11,472	11,565	11,652	1,322	1,353	1,197
Expenses and Other Items									
Cost of goods sold	(6,408)	(6,035)	(6,447)	(6,408)	(6,035)	(6,447)	—	—	—
Cost of services sold	(4,800)	(4,180)	(2,842)	(2,154)	(2,253)	(2,001)	(2,646)	(1,927)	(841)
Marketing, administration and general expenses	(2,075)	(1,835)	(1,810)	(1,879)	(1,663)	(1,690)	(196)	(172)	(120)
Depreciation and amortization	(378)	(363)	(367)	(360)	(345)	(354)	(18)	(18)	(13)
Gains from major business divestitures	—	—	399	—	—	399	—	—	—
Provisions for restructuring	—	—	(384)	—	—	(365)	—	—	(19)
Other income and expenses, net	5	173	117	10	170	112	(5)	—	—
Interest expense	(234)	(247)	(235)	(232)	(242)	(235)	(2)	(5)	—
Equity in income (loss) of WFSI	—	—	—	(1,033)	(504)	152	—	—	—
Total expenses and other items	(13,890)	(12,487)	(11,569)	(12,056)	(10,872)	(10,429)	(2,867)	(2,122)	(993)
Income (loss) before income taxes and minority interest	(1,096)	428	1,275	(584)	693	1,223	(1,545)	(769)	204
Income taxes	25	(144)	(340)	(500)	(422)	(288)	525	278	(52)
Minority interest in income of consolidated subsidiaries	(15)	(16)	(13)	(2)	(3)	(13)	(13)	(13)	—
Net income (loss)	$ (1,086)	$ 268	$ 922	$ (1,086)	$ 268	$ 922	$ (1,033)	$ (504)	$ 152
Balance Sheet									
At December 31									
Assets									
Cash and cash equivalents	$ 1,040	$ 492		$ 355	$ 286		$ 685	$ 206	
Marketable securities	656	1,031		204	790		452	241	
Receivables	6,921	9,337		1,609	1,847		5,312	7,490	
Inventories, net	1,343	1,249		1,343	1,249		—	—	
Uncompleted contracts costs over related billings	397	473		397	473		—	—	
Assets held for sale or restructuring, net	2,248	2,356		—	—		2,248	2,356	
Property, plant and equipment, net	2,526	2,506		2,526	2,506		—	—	
Investment in WFSI	—	—		1,405	1,419		—	—	
Other assets	5,028	4,589		3,705	3,505		1,726	1,723	
Total assets	$20,159	$22,033		$11,544	$12,075		$10,423	$12,016	
Liabilities and Shareholders' Equity									
Accounts payable	$ 838	$ 805		$ 838	$ 805		$ —	$ —	
Uncompleted contracts billings over related costs	580	703		580	703		—	—	
Short-term debt	5,876	6,138		2,577	1,983		3,299	4,155	
Long-term debt	5,280	6,091		1,264	931		4,016	5,160	
Other liabilities	3,666	4,228		2,518	3,737		1,551	1,130	
Total liabilities	16,240	17,965		7,777	8,159		8,866	10,445	
Minority interest in equity of consolidated subsidiaries	173	171		21	19		152	152	
Shareholders' equity	3,746	3,897		3,746	3,897		1,405	1,419	
Total liabilities and shareholders' equity	$20,159	$22,033		$11,544	$12,075		$10,423	$12,016	

(a) The information in the table is presented to assist the reader in further analyzing the Consolidated Financial Statements. Financial data of Westinghouse Financial Services, Inc. (WFSI) and Westinghouse Electric Corporation with WFSI shown on an equity basis (WELCO) are presented. TOTAL includes the combination of WELCO and WFSI after the elimination of intercompany transactions and balances. Information relating to WELCO is not presented in accordance with SFAS No. 94 which requires consolidation of WFSI.

Paul E. Lego
Chairman and Chief Executive Officer

Theodore Stern
Senior Executive Vice President

Executive Vice Presidents

Gary M. Clark
Industries Group and Corporate Resources

George C. Dorman
Human Resources and Total Quality

Warren H. Hollinshead
Finance

Richard A. Linder
Electronic Systems Group

Anthony A. Massaro, Jr.
Environmental Group

Robert F. Pugliese
Legal and Corporate Affairs

Maurice C. Sardi
Chairman, The Knoll Group, Inc.

Burton B. Staniar
Chairman, Westinghouse Broadcasting Company, Inc.

John B. Yasinsky
Power Systems Group

Leo W. Yochum
Chairman, Westinghouse Financial Services, Inc.

Vice Presidents

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Power Generation

Isaac R. Barpal
Science and Technology

Joseph L. Becherer
Distribution and Control

Laurence A. Chapman
Treasurer

Thomas P. Costello
President, Thermo King Corporation

Robert E. Faust
Controller

H. Joe Frazier
President, Westinghouse Communities, Inc.

August W. Frisch
Taxes and Pension Investments and General Tax Counsel

James L. Gallagher
Government Operations

R. Noel Longuemare
Systems Development and Technology

Eileen P. Massaro
Corporate Relations

Alan J. Meilinger
Corporate Services

James S. Moore
Executive Resources and Development

E. A. James Peretti
President, Westinghouse Electric Supply Company

Samuel R. Pitts
Environmental Affairs

Edward N. Silcott
Commercial Systems

Nathaniel D. Woodson
Energy Systems

F. Leo Wright
Government Affairs

Board of Directors

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Chairman and Chief Executive Officer
Westinghouse Electric Corporation, Pittsburgh, Pa.

Robert W. Campbell
Director and Retired Chairman, Canadian Pacific Limited, Calgary, Alberta, Canada

Frank C. Carlucci
Vice Chairman, The Carlyle Group, Washington, D.C.

Barbara Hackman Franklin
President, Franklin Associates, Washington, D.C.

William H. Gray III
President, United Negro College Fund, New York, N.Y.

David T. McLaughlin
President and Chief Executive Officer, The Aspen Institute, Queenstown, Md.

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Retired Chairman, Dana Corporation, Toledo, Ohio

Richard M. Morrow
Retired Chairman and Chief Executive Officer, Amoco Corporation, Chicago, Ill.

Richard R. Pivirotto
Retired Chairman, Associated Dry Goods Corporation, New York, N.Y.

Theodore Stern
Senior Executive Vice President
Westinghouse Electric Corporation, Pittsburgh, Pa.

Hays T. Watkins
Chairman Emeritus, CSX Corporation, Richmond, Va.

Leo W. Yochum
Chairman and Chief Executive Officer
Westinghouse Financial Services, Inc., Pittsburgh, Pa.

The Board of Directors was saddened during the year by the death of John B. Carter, retired president and chief executive officer of the Equitable Life Assurance Society of the United States, who had provided valued service as a member of the Board of Directors since 1985.

Two new members were welcomed to the Board: William H. Gray III, president of the United Negro College Fund, and Leo W. Yochum, who previously served for 17 years as chief financial officer of Westinghouse.

CORPORATE INFORMATION

Executive Offices

Westinghouse Building
Gateway Center
Pittsburgh, Pa. 15222
(412) 244-2000

Shareholder Services

For information or assistance regarding individual stock records, transactions, dividends or stock certificates, contact:
Shareholder Services
Westinghouse Electric Corporation
P.O. Box 8815
Pittsburgh, Pa. 15221
(412) 244-2723 - Registration changes
(412) 244-2398 - Registration changes
(412) 244-2706 - Lost certificates
(412) 244-2721 - Dividend checks
(412) 244-3654 - Dividend reinvestment

Corporate Information

For a copy of Form 10-K or other information about the Corporation, contact:
Shareholder Communications
Westinghouse Electric Corporation
Westinghouse Building
Gateway Center
Pittsburgh, Pa. 15222
(412) 642-3129

Annual Meeting

April 29, 1992
10:30 a.m.
Heinz Hall
Pittsburgh, Pa.

Stock Exchanges

New York
Philadelphia
Boston
Midwest
Pacific

Stock Symbol

WX

Transfer Agents/Registrars

Harris Trust Company of New York
77 Water Street
4th Floor
New York, N.Y. 10005
(212) 701-7609

Mellon Bank, N.A.
P.O. Box 444
Pittsburgh, Pa. 15230
(412) 236-8000

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