Offshore Power Systems

# APPLICATION
# FOR MANUFACTURING LICENSE
# GENERAL INFORMATION



REVISION 2

NOVEMBER 10, 1981

ARC-81-1015

**Offshore Power Systems**

8000 Arlington Expressway
Box 8000, Jacksonville, Florida 32211

904-724-7700
Telex: 568406

November 10, 1981

Director of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Re: NRC Docket No. STN-50-437; Offshore Power Systems' Application for License to Manufacture Floating Nuclear Plants, Amendment No. 29.

A. R. Collier
President

Dear Sir:

Offshore Power Systems hereby amends its application for License to Manufacture Floating Nuclear Plants by filing Amendment No. 29 dated November 10, 1981.

Amendment No. 29 consists of Revision No. 2 to the Application, General Information, and deals entirely with the subject matter required by 10 CFR 50.33. Revision No. 2 supersedes in its entirety the Application, General Information previously submitted. It is requested that proprietary portions of the superseded Application, General Information (Exhibit K, Revision 1; Exhibit L, Exhibit M, Exhibit N, Revision 1; Exhibit O, Revision 1; Exhibit Q and Exhibit R) either be returned to Offshore Power Systems or destroyed. Other superseded materials may be discarded.

Amendment No. 29 consists of:

1. Three originals of this letter.

2. Three originals of the Application, General Information, Revision 2.

3. Twenty-eight conformed copies of this letter.

4. Twenty-eight conformed copies of the Application, General Information, Revision 2.

Consonant with 10 CFR 2.101, this Amendment to the Offshore Power Systems' Application for License to Manufacture Floating Nuclear Plants is being served on those persons identified in Enclosure 2 to the Nuclear Regulatory Commission letter signed by Roger E. Boyd and dated August 6, 1976, including the Honorable Jake M. Godbold, Mayor of the City of Jacksonville, Florida.

By s/A. R. Collier
A. R. Collier
President

Attest:

s/V. W. Campbell
V. W. Campbell
Secretary

Sworn to and subscribed before me, this 10th day of November, 1981.

s/Joyce Faye Smith
Joyce Faye Smith
Notary Public, State of Florida
at Large
My Commission Expires: 10/05/82

# APPLICATION
# FOR MANUFACTURING LICENSE
# GENERAL INFORMATION

REVISION 2

NOVEMBER 10, 1981

BEFORE THE

UNITED STATES NUCLEAR REGULATORY COMMISSION

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DOCKET NO.

STN 50-437

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In the Matter of

Offshore Power Systems

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APPLICATION FOR MANUFACTURING LICENSE

UNDER THE ATOMIC ENERGY ACT OF 1954

AS AMENDED AND THE

ENERGY REORGANIZATION ACT OF 1974

---

for

Eight Floating Nuclear Plants

Revision 2
November 10, 1981

OFFSHORE POWER SYSTEMS

Application for Manufacturing License

General Information

1. Name of Applicant

Offshore Power Systems

2. Address of Applicant

Post Office Box 8000
8000 Arlington Expressway
Jacksonville, Florida 32211

3. Description of Business of Applicant

Offshore Power Systems is an unincorporated joint venture of Westinghouse Electric Corporation, a Pennsylvania corporation, and its wholly-owned subsidiary, Westinghouse International Power Systems Company, Inc., a Delaware corporation. Westinghouse Electric Corporation owns 99 percent of Offshore Power Systems and Westinghouse International Power Systems Company, Inc. owns the remaining 1 percent. Offshore Power Systems is registered in the State of Florida under the fictitious name statute and the principal office and business location is Jacksonville, Florida.

Offshore Power Systems' principal officers are as follows:

A. R. Collier, President

V. W. Campbell, Secretary

P. B. Haga, Director, Power Systems Technology

R. A. Thomas, Director, Marine Design

D. T. Van Liere, Director Operations

J. P. Galvanek, Controller-Treasurer

J. N. Wilke, Director, Marketing

W. J. Staten, Vice President, Administrative Services

The address of each of the officers is P. O. Box 8000, Jacksonville, Florida 32211. All officers are citizens of the United States. Offshore Power Systems and the parent companies Westinghouse Electric

Corporation and Westinghouse International Power Systems Company, Inc. are not owned, controlled, or dominated by an alien, a foreign corporation or foreign government.

Westinghouse Electric Corporation is a corporation organized and incorporated under the laws of the Commonwealth of Pennsylvania and has its principal place of business at Pittsburgh, Pennsylvania. The directors of Westinghouse Electric Corporation are as follows:

D. D. Danforth
B. H. Franklin
R. B. Gookin
Dr. D. F. Hornig
R. E. Kirby
J. F. McGillicuddy
D. T. McLaughlin
W. H. McMurren
R. Milliken
R. R. Pivirotto
O. P. Thomas
H. T. Watkins

The principal officers of Westinghouse Electric Corporation are as follows:

| | |
|---|---|
| R. E. Kirby | Chairman and President |
| D. D. Danforth | Vice Chairman |
| E. V. Clarke, Jr. | Executive Vice President |
| G. C. Hurlbert | Executive Vice President |
| T. J. Murrin | Executive Vice President |
| J. C. Marous, Jr. | Executive Vice President |
| L. W. Yochum | Executive Vice President |

All directors and all principal officers of Westinghouse Electric Corporation are citizens of the United States and can be addressed at Executive Offices, Westinghouse Electric Corporation, Gateway Center, Pittsburgh, Pennsylvania 15222.

Westinghouse International Power Systems Company, Inc. is a corporation organized and incorporated under the laws of the State of Delaware and has its principal place of business at Pittsburgh, Pennsylvania. It is a wholly-owned subsidiary of Westinghouse Electric Corporation. The directors of Westinghouse International Power Systems Company, Inc. are as follows:

J. D. Cotton
K. J. Culp
T. Stern
R. E. Thomson
H. A. Williams
N. D. Woodson

The principal officers of Westinghouse International Power Systems Company, Inc. are as follows:

| | |
|---|---|
| T. Stern | Chairman of the Board |
| N. D. Woodson | President |
| K. J. Culp | Vice President |
| H. A. Williams | Vice President |
| R. J. Cinelli | Vice President |
| J. D. Cotton | Vice President |
| W. H. Hollinshead | Treasurer |
| R. E. Thomson | Controller |
| B. A. Hansen | Secretary |

All directors and all principal officers of Westinghouse International Power Systems Company, Inc. are citizens of the United States and can be addressed at the Executive Offices, Westinghouse Electric Corporation, Gateway Center, Pittsburgh, Pennsylvania 15222.

4. Agency

Offshore Power Systems is neither acting as the agent nor as the representative of another person in filing this application.

5. Class and Period of License Applied For

This application is submitted under Section 103 of the Atomic Energy Act of 1954, as amended, and pursuant to 10 C.F.R. 50, Appendix M, for a license to manufacture eight floating nuclear plants. The license is sought for a period of fourteen years such that manufacture of the eight floating nuclear plants will be completed during the period commencing no earlier than 1991 and ending no later than 1999, with manufacture of the first plant in the previously prepared manufacturing facility to begin no earlier than 1985. Assuming each owner obtains the necessary permits and licenses in a timely manner, plant commercial operation should follow completion of manufacture by no more than eighteen months. No other Nuclear Regulatory Commission licenses have been issued to or applied for by Offshore Power Systems in connection with the manufacture of these floating nuclear plants.

The power level of each unit to be constructed will be approximately 1150 MWe net output and 3411 megawatts thermal (nuclear).

6. Financial Qualifications

The financial qualifications of Offshore Power Systems to undertake the proposed licensed activity are essentially the financial qualifications of Westinghouse Electric Corporation since the one percent interest owned by Westinghouse International Power Systems Company, Inc. does not include an obligation to contribute capital to the Venture. There are no limitations, legal or otherwise, on Westinghouse Electric Corporation's financial support of Offshore Power Systems.

6-1 Annual Reports and Financial Statements

Exhibit A (1979) and Exhibit B (1980) are Annual reports of Westinghouse Electric Corporation. Exhibit C is the Westinghouse Electric Corporation Form 10-K for the year ended December 31, 1980. Exhibit D is the Notice of Annual Meeting of Stockholders and Proxy Statement dated April 29, 1981. Exhibit E comprises the interim Westinghouse Electric Corporation financial statements for the six month period ended June 30, 1981.

6-2 Manufacturing Facility Financing

The Offshore Power Systems manufacturing facility is basically complete and is ready to be activated for manufacture of Floating Nuclear Plants such that the first plant can be completed within approximately 8 years of receiving a purchase contract. In order to manufacture all eight plants under the conditions of license herein applied for (equivalent to a one per year production rate), it will ultimately be necessary to make approximately $300 million (1981 dollars) in improvements to the manufacturing facility. Offshore Power Systems does not presently plan to undertake additional improvements to the manufacturing facility before orders are received for the first four Floating Nuclear Plants. It is expected that funds required for such improvements will be provided by customer progress payments.

6-3 Financing the Manufacture of Floating Nuclear Plants

Revenues from units sold are expected to provide the funds required to manufacture the units and in addition to cover amortization of the manufacturing facility, recovery of engineering costs, interest on money borrowed and other costs applicable to the project. Offshore Power Systems does not presently plan to commence manufacture of an individual Floating Nuclear Plant until an order has been placed for the plant by a purchasing utility. At present there are no such orders.

6-4 Financing the Floating Nuclear Plant Design and Manufacturing Planning Processes

Preliminary design of the Floating Nuclear Plant has been completed and manufacturing planning has advanced to a status consistent with the degree of plant design completion.

Final plant design and manufacturing planning will be completed after an order (or orders) for the first four Floating Nuclear Plants has (have) been received.

The funds required to complete Floating Nuclear Plant final design and manufacturing planning are estimated to be $97 million (1981 dollars). It is expected that these funds will be provided by customer progress payments.

## 6-5 Source of Funds Provided by Westinghouse Electric Corporation

It is possible that the schedular provisions of Floating Nuclear Plant purchase contracts will require Offshore Power Systems to commence work on Manufacturing Facility improvements and/or final plant design before the flow of customer progress payments begins. In this event it will be necessary to obtain initial working capital from Westinghouse Electric Corporation. The amount of such funding is expected to be minimal. Based on 1980 year-end capitalization ratios, the funds required from Westinghouse Electric Corporation would be generated from the following sources:

| Source of Funds | Ratio |
|---|---|
| Sale of Interest Bearing Long-Term Debt | 11.3 |
| Minority Interest | 1.0 |
| Preferred Stock | 0.6 |
| Common Stock | 6.8 |
| Paid in Capital | 17.3 |
| Internally-Generated Funds | 63.0 |
| TOTAL | 100.0% |

## 6-6 Unit Floating Nuclear Plant Cost Estimate

The following is a breakdown of FNP costs based on the most recent cost estimate update (1980):

| Account Number | Title | Unit Total in Millions |
|---|---|---|
| 21 | Structures and Improvements | $ 157.7 |
| 22 | Reactor Plant Equipment | 272.2 |
| 23 | Turbine Generator plant | 252.5 |
| 24 | Accessory Electric Equipment | 76.2 |
| 25 | Miscellaneous Power Plant Equipment | 30.1 |
| | Transmission Facilities | 20.5 |
| | Platform Structures and Specifically Related Systems | 36.7 |
| | Testing (Multi-System) | 4.1 |
| | Total Per Unit | $ 850 |

6-7 Floating Nuclear Plant Pricing Policy

Offshore Power Systems expects to price Floating Nuclear Plants on a firm price basis subject to the following:

**Escalation:** Increased costs resulting from escalation will be for the customer's account. Progress payments will be adjusted by the application of Material Cost indices such as the Steel Mill Products Index (U.S. Department of Labor Producer Price Index No. 1013) and labor rate indices such as the Average Hourly Earnings Rate in the Ship Building and Repair Industry (published by the U.S. Department of Labor in EMPLOYMENT AND EARNINGS).

**Plant Design Changes:** Increased costs resulting from plant design changes requested by the customer and those required by regulatory agencies will be for the customer's account.

**Delay:** Increased costs resulting from delays beyond the control of Offshore Power Systems will be for the customer's account.

OFFSHORE POWER SYSTEMS

By s/A. R. Collier
A. R. Collier
President

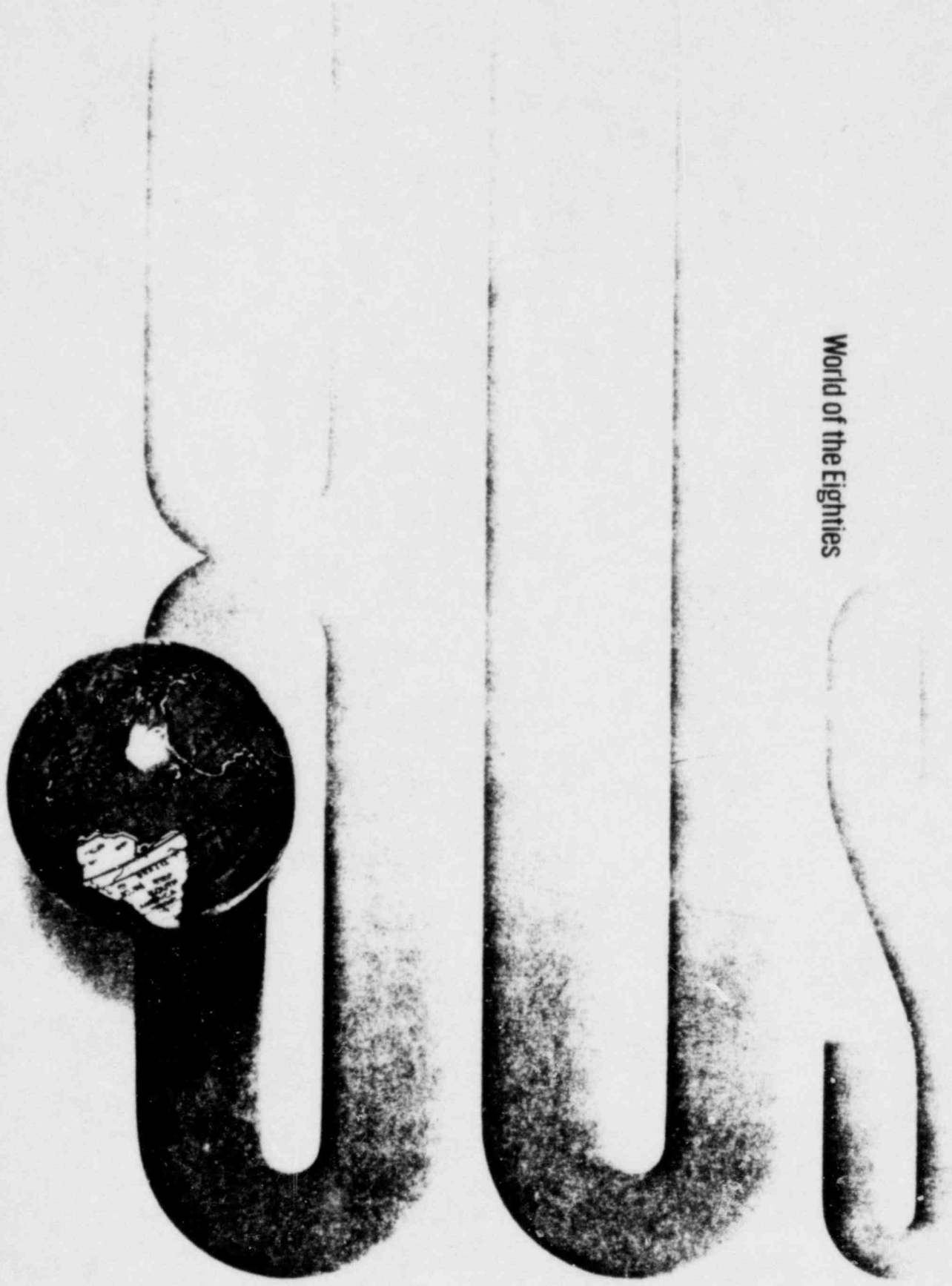
Attest:

s/V. W. Campbell
V. W. Campbell
Secretary

Sworn to and subscribed before me this 10th day of November, 1981.

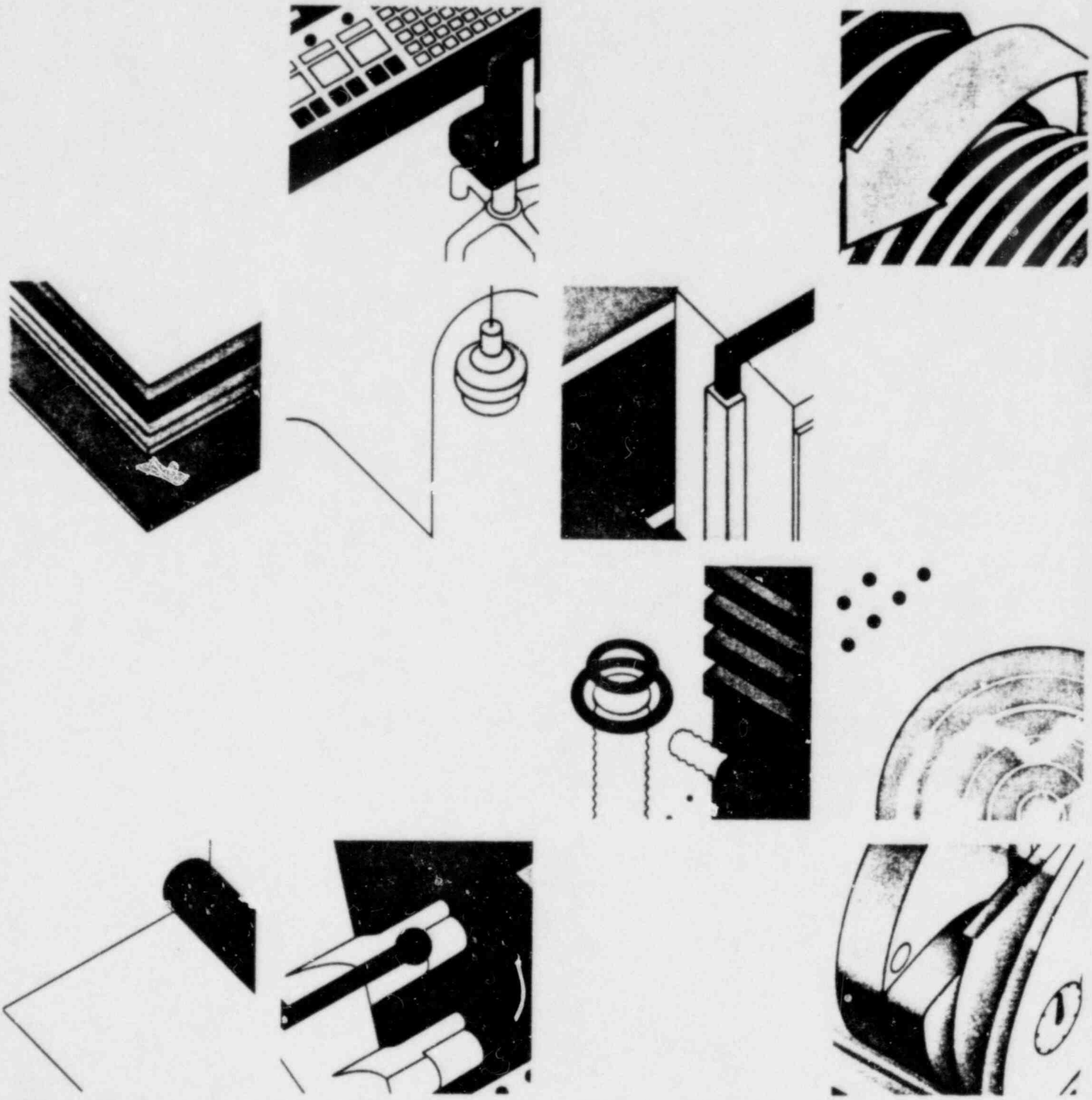
s/Joyce Faye Smith
Joyce Faye Smith, Notary Public
State of Florida at Large
My Commission Expires: October 5, 1982

EXHIBIT A



World of the Eighties

Westinghouse 1979 Annual Report



Westinghouse is one of the world's most diversified corporations. It is engaged in scores of businesses, producing some 8,000 basic products with hundreds of thousands of variations.

On the following pages, you will find three illustrations intended to show how many of these Westinghouse products are combined to form systems for three typical customer installations—industrial plants, electric utilities and airports.

# 1979 Westinghouse Annual Report

**Executive Offices:**
Westinghouse Building
Gateway Center
Pittsburgh, Pennsylvania 15222
(412) 255-3800

**Stockholder Records:**
For information or assistance regarding individual stock records and transactions, contact:
Stockholder Records
Westinghouse Electric Corporation
Box 8815
Pittsburgh, Pennsylvania 15221
(412) 244-2398

**Corporate Information:**
For a copy of Form 10-K or other information about the Corporation, write:
Stockholder Communications
Westinghouse Electric Corporation
Westinghouse Building
Gateway Center
Pittsburgh, Pennsylvania 15222

**Annual Meeting:**
April 30, 1980
Detroit Plaza Hotel
Renaissance Center
Detroit, Michigan
10:30 a.m.

**Stock Exchange Listings:**
New York
Philadelphia
Boston
Midwest
Pacific

**Transfer Agents/Registrars**
**Common Stock:**
Chemical Bank
Corporate Trust Department
Box 25966
Church Street Station
New York, New York 10249
(212) 952-2035

Crocker National Bank
Box 38005
Rincon Annex
San Francisco, California 94138
(415) 477-8152

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670
(312) 732-8100

**Preferred Stock:**
Chemical Bank
Corporate Trust Department
Box 25966
Church Street Station
New York, New York 10249
(212) 952-2035

**Contents**

## Financial Highlights

(in millions)

| | 1979 | 1978 |
|---|---|---|
| Sales | $7,332.0 | $6,663.3 |
| Income | | |
| Income before extraordinary loss | $ 331.1 | $ 311.3 |
| Extraordinary loss, net of income taxes | $ (405.0) | $ (67.9) |
| Net income (loss) | $ (73.9) | $ 243.4 |
| Per common share (in dollars) | | |
| Income before extraordinary loss | $ 3.85 | $ 3.59 |
| Extraordinary loss, net of income taxes | $ (4.72) | $ (.78) |
| Net income (loss) | $ (.87) | $ 2.81 |
| Dividends | $ .972 | $ .972 |
| Book value at year-end | $ 26.47 | $ 28.24 |
| Market price at year-end | 20⅛ | 16¾ |
| Expenditures for new and improved facilities | $ 317.2 | $ 235.0 |
| Depreciation | $ 160.2 | $ 148.9 |
| Dividends | $ 83.9 | $ 84.4 |

# Chairman's Letter

**Fellow stockholders**:
Westinghouse has closed the 1970's with a year of significant progress toward the Corporation's long-term financial objectives.

In January, the Board of Directors declared a quarterly dividend of 35 cents a share, an increase from the previous quarterly rate of 24.3 cents.

Westinghouse has now accounted for the estimated cost of settling 14 of the 17 uranium supply contract lawsuits and also has made a provision to cover the remaining cases and related uranium litigation.

The independent accountants have removed their qualified opinion concerning the uranium litigation uncertainty which has been associated with the Corporation's financial position and future since 1975. The financial statements reflect that Westinghouse emerged from this period as a financially sound corporation with the resources needed to achieve the long-term growth expected by investors. In addition, in working closely with the involved electric utilities to settle our differences, I believe we have been able to strengthen our commercial relationships with these important customers for the years ahead.

It is noteworthy that for each of the past five years, management has achieved all its key financial objectives with the one exception of improved operating profit margins. We have made progress in this area, but there is still room for improvement. We will continue to concentrate on achieving higher margins.

We regard this overall performance as further evidence that the Corporation is achieving its objective of meeting its commitment to maintain a pattern of sound, disciplined financial progress. A greatly improved system of strategic planning, combining the cooperative efforts of line organizations and the corporate staff, is a key factor in that progress.

With an eye to future growth, the Corporation made record capital expenditures during the year totaling $317.2 million, compared to $235 million in 1978.

Westinghouse also strengthened its programs to recruit, train and improve the skills of its employes.

Good progress was made in the employment and advancement of women and minority group members. Last year, Westinghouse hired or promoted 915 women and 515 minorities into management and professional positions. Of 625 new college graduates hired by our Education Department, 19 percent were women and 15 percent were members of minority groups. The graduates were recruited from 150 colleges and universities, including a number of predominately black universities. Four hundred other new college graduates were hired directly by the operating divisions.

In order to encourage career growth and development, the Corporation offers hundreds of different courses each year to employes. In 1979, almost 10,000 management and professional employes participated in 129 different courses sponsored by the Education Department.

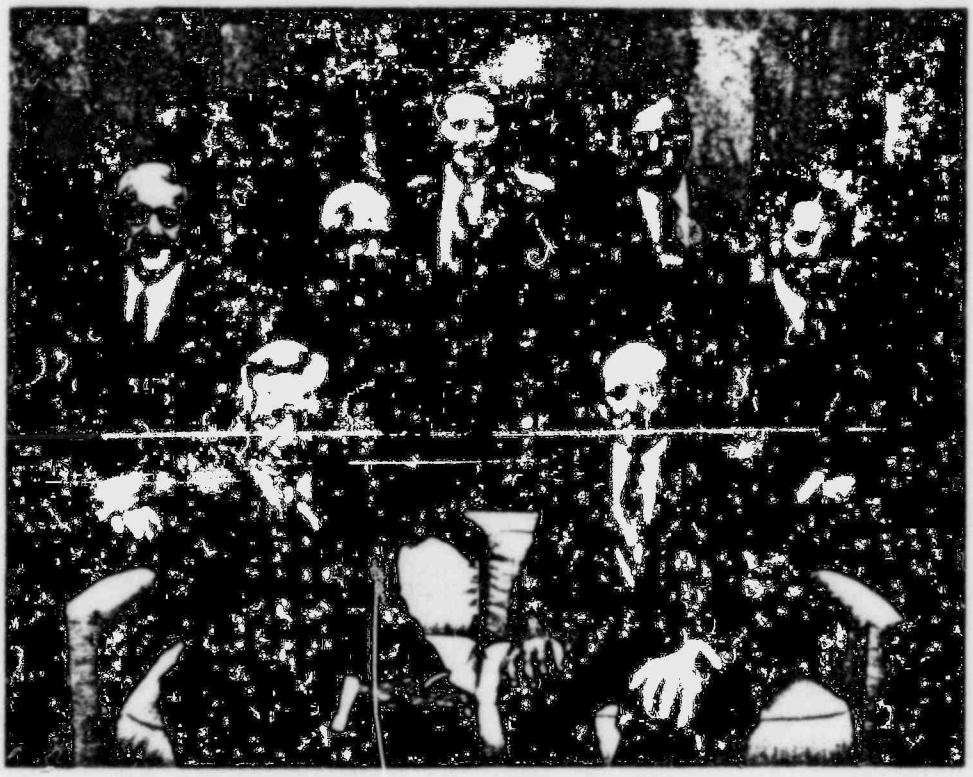
Three new members were elected to the Westinghouse Board of Directors. They are: David T. McLaughlin, chairman and chief executive officer of The Toro Company; O. Pendleton Thomas, director and retired chairman of The BFGoodrich Company; and Hays T. Watkins, chairman, president and chief executive officer of Chessie System, Inc.

The year saw the retirement of two long-time directors: Karl R. Bendetsen, chairman and chief executive officer (retired) of the Champion International Corporation, who had been a Westinghouse director for 19 years and Dr. Louis K. Eilers, chairman and chief executive officer (retired) of the Eastman Kodak Company, a Westinghouse director for 12 years. Dr. Marina v. N. Whitman, former Distinguished Public Service Professor of Economics at the University of Pittsburgh, resigned after six years on the Board to accept a position with the General Motors Corporation. Each made important contributions to Westinghouse over the years and leaves with our deep gratitude and esteem.

Westinghouse looks to the 1980's with confidence. The dramatic and unsettling world political, economic and military upheavals of 1979 and early 1980 underscore the urgency of the need for the United States to reduce its dependence on foreign petroleum sources by developing and using domestic petroleum and alternative energy resources. Our corporate strategies are attuned to help the nation, its allies and developing nations around the world to move closer to that all-important goal.

The Corporation has a strong financial base; exceptional technological capabilities in a number of important specialties; an excellent cadre of managers; modern, productive plants; and a worldwide work force of 145,000 men and women to whose devotion, talent and energies the Corporation's success must ultimately be credited.

R.E. Kirby
January 30, 1980



Members of the Westinghouse Management Committee: (seated forward, from left) R.E. Kirby, chairman and chief executive officer, and Douglas D. Danforth, vice chairman and chief operating officer; (from left) Edwin V. Clarke, Jr., president, Industry Products Company; Leo W. Yochum, senior executive vice president, finance; Thomas J. Murrin, president, Public Systems Company; Gordon C. Hurlbert, president, Power Systems Company; and John C. Marous, Jr., president, International.

# Vice Chairman's Report

**Fellow stockholders:**
Building on the progress of the 1970's, Westinghouse enters the 1980's with confidence that it will continue to advance in the years ahead.

In the face of an uncertain near-term economic outlook, we believe the Corporation has developed plans and strategies that fit the times of changing business and political conditions.

As for 1979, operating profits declined from the previous year, due in large part to a seven-week strike last summer which closed many of our plants. Despite the strike, sales increased by 10 percent, with advances spread generally across all major product segments.

Despite the worldwide political and economic turmoil, 1979 was generally a favorable year for Westinghouse. Our Industry Products Company responded to industrial customers' needs, particularly for products and services that improve productivity and reduce energy costs. The Power Systems Company put special emphasis on responding to the service requirements of utilities in a period of reduced spending for new equipment. The Public Systems Company capitalized on its outstanding technological capabilities in radar and other advanced electronic equipment.

Principally because of the strike, operating profit declined to $319.9 million from $306.8 million in 1978. We regret that a strike was called despite our collective bargaining efforts. Inconvenience to customers and financial hardship to employes is the inevitable result of a work stoppage. However, management felt its offer to the unions was an equitable one.

The strike had the effect of interrupting — temporarily at least — progress toward improving profit margins. This is a high-priority concern involving as it does a measure of performance where the Corporation is not where it should be. We have made some progress in this area in recent years and look forward to further gains in 1980.

A major corporate effort to accelerate the rate of productivity improvement was begun last year. Improvement in this area is a key weapon in fighting high inflation rates which erode profits and real economic gains for our stockholders and employes. Improved productivity is essential to the future prosperity of American industry. U.S. productivity improvements have generally lagged behind many other industrialized nations in recent years.

While the Westinghouse rate of productivity improvement is well ahead of the U.S. average, we view this area as rich in potential for further gains in the years ahead.

The Corporate Productivity Improvement Committee searches for new technology and innovative ways to improve productivity and determines how the Corporation can best take full advantage of these opportunities.

Corporate strategic funds are used by the operating divisions so that they can test and introduce new productivity technologies and methods that have potentially broad application throughout Westinghouse. The Corporation's investment in these projects will be substantial over the next several years.

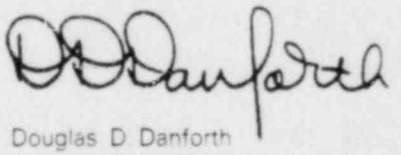
Projects will concentrate on both the technological and human aspects of productivity among production and white-collar employes. Productivity improvement is one of the key elements in the Corporation's efforts to increase operating profit margins.

Also, to support future profitable growth, Westinghouse has embarked on an ambitious capital spending program. Over the next five years, we will invest about $2 billion in new facilities and plant modernization.

Several new factories of moderate size will be built in the near term, aimed at improving the manageability and the quality of work life of our personnel. The plants will be located in various states across the country and will employ the latest production systems and processes.

Research and development are the lifeblood of a high-technology corporation such as Westinghouse. Last year, some $995 million were invested in R&D. These programs were sponsored by Westinghouse, its customers and by the government through Westinghouse-administered contracts. The level was about even with the prior year. Major R&D efforts are under way in coal gasification, solar photovoltaics, fuel cell research, future energy sources and gallium arsenide — a metallic alloy for use in semiconductors and high-frequency microwaves.

In summary, Westinghouse, with a solid technological base and a superior work force, is positioned in several growth markets which bode well for the 1980's.



Douglas D. Danforth
January 30, 1980

# An Energy Message

Events of 1979 have made it painfully clear that among the most important economic problems facing the United States are inflation and continued dependence on foreign oil. Our success in finding alternatives to importing oil . . . along with improving productivity . . . is the key to dampening inflation, setting the nation again on an upward economic course and stabilizing our national security.

Westinghouse scientists and engineers have been in the forefront of innovative energy developments for nearly a century. No matter how clearly technicians may see the solutions at hand, however, success depends upon broad public understanding that:

- There is an oil shortage. For years, U.S. consumption has been exceeding the amount of oil being discovered.
- Nearly half of our total energy supply is oil.
- Conventional domestic oil production, even with Alaskan oil, will decline.
- Despite the shock of the 1973 Middle East oil embargo, the United States has continued to *increase* oil imports — by one-third since 1974.
- Nearly half of the 18 million barrels per day of oil used in this country is imported.
- Foreign oil producers will continue to charge what the market is willing to pay.
- Foreign production, at any price, cannot be relied upon. One link in our national security today is a vulnerable line of tankers carrying oil to our shores.
- There is no quick technological fix to avoid the tough and unpleasant economic and political decisions that must be made beginning right now.

Westinghouse believes the United States should pursue an energy policy that both encourages conservation through more efficient use of energy in all sectors of the economy and encourages the development and increased use of domestically available energy sources — coal, nuclear, solar and synthetics.

Conservation is important. U.S. energy consumption per dollar of GNP is 8.5 percent below what it would have been if it were not for conservation in the past six years. Even with conservation, however, the need for new energy sources is urgent, and getting more so every day. The Federal government has recognized that need in trying to find a way to spur synthetic fuels development. Even under the best circumstances, results of such a program are many years away.

Fortunately, for the generation of electricity, our country has solutions immediately at hand — the use of coal and nuclear power. The 72 nuclear power plants in operation today produce the equivalent amount of electricity that could be generated by 1.3 million barrels of oil a day. Additional plants on order or under construction raise that figure to four million barrels a day.

To take advantage of those precious resources, however, the government must take a realistic approach to regulations which balance our economic welfare and our environment. Some of the recent votes in Congress, particularly for accelerated treatment of new energy projects, indicate a growing political recognition of the need for reasonable balance. We must take further steps to facilitate the mining, transportation and burning of coal.

And with President Carter's endorsement of nuclear power, we need to establish more timely licensing of nuclear plants which incorporate the safety requirements indicated by the Three Mile Island experience and to get on with the disposal of nuclear waste. Furthermore, we must streamline the maze of regulatory, financial and environmental restrictions which hamper electric utilities in the planning and building of more efficient and reliable generating sources, whether they be fossil or nuclear.

Westinghouse believes people are awakening to energy realities, largely because of painful jumps in prices for gasoline and heating oil. It is time that pain is used to focus our attention on constructive steps that must be taken. Westinghouse has advanced technology for use with all four domestic energy sources — coal, nuclear, solar and synthetics.

Dr. Sheldon L. Glashow, winner of the 1979 Nobel prize in physics, was a winner in the annual Westinghouse Science Talent Search in 1950. Today, Dr. Glashow is a professor at Harvard University and the third Science Talent Search winner to become a Nobel laureate. The Westinghouse Science Talent Search, conducted annually since 1942, has awarded 1,520 students with more than $1.4 million in scholarships to pursue science related careers.

# Industry Products Company

**Customer satisfaction, growing markets and more plant capacity**

Emphasis on customer satisfaction, expansion of markets and increased manufacturing capability resulted in a year of record sales for the Industry Products Company. Sales totaled $2.9 billion, an increase of 10 percent over the 1978 total of $2.6 billion. Operating profits were down 16 percent to $191.1 million in 1979 from $227.4 million in 1978.

The largest of the three operating companies, Industry Products serves customers in more than 25 industries with products and services from three groups — Components and Materials, Control Equipment and Industry Equipment and Services — and the Westinghouse Electric Supply Company (WESCO). Energy conservation and productivity improvement are characteristics of almost all this company's product lines.

**Greater customer satisfaction through improved service**

Improving product availability was the focus of the Components and Materials Group, which increased the capacity of several divisions and developed new programs for quicker response to customers. Products manufactured by this group — the largest in the Industry Products Company — include over-the-road refrigeration equipment, electronic tubes and vacuum interrupters, power semiconductors, plastic laminates, magnet wire, industrial plastics, indoor and outdoor lighting fixtures and more than 6,000 different types of light bulbs. Even though the group is primarily a supplier to industrial, military, government, construction and transport refrigeration markets, the lamp and Micarta divisions give it the largest consumer product base in the corporation.

The Control Equipment Group is constructing satellite plants in key regions of the United States to improve customer service by shortening delivery times. This group manufactures and services a wide range of electrical control and distribution products for industrial and construction markets. Among its products are molded case circuit breakers, bus duct, panelboards, switchboards, high-voltage bus and switchgear, pushbuttons, industrial controls, motor control centers, residential load centers, programmable controllers and specialty transformers. The group sells to a broad range of industrial and construction customers as well as electrical contractors.

The service segment of the Industry Equipment and Services Group is a rapidly growing business. This operation provides a network of repair plants for electrical and mechanical apparatus in the United States and overseas. In addition, service engineers are available in the field for equipment installation, project management, contract maintenance and many special services.

Training of Westinghouse engineers and technicians is emphasized strongly throughout the corporation. At the Industry Services Training Center in Pittsburgh, Westinghouse service professionals from across the country learn the latest methods of installing and maintaining industrial electrical equipment that they may be required to service in the field. The hands-on training that these men and women receive is a key to continued customer satisfaction.

Industry Equipment and Services also manufactures motors ranging from fractional horsepower sizes applied to a wide range of consumer and commercial products to the largest sizes needed by industry. Automated control systems designed and built by this group are used with combustion processes, metal making and rolling, chemical production and power generation.

**Increased markets for existing and new products**

Industry Products is the recognized leader in several growing areas — over-the-road refrigeration units produced by Thermo King, high-quality energy-efficient industrial and commercial lighting technology, high-power transistors, oxygen analyzer combustion controls and molded case circuit breakers.

To bolster its position in the consumer light bulb market, the Lamp Commercial Division announced an ambitious promotional campaign with a 10-story hot air balloon in the shape of the Westinghouse Eye-Saving light bulb. Called the Westinghouse "Flight Bulb," the balloon will be featured at trade shows, balloon races and retail stores throughout 1980. Its official pilot will serve as a spokesperson for the Westinghouse lamp unit in television, radio and newspaper interviews.

To promote the substitution of its fiber reinforced pultruded plastics for metals, wood and other materials, the Insulating Materials Division began a program to increase the availability of Westinghouse engineering expertise to design engineers. Already, designers are using pultrusions to replace traditional materials in ladders, railroad gate crossing arms and other equipment.

**Energy efficiency — a new product emphasis**

New product designs are providing additional opportunities for growth. Like other segments of the corporation, Industry Products is capitalizing on markets for energy-efficient products and energy-saving devices. One of the most successful products in recent years has been the oxygen analyzer, which enables utilities and industry to burn fuels at high efficiencies by controlling the level of oxygen during combustion processes. In many cases, the system can pay for itself in about six months.

Energy-efficient motors, such as MAC-II medium AC motors which increase efficiencies by six percent, have gained wide customer acceptance. Reducing the amount of energy consumed by motors is critical to Westinghouse as a user of motors and as a leading motors supplier. Motors account for more than 75 percent of the total electrical energy used by industry.

To assist industry in meeting rising energy costs, Westinghouse is supplying a new adjustable frequency AC motor control technology utilizing solid-state equipment. These control systems adjust the speed of wound-rotor and synchronous motors in ratings above 500 horsepower. This technology is finding wide acceptance in the utility industry for fan motor applications, as the prime mover for compressors in the petroleum and chemical industries and for large pumps and fans in general industry. The development of this new energy-saving system has been speeded by the availability of microprocessors which provide the intricate control needs of the system, such as self-diagnostics, sequencing and tie-in to computer controls.

Computerized control systems and system components from Westinghouse also are contributing to energy savings and improved plant productivity. Many companies are using these systems for modernizing older plants. General Dynamics, for instance, installed a Westinghouse computer system in which a central computer directs 28 other computers that control individual machine tools. The central computer can control as many as 63 computers.

The Westinghouse 2515 Electrical Energy Management System, a computer system designed for medium and large industrial operations, has shown that it can save up to 15 percent in energy costs. With the capacity to handle more than 500 electrical loads, the 2515 system conserves energy by limiting demand, setting up time-of-day scheduling, shedding loads when they are not needed, establishing operating priorities and providing energy data to management for identification and evaluation of problems. Typically, the 2515 system is used to manage production processes as well as normal housekeeping electrical functions such as lighting, heating, cooling and ventilating.

A variety of lamp and lighting products is enabling industrial and commercial building owners to conserve energy and reduce operating costs while improving lighting quality. Ceramalux-4, an exclusive Westinghouse lamp product, combines the efficiency of high-pressure sodium (HPS) lamps with the color rendering of deluxe fluorescent lamps. HPS lighting uses approximately 60 percent less energy than conventional mercury vapor industrial lighting.

Ultralume fluorescent lamps, patented by Westinghouse and based upon a study of people's ability to perceive color, provide 30 percent more light than other deluxe, high-color-rendering fluorescent lamps. This means substantial energy savings since fewer fixtures and lamps are needed. Sears has installed Ultralume lamps in its stores across the country to provide better lighting for customers and to save energy through reduced wattage consumption. Ultralume's inventor — Westinghouse engineer William A. Thornton, Jr. — was chosen Inventor of the Year for 1979 by the Association for the Advancement of Invention and Innovation.

A computerized program, WESTELL, cuts as much as 85 percent from the time required to design energy-efficient lighting systems. Through the use of a WESTELL calculator program, customers can be given on-the-spot evaluations of lighting needs.

**Technology — a new product advantage**

Technology is the key to advancements, and research within the Industry Products Company is a top priority.

Solid-state technology is having an important impact on the future of Industry Products, particularly in the application of microprocessors in product design.

At Thermo King, microprocessors have been applied in the Super Boss trailer refrigeration unit to enable a truck operator to check the refrigeration of a shipment from the truck cab by an electronic monitor. This convenience is a strong selling point.

The PC-700 programmable controller for controlling computerized production processes also depends on microprocessors. It can be installed on a manufacturing line to replace 50 or more relays. Sales volume at the Numa Logic Department, which makes the PC-700, doubled in 1979.

Microprocessors are being tested with roadway lighting so that lighting along streets and highways can be programmed to dim at night during non-peak traffic hours. This offers substantial energy and cost savings to municipalities and states.

The Semiconductor Division and the Industrial and Government Tube Division both received contracts to provide first-of-a-kind, solid-state energy-control equipment for the U.S. government's fusion power development program at Princeton, N.J.

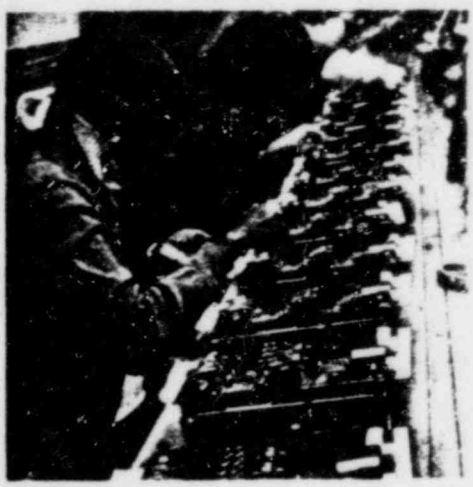
Advanced electronics and consumer preference have strengthened the market for Micarta laminates. Micarta decorative laminates, which are durable and easy to clean, have long been used as a surface material for countertops and furniture because they are offered in many different colors and patterns. In addition, new applications, such as walls, ceilings and racquetball court floors, are being identified continually. In the 1950's, Micarta copper-clad laminates joined integrated circuits and microprocessors in the new electronics industry. Today, they are the base material of printed circuit boards for electronics equipment, including new table top computers that store and process as much information as earlier room-sized models.

**More plants to meet customer demands**

A second Micarta plant is being built at a cost of $36 million to meet the growing demand for Micarta laminates.

Industry Products has an extensive plant expansion program under way with eight new plants — three in the United States, two in Canada, one in Brazil and two in Ireland. In addition to the new Micarta plant, Industry Products will construct three new plants in 1980. Capital improvements are being made at manufacturing and service facilities in each of the three groups.

For Industry Products, 1979 was a year of progress with product developments, market growth and a renewed emphasis on customer satisfaction.

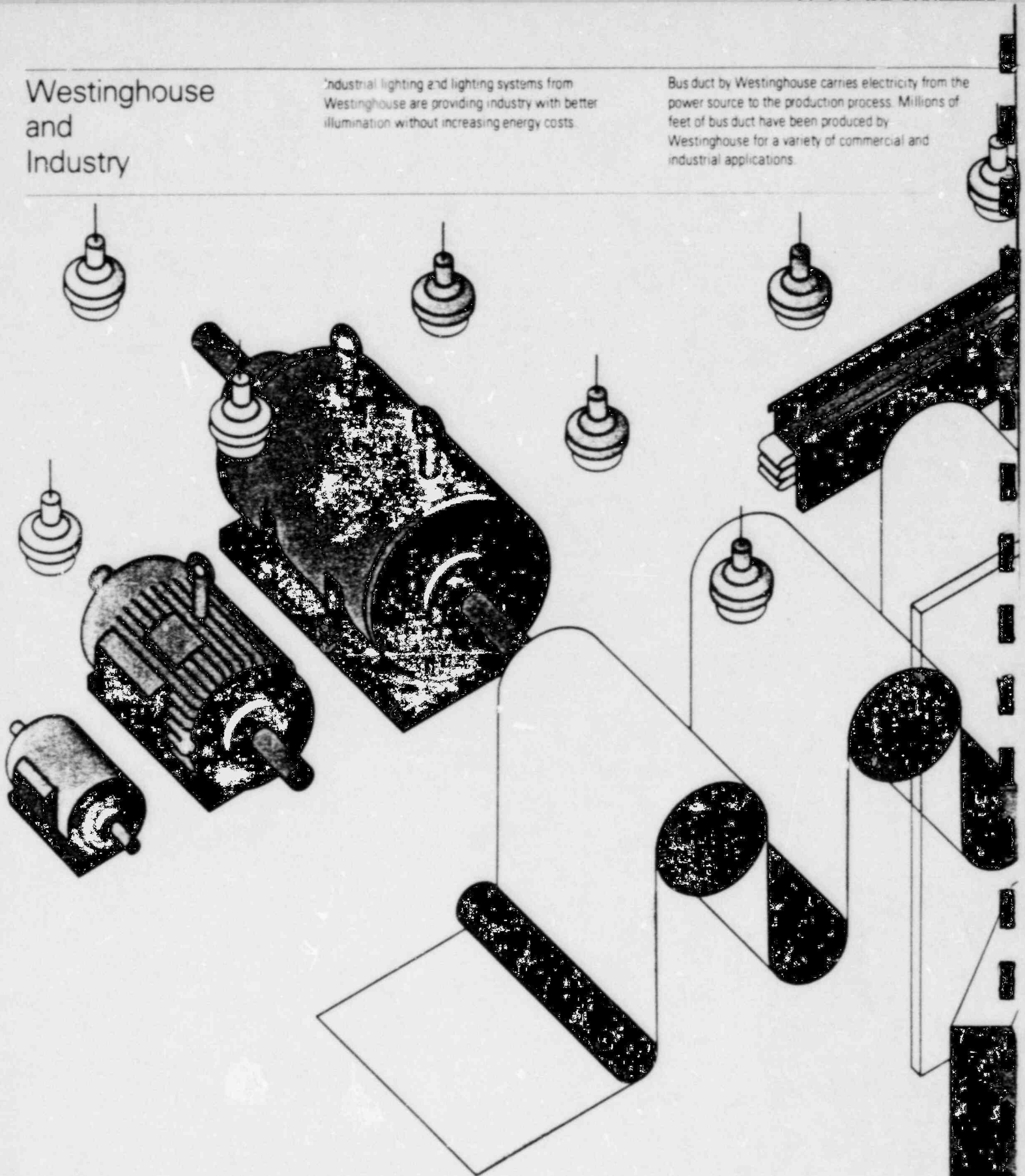


The rapid growth in electronics industries is creating a strong demand for Micarta copper-clad laminates, which are used in the production of printed circuit electronics. Fabricators machine the laminate, etch on circuitry and apply the electrical hardware for eventual end-use in television sets, calculators, automotive circuits, computers, communications equipment, instruments and controls as well as a host of other products which depend on advanced electronics.

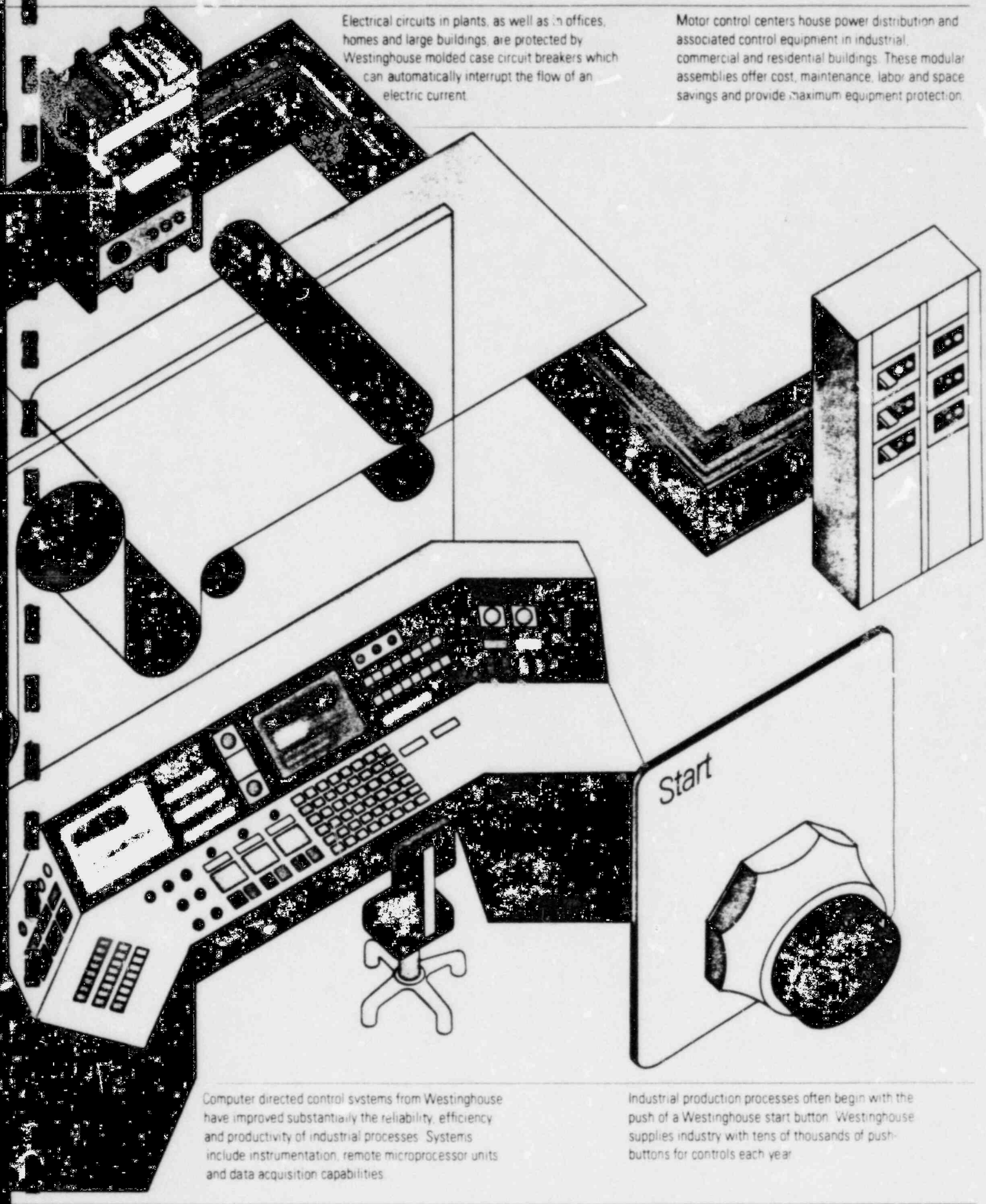
# Westinghouse and Industry

Industrial lighting and lighting systems from Westinghouse are providing industry with better illumination without increasing energy costs.

Bus duct by Westinghouse carries electricity from the power source to the production process. Millions of feet of bus duct have been produced by Westinghouse for a variety of commercial and industrial applications.



Motors are industry's muscle, and Westinghouse makes millions of them every year . . . from fractional horsepower motors for household appliances to giant units which drive the paper and pulp, textile, metals and mining industries.




Electrical circuits in plants, as well as in offices, homes and large buildings, are protected by Westinghouse molded case circuit breakers which can automatically interrupt the flow of an electric current.

Motor control centers house power distribution and associated control equipment in industrial, commercial and residential buildings. These modular assemblies offer cost, maintenance, labor and space savings and provide maximum equipment protection.

Computer directed control systems from Westinghouse have improved substantially the reliability, efficiency and productivity of industrial processes. Systems include instrumentation, remote microprocessor units and data acquisition capabilities.

Industrial production processes often begin with the push of a Westinghouse start button. Westinghouse supplies industry with tens of thousands of push-buttons for controls each year.

# Power Systems Company

**Marketing, manufacturing and financial improvements**

In 1979, the Power Systems Company made significant progress in a number of areas, achieving record sales and higher operating profits.

Sales in 1979 amounted to $2.6 billion, an increase of 5.7 percent over 1978 sales of $2.4 billion. Operating profits, at $163.4 million, were 17.4 percent ahead of the previous year's total of $139.2 million.

Power Systems improved its marketing, manufacturing and financial positions by:

- Substantially reducing its overhead in the Power Generation Group to accommodate existing market conditions.
- Initiating creative approaches to improve reliability, availability and efficiency of products supplied to the electric utility industry.
- Strengthening the basic cost structure of the Transmission and Distribution Group with the addition of new, efficient manufacturing plants.
- Maintaining its leadership in the nuclear business by investing in such solid-growth businesses as fuel fabrication.
- Increasing investment in opportunities abroad to take advantage of growth which is expected to be greater than the Gross National Product in the United States over the next several years.
- Emphasizing the services business by developing transportable inspection and repair tools which are to be used to service equipment in utility plants to reduce the length and cost of downtime.
- Continuing its major involvement in development of future energy sources to provide a strong Westinghouse position in these emerging technologies.

Westinghouse was among the first to forecast lower growth rates for electricity. As a result, Power Systems moved early to react to the lower demand for new equipment by increasing its service operations while consolidating manufacturing operations. The emphasis on service proved timely as utilities increased their outlays to extend the usefulness of existing equipment to avoid the high capital costs of new facilities.

Service was a key to the accomplishments of each of the company's three groups — Power Generation, Transmission and Distribution and Nuclear Energy Systems.

**Operator Training**

With the concern over nuclear power plant safety procedures following the events at Three Mile Island, Nuclear Energy Systems (NES) expanded and upgraded its training programs for nuclear plant operators. Hands-on experience in both routine and emergency power plant situations is being provided by Westinghouse control room simulators. Two such simulators are in use at a training center in Zion, Ill., and another is planned for a center in Pittsburgh.

Power Generation also is training utility operators and maintenance personnel in power plant operations. Near Philadelphia, Westinghouse completed construction of a center which makes it possible to train twice as many technicians as in previous facilities.

Efficient power plant operations depend on utility employes who are well-trained in proper maintenance and operational procedures. Westinghouse is contributing to that educational effort to help make the industry even more reliable and safe.

**World leader in nuclear technology**

Through its NES Group, Westinghouse has become the world leader in commercial nuclear technology. NES designs, manufactures and services pressurized water reactor systems and nuclear fuel for utilities.

A particularly notable development took place in Great Britain late in the year. That country, which is rich in coal and oil reserves, has reaffirmed its faith in nuclear power by deciding to build a nuclear plant based on the licensing of Westinghouse-developed technology of pressurized water reactors.

Seventy-seven commercial pressurized water reactors are in operation in the western world, 51 of them built by Westinghouse and its licensees, representing approximately 400 reactor years of safe, low-cost, reliable electrical power generation.

**Large utility orders**

Westinghouse obtained a $250 million order from the Korea Electric Company for two nuclear steam supply systems, associated nuclear fuel fabrication and two turbine-generators. The Korean project was the only nuclear order won in 1979 by a U.S. manufacturer of nuclear steam supply systems.

The company also announced the purchase of six 820,000-kilowatt steam turbine-generators by Middle South Services, Inc., in Louisiana, the largest single turbine-generator order ever obtained by Westinghouse.

**Greater reliability from improved products**

Innovation to improve product efficiency, performance and reliability to meet changing customer needs is a major effort of the Transmission and Distribution Group, which manufactures transformers, switchgear, capacitors, electric watt-hour meters, circuit breakers and other energy transmission and delivery products for utility, industrial and construction systems worldwide.

Westinghouse Lite Var capacitors improve motor efficiency by providing a high power factor and greater stability under load conditions. Electrical energy savings can be as much as six percent with payback on Lite Var capacitors as short as six months.

Conventional paper-wrapped conductor insulation in small power transformers is being replaced with a unique epoxy powder coating which is tougher, much more resistant to abrasion and chemically and thermally more stable than paper-wrap insulation. Epoxy powder coating will improve the reliability and extend the life of transformers.

A project jointly funded by the Electric Power Research Institute (EPRI), the Empire State Electric Energy Research Corporation, Niagara Mohawk and Westinghouse has resulted in the development of a suitable and lower cost replacement for PCB insulating fluid for use in transformers. This new fluid provides the desired thermal, chemical, dielectric and fire-resistant qualities needed for transformer applications in stores, hospitals and schools.

Bonneville Power Administration (BPA) in Oregon has completed a successful test program of the industry's first $SF_6$ insulated 550,000-volt reactor/capacitor switch, which was developed by the Transmission and Distribution Group under a joint contract funded by EPRI and BPA. This extra-high-voltage switching device will allow lower cost switching of large capacitor and reactor banks required for reactive compensation of long transmission lines.

Westinghouse will provide a 550,000-volt compressed gas insulated transmission line for the Canadian, British Columbia Hydro Revelstoke Gas Insulated Substation project. Gas insulated transmission lines provide a simple, efficient high power link in locations where overhead lines could not be used and in situations where conventional cable systems are not economical.

**Expanded operations for growth markets**

Westinghouse has expanded and modernized several plants to meet growing demands for services and equipment. Construction of a relay-instrument plant in Coral Springs, Fla., and a switchgear plant in Greenwood, S.C., is under way. A low-voltage instrument transformer plant was completed at Pinetops, N.C. Acquisition was made of the Induselet transformer plant in Brazil to round out transmission and distribution operations in that country, typifying the group's efforts to expand worldwide operations.

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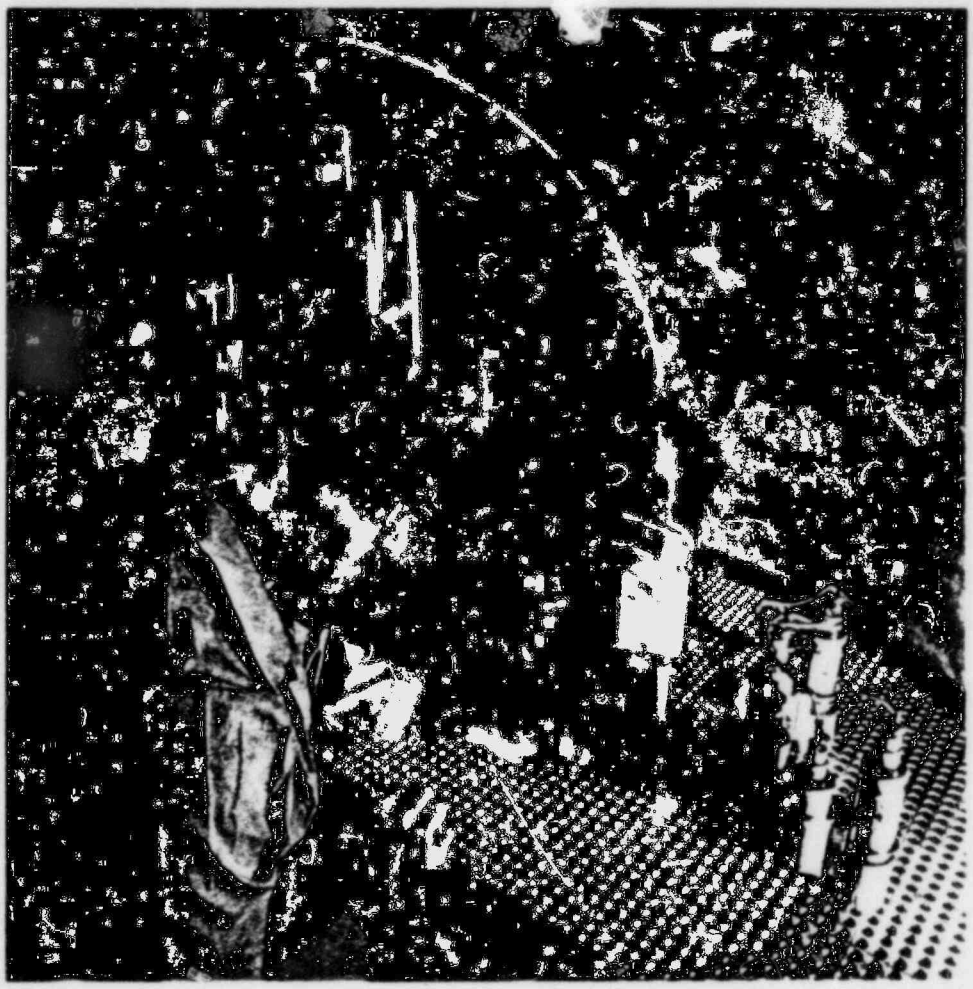
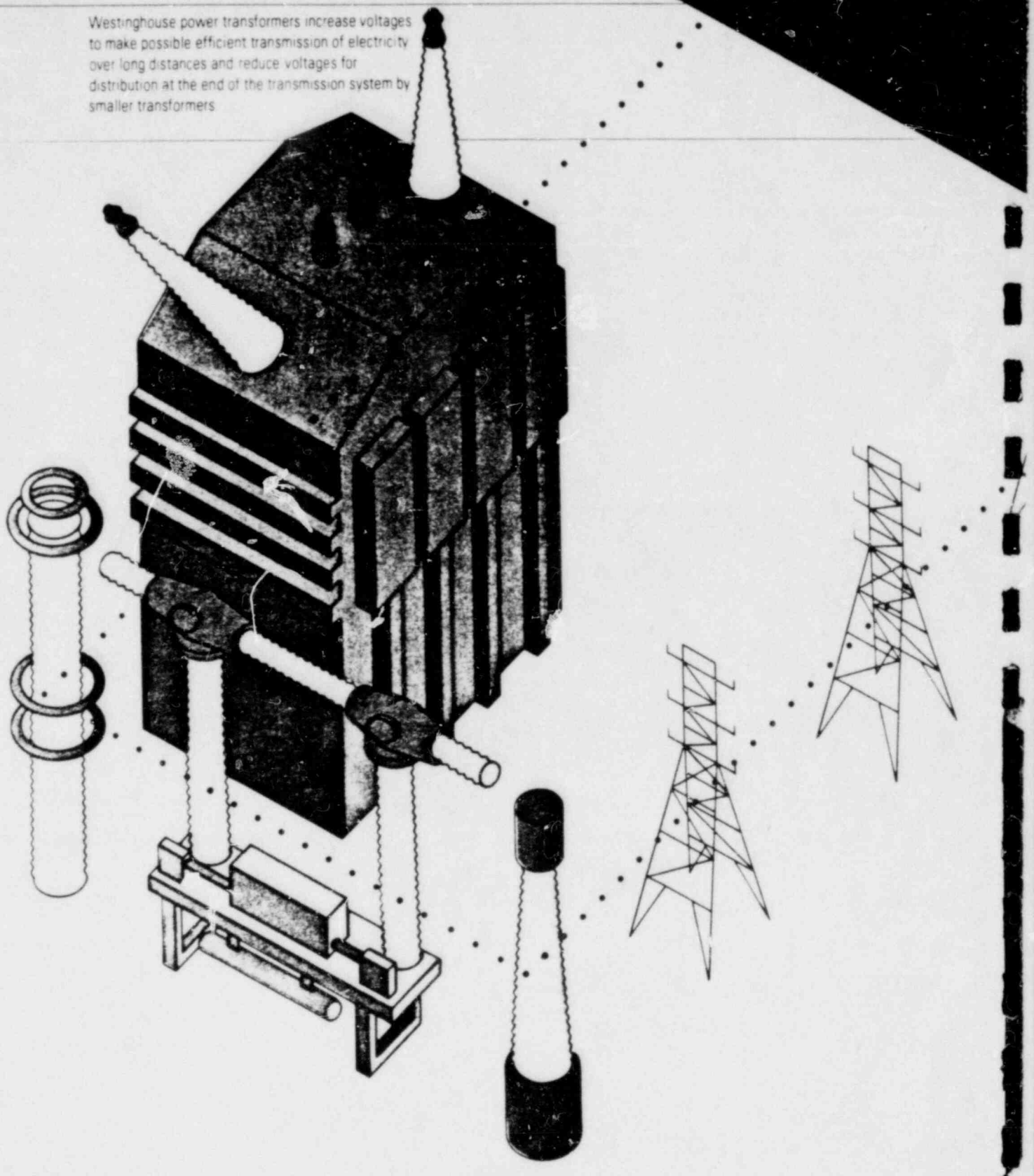


Remotely operated tooling for the inspection and maintenance of steam generator tubes and welds has been developed by the Nuclear Service Division to eliminate the need for personnel to enter radioactive areas and to prolong work periods. Here, a Westinghouse engineer is using a scaled-down replica of the actual robotic working tool. Every procedure performed on the replica is simultaneously duplicated by the larger service tool to perform service operations on the interior of a utility plant.

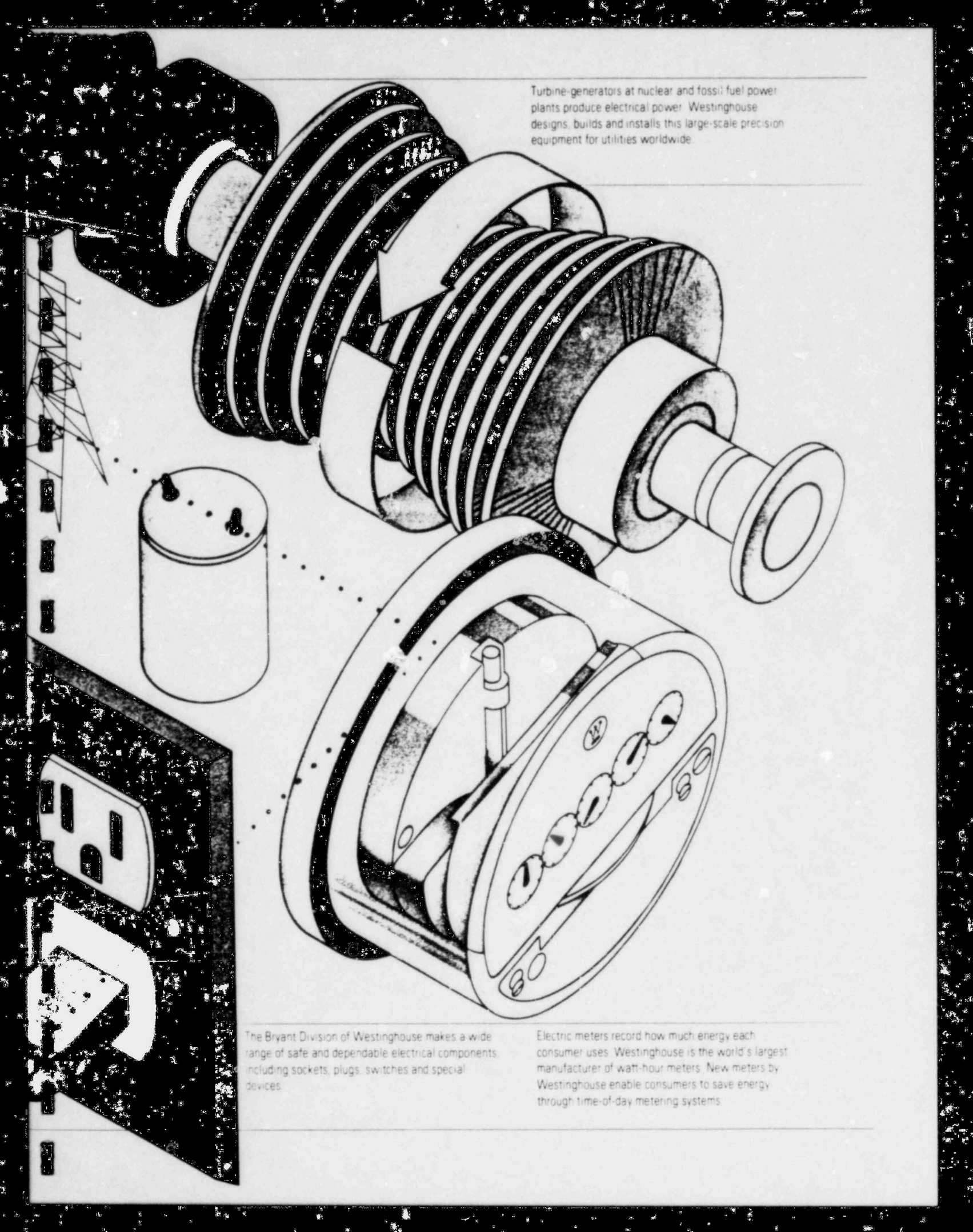
Westinghouse power transformers increase voltages to make possible efficient transmission of electricity over long distances and reduce voltages for distribution at the end of the transmission system by smaller transformers.



# Westinghouse and Electric Power

Power networks depend on highly specialized switchgear manufactured by Westinghouse to distribute energy and protect the network. Circuit breakers are needed to turn electricity on and off and protect electrical systems.

When the power reaches its destination, pole and pad-mounted distribution transformers reduce the voltage to the necessary level for consumer use in the home or at work. Westinghouse manufactures many sizes and types of these smaller transformers.



Turbine-generators at nuclear and fossil fuel power plants produce electrical power. Westinghouse designs, builds and installs this large-scale precision equipment for utilities worldwide.

The Bryant Division of Westinghouse makes a wide range of safe and dependable electrical components, including sockets, plugs, switches and special devices.

Electric meters record how much energy each consumer uses. Westinghouse is the world's largest manufacturer of watt-hour meters. New meters by Westinghouse enable consumers to save energy through time-of-day metering systems.

At the steam turbine plant in Charlotte, N.C., new machinery and Westinghouse-designed and built inspection instruments have been added to give the plant the most complete turbine service capability available to utilities in the Southeast.

A plant to produce zirconium for nuclear fuel tubing is nearing completion in Utah. This is expected to be a growth business based on continued strong demands for the fabrication of nuclear fuel. The nuclear fuel fabrication plant in Columbia, S.C., has increased its production capabilities by 25 percent.

Wyoming Mineral Corporation (WMC), a Westinghouse subsidiary, raised its holdings in producible uranium by 32 percent with the addition of a joint venture mining/milling complex operating agreement with Conoco Inc. This conventional complex in New Mexico supplements the Colorado open-pit mining operation — a joint venture entered into by WMC in 1978 with Cyprus Mines Corporation. These conventional mining operations add substantially to WMC's future capacity to produce uranium. Current production is through chemical extraction techniques from uranium ore bodies, copper tailings and phosphate. A substantial portion of WMC's business is devoted to producing uranium for the uranium supply contract suit settlements.

**Research and development — keys to the future**

Looking beyond today's markets, Power Systems is exploring ways to create new opportunities through research and development involving alternative energy sources and technologies.

Development of nuclear power as a significant contributor to the electrical generating needs of the world required 20 years of research and investment. Development of additional energy sources will likewise require substantial time and money. Westinghouse believes alternative energy forms must be developed and appropriate applications found for each. A strong economy and a more predictable business environment in the future depend on harnessing new energy sources for the generation of electricity.

Extensive research is being carried out to make commercially feasible solar, coal gasification and liquefaction, nuclear fusion and other advanced energy sources.

Westinghouse is the prime contractor for development of the Clinch River Breeder Reactor at Oak Ridge, Tenn. A breeder reactor produces both power and new fuel at the same time. The U.S. Congress has approved funding for Clinch River through 1980.

Breeder reactor technology also is being studied and tested at the Hanford Engineering Development Laboratory (HEDL) in Hanford, Wash. The U.S. Department of Energy has selected Westinghouse for its third five-year contract to operate this installation, which includes the sophisticated Fast Flux Test Facility for testing fast breeder reactor fuels, components and materials. HEDL is the only facility of its kind in the world. It will provide large-scale test capabilities for advanced fuels and other materials when it becomes fully operational this year.

In other areas, Power Systems is developing the first commercial size superconducting generator; a commercially feasible procedure for manufacturing solar cells; low-cost sun reflectors for utility systems; low Btu gas from coal; higher efficiency fossil fuel plants; advanced technologies such as magnetohydrodynamics; and a variety of energy-saving transmission and distribution products.

For the Power Systems Company, research advances, enhanced customer service programs and strong business from many traditional markets made 1979 a year of significant accomplishment.

Converting energy from the sun to electricity by means of solar cells is receiving worldwide attention. At Westinghouse, research scientists and engineers are developing solar cells through the manufacture of crystal silicon into strips. Known as the Westinghouse Silicon Dendritic Web, this is a unique approach to decreasing cell costs and hastening the commercialization of solar systems, which have promise as auxiliary alternative energy sources in the future.

# Public Systems Company

**Technology and aggressive marketing**

Technological leadership and aggressive marketing combined to give the Public Systems Company a record sales year with $1.8 billion in sales — a 15.5 percent increase over 1978.

Operating profits of $86.6 million were down due to the seven-week strike and a slow-down in new home construction. The Heating and Cooling Business Unit results were depressed additionally by government regulations which mandated the redesign of several products.

Total unfilled orders at year-end stood at $2.1 billion, a record high predominantly from Defense. In addition, the Defense Business Unit has a number of development or early production contracts which have a high probability of follow-on production, strongly supported by U.S. Department of Defense strategic planning.

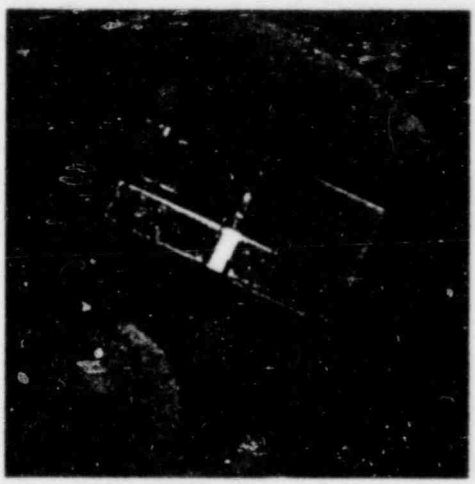
**A solid base through diversity and new products**

The Public Systems Company with its four groups — Defense, Construction, Learning and Leisure and Community Development — is the most diversified of the Westinghouse companies. Its products include highly sophisticated electronic communications and aircraft detection systems; people movers, elevators and escalators; heating and cooling systems for commercial, industrial and residential applications; open office furniture systems; school supplies; fine watches; and soft drinks.

The overall improvement in Public Systems sales reflects the continued strength of established businesses, such as elevators and defense electronics, as well as the strength of relatively new products, such as open office furniture systems and soft drink bottling operations.

Energy-saving products from the company have met with wide acceptance in the marketplace. An example is the Templifier® industrial heat pump, a product of the Construction Group. It converts normally wasted heat into usable energy by capturing and recycling it into heating systems. The same energy conservation concern went into the design of task lighting for the Architectural System Division's open office furniture systems. Task lighting directs illumination only into areas that need lighting, rather than over an entire room. Energy efficiency also is an advantage of Westinghouse solid-state controls for elevators and transportation systems.

The U.S. Department of Energy awarded the Construction Group a research contract to design the "heat pump of the future." Westinghouse won the competition from among 15 leading heat pump manufacturers because of the corporation's proven technological leadership in heating, ventilating and air conditioning. This new heat pump will be designed for residential and commercial application.



The small gallium arsenide chip at the center of this device will enable Westinghouse to reduce the size of aircraft radar signal and power amplifiers by almost 100 times. This and other Westinghouse developments will make future radar systems even more accurate, more reliable and less costly to produce.

**Technological leadership in defense**

The Defense Group provides a strong technological base for the Public Systems Company and in 1979 placed 18th on the list of top 100 U.S. Department of Defense contractors. Westinghouse is producing the ALQ-131 electronic countermeasures system for F-4, F-111, A-10 and F-16 aircraft. Production has started on a tail-warning system for B-52 bombers which can detect aircraft or missiles approaching from the rear and automatically initiate countermeasures against missiles which are not radar guided.

The first European F-16's and the first F-16 radars, co-produced in four European countries and the United States, were delivered during 1979. Westinghouse, along with a German company, is building a radar for NATO's Airborne Warning and Control System (AWACS). AWACS radar mounted on an E-3A aircraft can look down from an altitude of 30,000 feet and beyond the horizon to help direct air defense and tactical aircraft against enemy targets and to provide early warning of enemy attacks in an airspace of more than three million cubic miles. A contract valued at more than $30 million was awarded to build a U.S.-based maintenance depot for the AWACS radar.

The Defense Group continues a leadership position in ground-based air defense radars and systems. For example, more AN/TPS-43 tactical air defense radars have been built by Westinghouse than the combined total of all other three-dimensional radars of its type. Seventeen nations use this type radar for air defense. In a joint effort with Westinghouse Canada Ltd., an airport surveillance radar and terminal communications system has been supplied to the Canadian Department of Defense for all-weather, military air traffic control and approach guidance.

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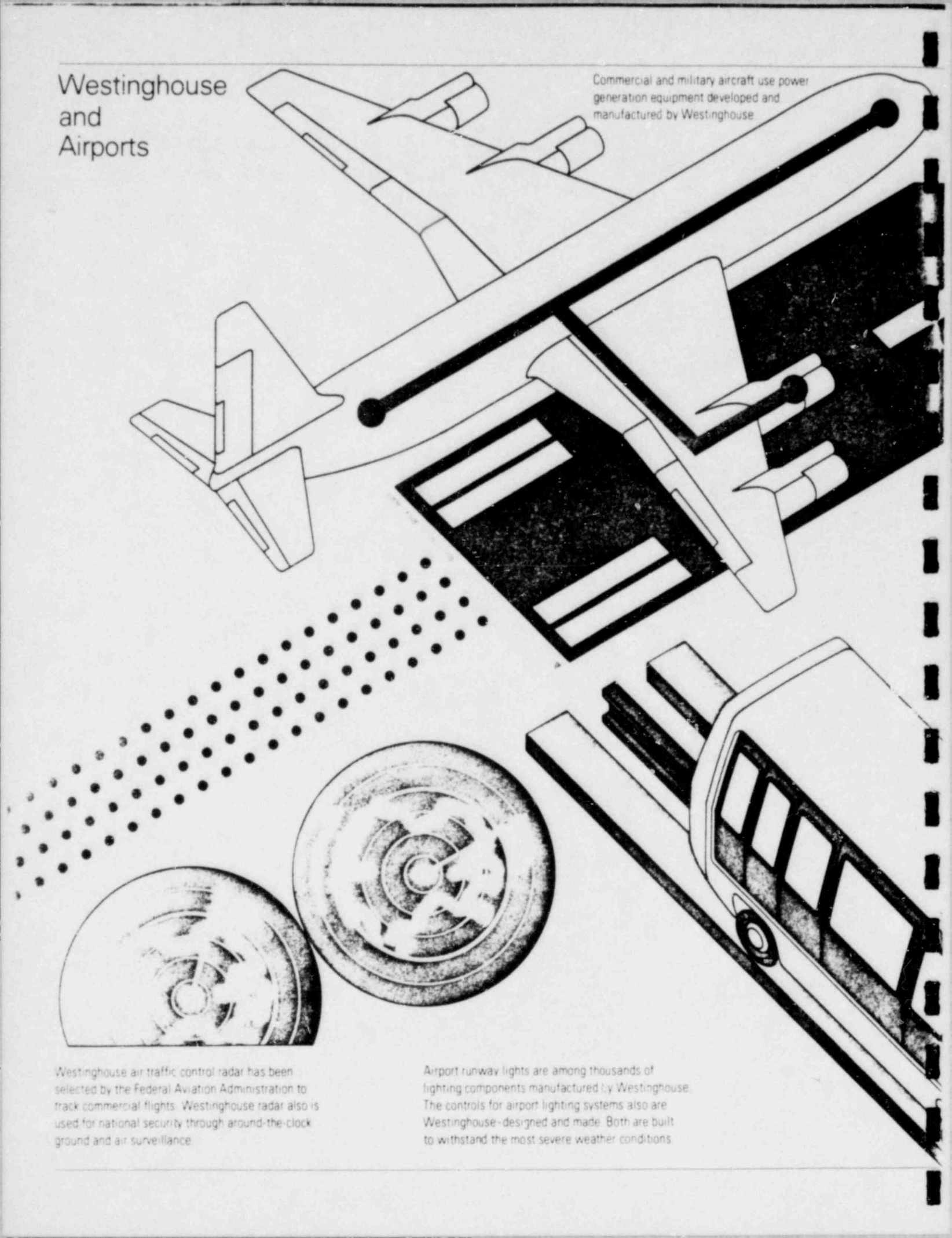
# Westinghouse and Airports

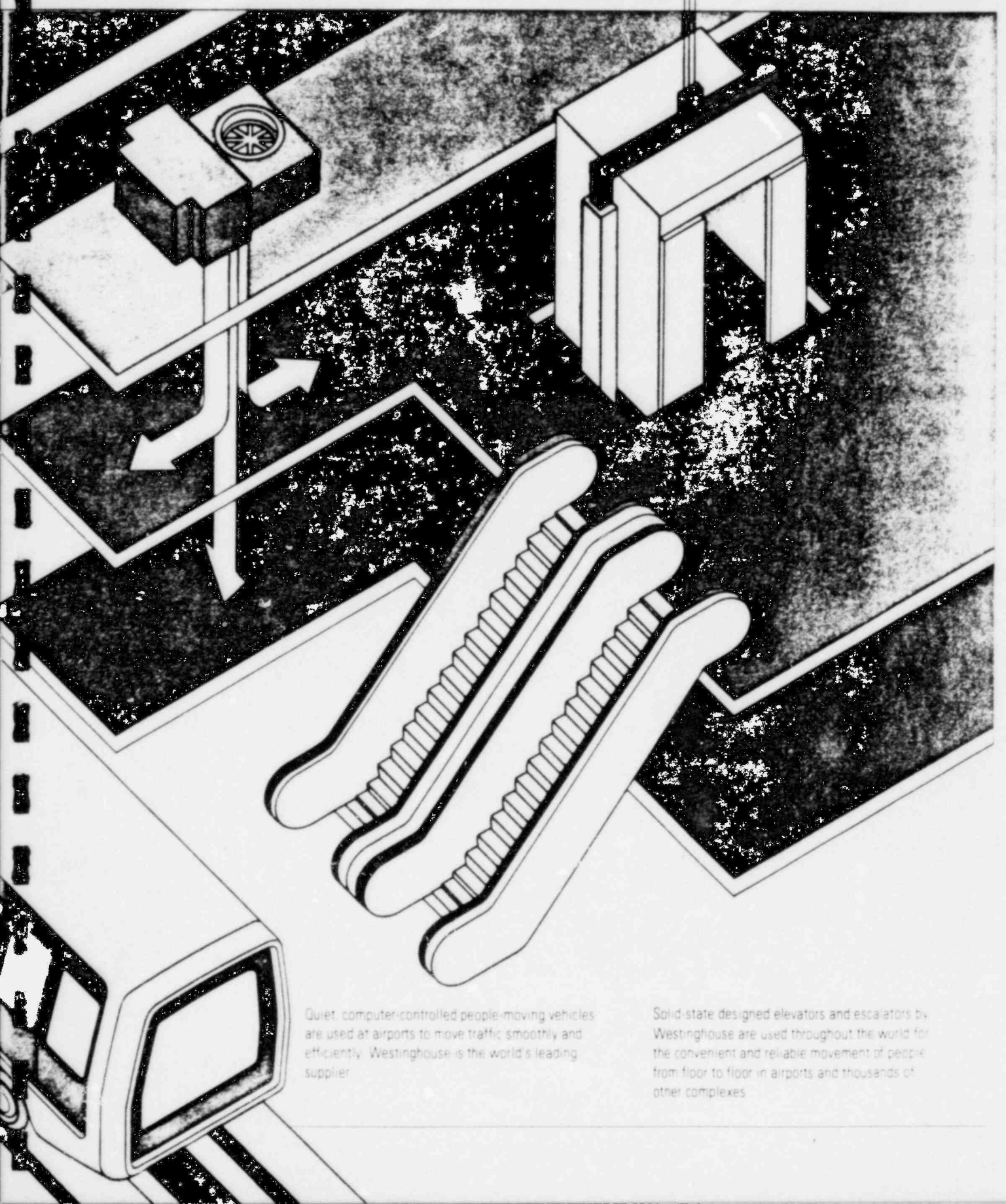
Commercial and military aircraft use power generation equipment developed and manufactured by Westinghouse.



Westinghouse air traffic control radar has been selected by the Federal Aviation Administration to track commercial flights. Westinghouse radar also is used for national security through around-the-clock ground and air surveillance.

Airport runway lights are among thousands of lighting components manufactured by Westinghouse. The controls for airport lighting systems also are Westinghouse-designed and made. Both are built to withstand the most severe weather conditions.

Cooling vast spaces like airport terminals is routine for Westinghouse commercial air-conditioning units. New designs emphasize energy savings.



Quiet, computer-controlled people-moving vehicles are used at airports to move traffic smoothly and efficiently. Westinghouse is the world's leading supplier.

Solid-state designed elevators and escalators by Westinghouse are used throughout the world for the convenient and reliable movement of people from floor to floor in airports and thousands of other complexes.

A joint development team of Westinghouse and ITT was awarded a competitive development contract by the U.S. Navy for the Airborne Self-Protection Jammer system which will protect tactical aircraft from radar-guided weapons. Westinghouse also is involved in the development of standard airborne computers for the U.S. Air Force and a radar to provide fully automatic, all-weather, shoot-on-the-move fire-control capability for a mobile air defense gun system for the U.S. Army.

Also in 1979, the Marine Division obtained the production contract for Trident submarine missile launch tubes.

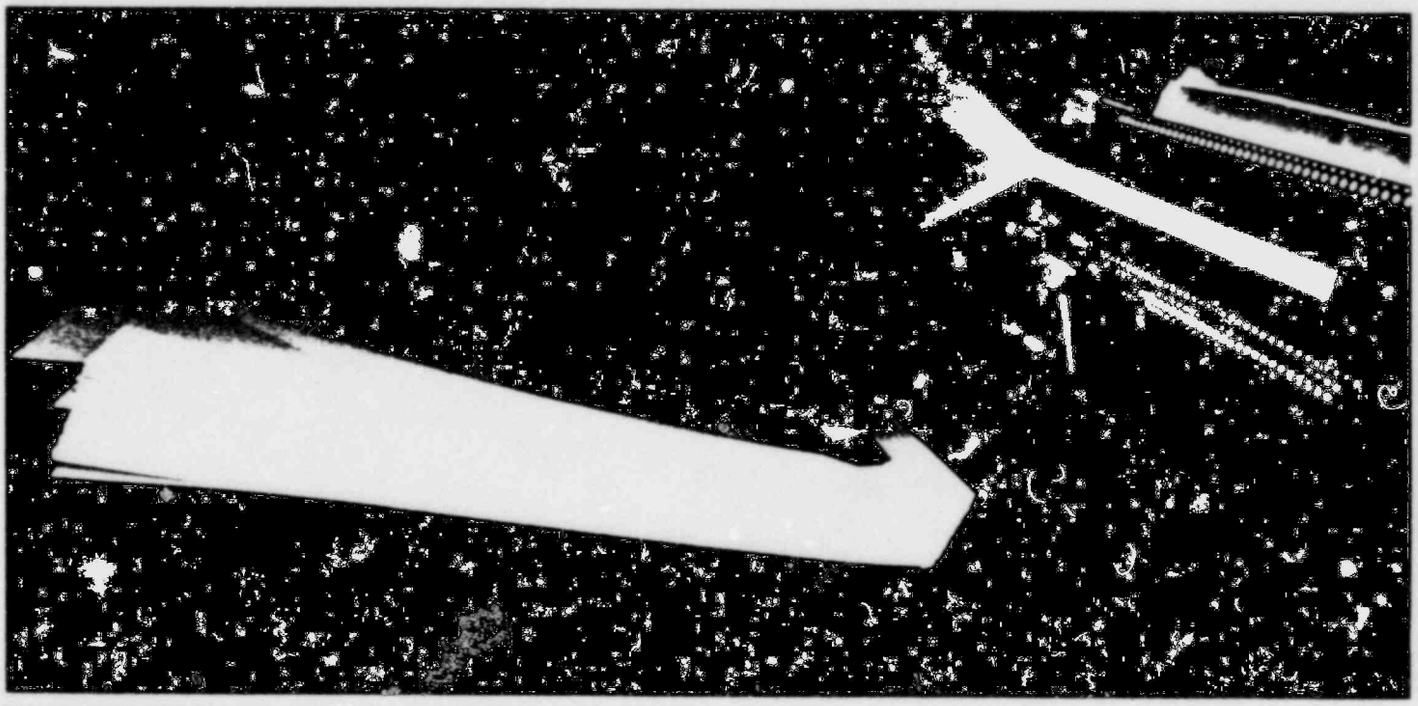
**Product development with technological innovation**

The use of technological advancements in computers and printers enables Westinghouse DataScore Systems to continue its leadership as one of the largest wholesale automated test-scoring services in the United States. DataScore, formerly known as the Measurement Research Center, scores more than 100 million documents a year. Sophisticated computer programs are designed by DataScore for new optical scanners and high-speed laser printers which are capable of turning out volumes of material in a matter of minutes. DataScore's ability to design these systems as well as special programs is being marketed for new applications such as census enumeration and attitude surveys.

Computerized floor space analysis and custom planned office layouts have made the Architectural Systems Division an industry leader in innovative open space office designs.

The declining enrollment in elementary and secondary schools has prompted the Westinghouse Learning Corporation to develop new products and seek new markets for additional customers. The Ideal School Supply Company, which has traditionally focused on elementary schools with its line of more than 1,500 products, has expanded into secondary schools.

Westinghouse Learning Corporation's skills in computer management have been harnessed to deal with educational curricula for the youngster who needs individual attention in the classroom. Mastery Centers remedial education systems for math and reading, were marketed for the first time in 1979 and were well received by educators.



The Westinghouse optical scanner at DataScore can read thousands of standardized documents a minute. More than 100 million documents are processed each year at DataScore, one of the largest wholesale automated test-scoring services in the United States. Besides academic test scoring, this Westinghouse operation also is capable of tabulating census, opinion poll and other data that can be standardized.

Linguaphone, a large supplier of home-study language courses with franchises in 87 countries, has introduced video tapes to teach diction. Initial use of these tapes is in Japan in Linguaphone's Japanese/English program.

**New markets and new marketing approaches for existing products**

Finding new markets for existing products is as important as developing new products.

New market spinoffs from defense technologies can be far-reaching. In one case, radar systems developed for the military have been successfully used by the U.S. Customs Service to detect low-flying aircraft and curb the flow of drugs into the United States. One result was the recovery of more than $100 million worth of drugs in one weekend. Acoustic flow measuring systems such as those used on the Trans-Alaskan Pipeline also are an offshoot of military technology.

Despite a generally soft watch market, the Longines-Wittnauer Watch Company achieved record earnings. Buyers of expensive luxury watches remained the primary target for the company's advertising program, and the more expensive lines continued to be among its best sellers — despite the inflationary economy. Longines-Wittnauer remains one of the few strong U.S. watch companies.

Elsewhere in the Learning and Leisure Group, the Beverage Group has refined its beverage sales and distribution systems to achieve productivity improvements and to improve shipping and delivery operations. Through pre-sell programs, customer orders are obtained in advance. Individual shipments are then prepared and delivered, eliminating both unnecessary loading and the hit-or-miss orders that were often associated with traditional route sales. Improved marketing and increased efficiencies have resulted from this system. Westinghouse is the largest bottler of 7-Up in the world, and its product lines include a substantial group of leading nationally branded soft drinks. The group holds franchises in California, Arizona, Indiana and Puerto Rico.

In the Community Development Group, Coral Springs, a Florida community of 33,000 residents, is trying to attract industry in order to become a more self-sustaining community. Westinghouse is completing a relay-instrument plant in the industrial park there, joining several other manufacturers. At Pelican Bay, near Naples, Fla., sales and home construction have begun, and a championship golf course has been completed.

For the 33rd consecutive year, Coral Ridge Properties — the principal development arm of Community Development — had a profitable year. Record earnings were achieved.

Specialized marketing and distribution are key strengths of the Construction Group in serving markets for elevators, transportation, power and industrial fans, heating and cooling equipment and open office furniture systems. One of its most rapidly expanding businesses is the manufacture of people mover systems. In addition to people mover orders from the Tampa, Seattle-Tacoma, Atlanta, Miami and Orlando airports and the Busch Gardens Park at Williamsburg, Va., Westinghouse has been awarded a contract to install its first overseas system at Gatwick Airport near London. Propulsion and control equipment for mass transit systems represents another expanding market with increased requirements for commuter transportation.

Demands by utilities for pollution control and energy-saving equipment resulted in the Sturtevant Division teaming with other Westinghouse divisions to fill orders from the Tennessee Valley Authority (TVA) and Southwestern Public Service Company. For TVA, Sturtevant will supply eight centrifugal-induced draft fans to move air through scrubbers used for air pollution control. Southwestern will receive five centrifugal-forced and induced draft fans with adjustable frequency, electronically controlled drive systems. This new system is expected to save the utility a substantial amount in reduced energy costs as well as increasing power plant reliability.

Thus, 1979 was a year of opportunities for the Public Systems Company. Those opportunities were realized because the research and development, products and services were there to meet the needs of the many markets it serves.

# International

**Organizing for growth markets of the 80's**

Recognizing the dramatic changes taking place in the worldwide business environment and the potential opportunities for Westinghouse, the corporation established a new International organization in the last half of 1979. Its purpose is to effectively integrate the activities of the domestic business units and the in-country operations in key-market nations of the world. The organization will provide Westinghouse with a management structure tailored to adapt to the differing market and economic considerations of each country.

The International organization also will administer order management and human resource development and help coordinate treasury, finance, law and tax functions to support worldwide marketing strategies.

**Overseas operations**

Westinghouse export sales totaled $898 million in 1979, an increase of 14 percent over $789 million in 1978. Sales from non-U.S. manufacturing operations were up 25 percent with a $972 million total compared with $778 million in 1978.

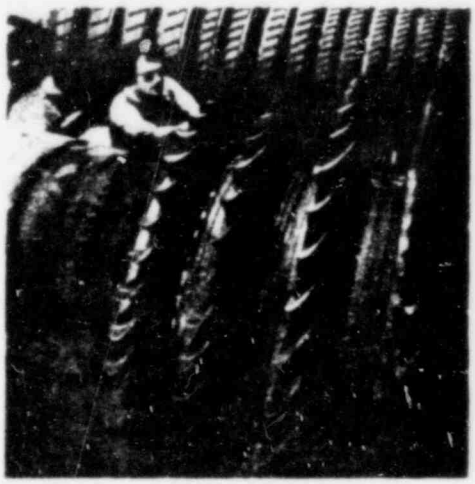
Some 24,000 men and women are employed by Westinghouse in 43 foreign countries. Approximately 90 Westinghouse manufacturing, service and repair plants are outside the United States.

**International market development**

A country-by-country approach is being taken to build markets for new and existing products and to strengthen the Westinghouse identity as a multinational corporation. Besides exports and in-country manufacturing, markets are being developed through licensing and technical assistance agreements and in-country manufacturing for export to third countries.

Principal manufacturing countries for Westinghouse are Canada, Brazil, Venezuela, Spain, England, Australia and Ireland. A wide variety of products is made in these countries, but, in most, the lines parallel those made in the United States.

To establish Westinghouse as a strong, technically advanced supplier, special marketing projects were undertaken to tell the Westinghouse story to developing nations. A comprehensive trade show in Saudi Arabia and a visit to the People's Republic of China by top management marked major progress in this area. The Saudi Arabian trade show was the largest exposition ever staged by a U.S. company in Saudi Arabia. The China trip resulted from



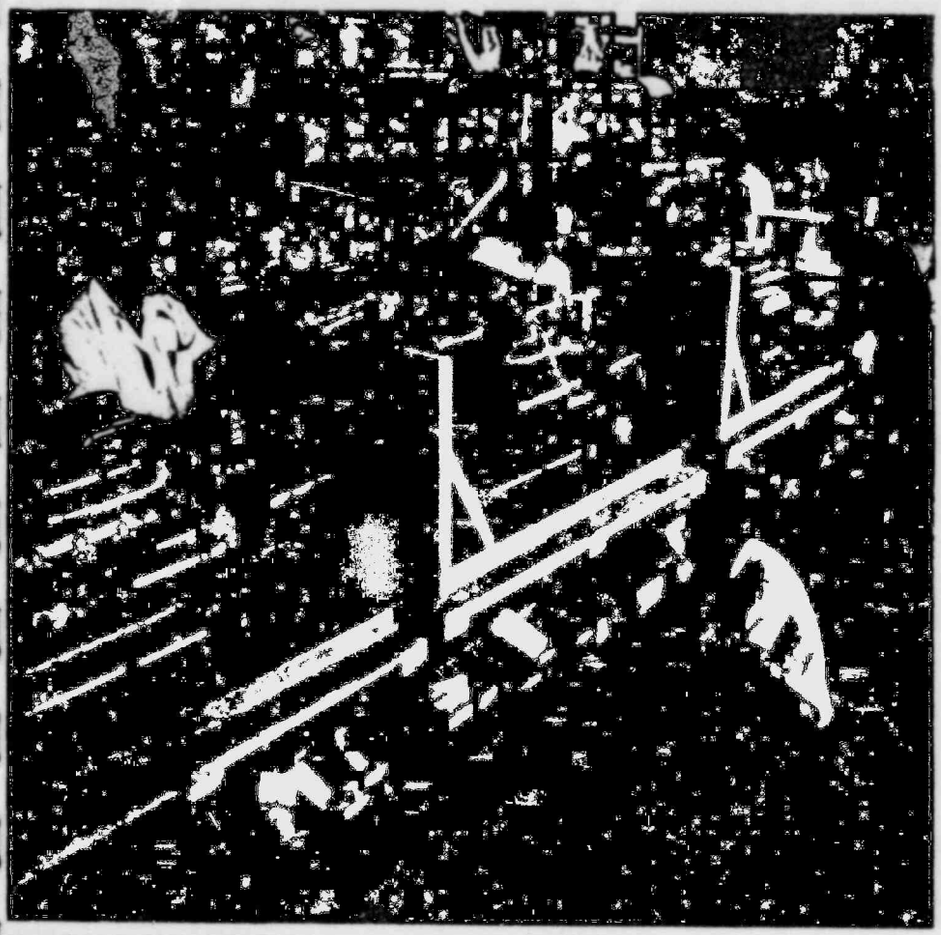
Westinghouse Industry Services is a worldwide business which offers repair and maintenance capabilities to utilities and industry in 10 foreign countries. At this apparatus repair plant in Saudi Arabia, gas turbines, valves, pumps, electric motors, generators, transformers and other power equipment are serviced.

an invitation from the Chinese government, one of only a few to private companies in the United States since trade relations opened between the two countries. Twenty-seven technical topics were presented in seminars by the Westinghouse representatives to Chinese scientists and government officials.

Overseas markets remain strong for Thermo King, nuclear power generation equipment, defense products, air conditioning equipment and industry and utility services. Worldwide sales and service networks exist in each of these areas.

**Business around the world**

Westinghouse was the only company in the world to receive an order for nuclear steam supply systems during the year. That order came from Korea for two new nuclear power plants. The Defense Group won its first overseas order for the ARSR-3 radar system from the Swiss government. Work continued on the installation of a nationwide command, control and communications system in Morocco. The first Templifier® industrial heat pump sold overseas was installed as part of a heat recovery system in a dairy near Birmingham, England. Large air conditioning systems were bought for a major new residential/office complex in Hong Kong, the Manila International Airport and seven Venezuelan hospitals.



The manufacture of Thermo King refrigeration units in Brazil is representative of the international scope of this Westinghouse subsidiary. Thermo King is a pioneer and world leader in making transport refrigeration units for trucks and ships. Thermo King does business in 80 countries.

Utility power plant operators and maintenance personnel from throughout the world are trained at Westinghouse training centers for both nuclear and fossil-fueled plants.

Transportation equipment orders came from the Rio de Janeiro metropolitan transit system, the Sao Paulo rapid transit system and London's Gatwick Airport. The Montreal Metro ordered 79 escalators from Westinghouse Canada, Ltd., for new transit stations.

Electrical equipment orders came from throughout the world. For instance, the Egyptian Electricity Authority ordered two complete substations from the Medium Transformer Division, and the Trinidad and Tobago Electricity Corporation ordered an 88,000-kilowatt combustion turbine power plant. Using Westinghouse technology, a Japanese licensee has contracted to build 10 desalination plants in Saudi Arabia.

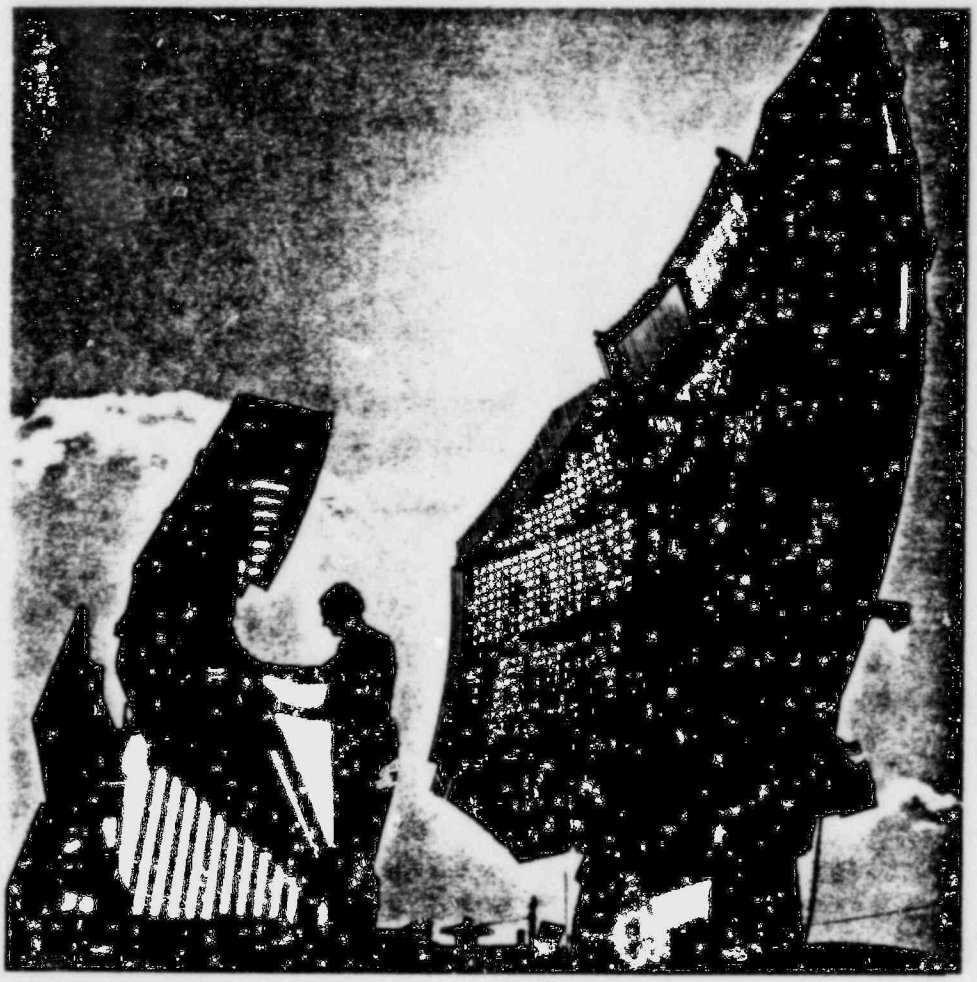
**Challenges ahead**

Along with its opportunities, the decade of the 80's will present some difficult challenges in the international market. There will be increased competition from overseas multinationals, many of which have strong support from their governments. Political instability and high inflation rates will cause insecurity in some nations. Monetary devaluation and trade restrictions will make market penetration difficult in other areas.

Westinghouse is confident the new International organization is capable of meeting these challenges and broadening the corporation's world marketing base for the sale of products and services.

**Westinghouse honored**

In December, Westinghouse Chairman R.E. Kirby was honored by the government of Japan with its highest decoration for a foreign non-government individual. The award was presented to Mr. Kirby and Westinghouse for "many contributions to the development of Japan's economy and the promotion of friendship between the United States and Japan."



AN/TPS-43 radars supplied by Westinghouse provide 17 countries with reliable around-the-clock air defense, tactical air surveillance and safe air traffic control monitoring. They detect high-speed, low-flying aircraft to a range of 250 nautical miles. More of these AN/TPS-43 tactical air defense radars have been built by Westinghouse than the combined total of all other three-dimensional radars of this type.

# Westinghouse Broadcasting Company

**New programming, acquisitions and satellite communications**

Innovative programming, acquisitions and the first steps toward using satellite communications technology highlighted 1979 for the Westinghouse Broadcasting Company, known as Group W.

Good results were reported by all segments of the company — radio, television, Group W Productions and cable TV operations. Higher sales were achieved. Television and cable operations showed the strongest gains.

**Group W Productions — expansion**

Moving to capitalize on the burgeoning television programming market of the 1980's, Group W Productions announced its commitment to become a "full service" production company.

New and significant projects in the form of made-for-TV movies and specials for the commercial networks, in addition to developing programming for cable television, got under way.

PM MAGAZINE, the cooperatively produced and distributed version of EVENING MAGAZINE, Group W's Monday-through-Friday information and entertainment series, is the number-one rated program in the prime time access period in the country's 50 largest cities. Starting with 17 stations in late 1978, PM MAGAZINE expanded to 46 in 1979, and new stations across the country continue to join the cooperative. The EVENING/PM MAGAZINE project has received much critical acclaim, including a special Iris Award for "courageous programming" given by the National Association of Television Program Executives.

Shortly after year's end, Group W Productions announced that popular entertainer John Davidson will host a new daily, talk/variety show, succeeding the long-running "Mike Douglas Show," in mid-1980.

**Group W acquisitions**

As part of its strategic plan for future growth and development, Group W made several radio and television station acquisitions. The company bought its first UHF television station, WRET-TV in Charlotte, N.C., and two FM radio stations in Texas — KODA in Houston and KOAX in Dallas-Fort Worth. The FM radio stations represent the first radio purchases by Group W in more than a decade. Subject to the approval of the Federal Communications Commission, the company will own and operate seven AM and four FM radio stations and six television stations.

**News and public affairs — continued strengths**

Group W continues to be a leader in news and public affairs programming in its local communities. WIND Radio in Chicago was converted to a unique news/talk format. The company also made its Pittsburgh FM radio station a fully-staffed commercial operation renamed WPNT. Initial community reaction to the station's conversion has been good.

The work of the television stations' "I-Team" investigative reporting units contributes to strong and competitively-ranked news operations. Among the many subjects of municipal and state concern reported were stories on tax evasion by prominent community leaders; the perils of high-volume, low-quality medical care; and the discriminatory practices of employment agencies.

**Satellite communications — a step toward the future**

A significant broadcast industry advance made by Group W was its agreement with the Western Union Telegraph Company for its planned use of the Westar satellite for transmitting and receiving programs and commercials. This will greatly enhance the efficiency and versatility with which Group W stations can interchange programming and commercial material with one another as well as with the production company in Los Angeles, Group W's Washington News Bureau and non-Group W stations with compatible distribution systems.

**Growth in cable television**

Group W's Clearview Cable systems in Georgia and Florida continue their strong performance, aided by continued demand for cable service.

On location with the crew of PM MAGAZINE at WISH-TV, Indianapolis. Their story: hometown hero Marvin Johnson and the joy of being WBA Light Heavyweight Champion of the World. PM MAGAZINE is Group W's syndicated, cooperatively produced and distributed version of EVENING MAGAZINE, the award-winning information and entertainment series pioneered and produced by the Group W television stations.

# Westinghouse Credit Corporation

**Earnings results**

During 1979, Westinghouse Credit Corporation (WCC) achieved a modest increase in total outstandings with a year-end figure of $1.8 billion. Unusually high short-term interest rates, which raised the Credit Corporation's total cost of funds, and depressed conditions in the coal industry, a major business area for WCC, caused net income to fall below the previous record year. Income for the year was $15.2 million, down 28 percent from 1978.

**Strength from diversity**

As one of the most diversified and largest finance companies in the country, WCC was able to partially offset weakness in coal equipment receivables with strong performance in other segments of the four operating groups — Industrial, Consumer, Real Estate and Business Financing.

The Industrial Group, the largest of WCC's four groups, expanded its financing in a number of industries including printing, metalworking, construction, transportation and oil and gas.

The Consumer Group recorded the largest volume figures in its history. Strong business activity continued in inventory financing for dealers in appliances, pianos and organs, televisions and stereos and other consumer durable goods.

**New organizations for real estate and business financing**

This was the first year of separate operations for the Real Estate and Business Financing groups.

The Real Estate Group is the fastest growing of the four WCC groups. The group finances development of shopping centers, office plazas, condominiums, hotels and health care facilities.

The Business Financing Group consists of the Commercial Financing, Corporate Financing and Leveraged Leasing divisions which make loans to corporations for large projects, acquisitions and general corporate purposes. The group also finances receivables and inventory for distributors and manufacturers and makes arrangements for the leasing of aircraft, computers, railroad rolling stock and marine equipment.

The two new groups were formed in recognition of the long-term potential for further expansion and increased diversity in these businesses.

**Changes in capital structure**

Significant improvements were made in WCC's balance sheet in 1979. The corporation renegotiated an existing $75 million term loan with six banks at a more favorable rate and closed a five-year term loan of $25 million from a major bank at a 9.75 percent fixed rate. In addition, commitments for term loans aggregating $75 million were negotiated with two other major banks.

At the end of the year, the Westinghouse Electric Corporation's total equity investment in WCC was $215 million.

# Financial Statements

**Report of Management**

The Corporation has prepared the consolidated financial statements and related financial information included in this report. Management has the primary responsibility for the integrity of the financial statements and other financial information and for ascertaining that the data accurately reflect the financial position and results of operations 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 to materiality. Financial information included elsewhere in this annual report is consistent with the financial statements.

The Corporation maintains a system of internal accounting controls, supported by 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 internal 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 fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and 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 which is comprised solely of directors who are not officers or employes of the Corporation. The Audit Review Committee meets regularly with the independent accountants, management and the internal auditors. The independent accountants have direct access to the Audit Review Committee, with or 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 an appropriately high standard of business conduct.

## Consolidated Statements of Income and Retained Earnings

| Income Statement (in millions) | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Sales | $7,332.0 | $6,663.3 |
| Cost of sales | 5,688.2 | 5,127.6 |
| Distribution, administration and general expenses | 1,163.7 | 1,030.0 |
| Depreciation | 160.2 | 148.9 |
| Operating costs and expenses | 7,012.1 | 6,306.5 |
| Operating profit | 319.9 | 356.8 |
| Equity in income of finance subsidiary and other affiliates (note 1) | 15.7 | 44.5 |
| Other income | 167.4 | 109.0 |
| Interest expense | (43.7) | (41.4) |
| Income before income taxes and minority interest | 459.3 | 468.9 |
| Income taxes (note 3) | (125.7) | (154.4) |
| Minority interest | (2.5) | (3.2) |
| Income before extraordinary loss | 331.1 | 311.3 |
| Extraordinary loss from uranium litigation, net of income taxes of $367.0 and $69.9 (note 14) | (405.0) | (67.9) |
| Net income (loss) | $ (73.9) | $ 243.4 |
| Earnings per common share (in dollars) | | |
| Income before extraordinary loss | $ 3.85 | $ 3.59 |
| Extraordinary loss, net of income taxes | (4.72) | (.78) |
| Net income (loss) per common share | $ (.87) | $ 2.81 |

| Retained Earnings (in millions) | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Retained earnings at beginning of year | $1,704.5 | $1,545.5 |
| Net income (loss) | (73.9) | 243.4 |
| Dividends on preferred stock | (.6) | (.6) |
| Dividends on common stock | (83.3) | (83.8) |
| Retained earnings at end of year | $1,546.7 | $1,704.5 |

The information on pages 27 through 42 is an integral part of these financial statements.

## Consolidated Balance Sheet

### Assets
(in millions)

| | At December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Cash | $ 66.9 | $ 145.8 |
| Marketable securities at cost, which approximates market | 951.7 | 791.0 |
| Customer receivables, less $26.9 and $25.1 doubtful account allowances | 1,462.1 | 1,376.5 |
| Inventories (note 4) | 1,092.3 | 925.7 |
| Costs of uncompleted contracts in excess of related billings (note 5) | 258.7 | 362.8 |
| Income taxes refundable (note 3) | 145.2 | — |
| Uranium settlements assets (note 14) | 52.1 | — |
| Deferred current income taxes | 126.7 | (24.1) |
| Prepaid and other assets | 313.0 | 267.3 |
| Total current assets | 4,367.7 | 3,845.0 |
| Investments (note 6) | 712.8 | 785.2 |
| Plant and equipment, net (note 7) | 1,463.0 | 1,330.8 |
| Other assets (note 8) | 278.0 | 332.5 |
| Total assets | $6,821.5 | $6,293.5 |

### Liabilities and Stockholders' Equity
(in millions)

| | | |
|---|---|---|
| Short-term loans and current portion of long-term debt (note 9) | $ 109.1 | $ 74.7 |
| Accounts payable | 559.8 | 532.4 |
| Accrued employe compensation | 251.3 | 228.3 |
| Income taxes currently payable | 111.6 | 131.4 |
| Billings on uncompleted contracts in excess of inventoried cost (note 5) | 1,380.3 | 1,277.9 |
| Estimated future costs of uranium litigation (note 14) | 147.7 | 38.8 |
| Other liabilities | 824.0 | 812.1 |
| Total current liabilities | 3,383.8 | 3,095.6 |
| Estimated future costs of uranium litigation, non-current (note 14) | 538.6 | 124.2 |
| Other non-current liabilities | 177.9 | 135.8 |
| Debentures and other long-term debt (note 10) | 344.1 | 371.1 |
| Deferred non-current income taxes | 80.5 | 98.9 |
| Minority interest | 30.5 | 28.8 |
| Redeemable preferred stock (note 11) | 16.1 | 16.1 |
| Common stock | 277.1 | 277.1 |
| Capital in excess of par value | 498.1 | 498.8 |
| Treasury stock | (71.9) | (57.4) |
| Retained earnings | 1,546.7 | 1,704.5 |
| Total common stockholders' equity (note 12) | 2,250.0 | 2,423.0 |
| Total liabilities and stockholders' equity | $6,821.5 | $6,293.5 |

Certain 1978 amounts have been reclassified for comparative purposes.

The information on pages 27 through 42 is an integral part of these financial statements.

## Consolidated Statement of Changes in Financial Position

| (in millions) | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| **Source of funds** | | |
| Income before extraordinary loss | $331.1 | $311.3 |
| Depreciation | 180.2 | 148.9 |
| Equity in income of finance subsidiary and other affiliates | (16.7) | (44.5) |
| Deferred non-current income taxes | (18.4) | (37.0) |
| Minority interest | 2.5 | 3.2 |
| Funds from operations before extraordinary loss | 459.7 | 381.3 |
| Extraordinary loss from uranium litigation, net of income taxes | (405.0) | (67.9) |
| Estimated future costs of uranium litigation, non-current | 414.4 | 96.8 |
| Fixed assets reduction to realizable value | — | 80.0 |
| Reduction in prepaid pension contributions, non-current portion | 28.8 | (59.9) |
| Issuance of common stock to employes | 30.4 | 29.6 |
| Other non-current items | 98.3 | 122.1 |
| Decrease in investments | 88.1 | (181.3) |
| Increase in: Estimated future costs of uranium litigation, current | 108.9 | 4.5 |
| Billings on uncompleted contracts in excess of inventoried cost | 102.4 | 181.1 |
| Accounts payable | 27.4 | 94.1 |
| All other current liabilities | 69.3 | 209.9 |
| Total source of funds | 1,022.7 | 890.3 |
| **Use of funds** | | |
| Expenditures for new and improved facilities | 317.2 | 235.0 |
| Dividends | 83.9 | 84.4 |
| Purchase of common stock for treasury | 45.7 | 43.4 |
| Redemption of debentures and other long-term debt | 33.4 | 64.0 |
| Decrease in income taxes currently payable | 19.8 | (67.9) |
| Increase in: Deferred current income taxes | 150.8 | 7.6 |
| Income taxes refundable | 145.2 | — |
| Customer receivables | 85.6 | 183.1 |
| Inventories and costs of uncompleted contracts in excess of related billings | 62.5 | 69.5 |
| Uranium settlements assets | 52.1 | — |
| Prepaid and other assets | 45.7 | (25.2) |
| Total use of funds | 1,041.9 | 593.9 |
| **Increase (decrease) in cash and marketable securities** | $ (19.2) | $296.4 |

The information on page 27 through 42 is an integral part of these financial statements.

**Note 1**

*Accounting Principles and Policies*

The major accounting principles and policies followed by Westinghouse are presented to assist the reader in evaluating the consolidated statements and other data in this report.

*Principles of Consolidation*

The financial statements include the consolidation of all wholly and majority owned subsidiaries except the finance subsidiary Westinghouse Credit Corporation. The equity method of accounting is followed for this subsidiary and for investments in 20 to 50 percent owned affiliates.

Financial statements of subsidiaries outside the United States are translated into U.S. dollars with the resulting adjustments charged to income currently.

*Sales Recognition*

Sales are recorded primarily as products are shipped.

The percentage of completion method of accounting is used for nuclear steam supply system orders with durations generally in excess of five years and certain construction projects where this method of accounting is consistent with industry practices. For federal income tax purposes, the accrual shipment method is used. For other long-term contracts, sales are recognized as products are shipped.

*Inventories*

The elements of cost included in inventories are direct labor, direct material and factory overhead. Use of the percentage of completion method results in the accumulation of costs incurred plus estimated profits in Long-Term Contracts in Process. Costs are also accumulated in Recoverable Engineering and Development Costs (Government Contracts) and Progress Payments to Subcontractors.

The value accumulated in inventories is determined principally on the LIFO method. Inventories not on LIFO are valued at current standard costs which approximate actual or average cost. In accordance with the practice of the Corporation, and the electrical manufacturing industry generally, inventories include items which are not realizable within one year. Inventory costs do not exceed realizable values.

*Pension Plans*

Pension plans cover substantially all employes of the Corporation. Benefits under the plans are being funded by the pension trust method. The annual provision for pension cost includes the amount of benefits earned during the year and the amortization of prior service liability. It is the normal policy of the Corporation to fund each year the amount of pension expense accrued.

*Plant and Equipment*

Plant and equipment assets are stated 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, maintenance and shop tooling are charged to operations as incurred.

*Deferred Income Taxes*

Deferred income taxes are provided for timing differences between financial and tax reporting, principally related to long-term contracts in process, depreciation, uranium litigation costs, product warranty reserves and the finance subsidiary's leveraged leasing transactions.

Deferred federal income taxes are provided for undistributed earnings of non-U.S. subsidiaries except when those earnings have been indefinitely reinvested.

*Investment Tax Credit*

Investment tax credit on all qualified assets is recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes except for investment tax credit on assets leased to others by the finance subsidiary. Investment tax credit on such leased assets is deferred and amortized over the terms of the respective leases.

**Note 2**
*Pensions*

Pension expense was $182 million in 1979 and $136.3 million in 1978.

The increase in 1979 pension costs reflected increased plan benefits granted to employes during the year and an additional contribution under a special provision of the Employe Retirement Income Security Act. There were no other additions to plan provisions nor any changes in actuarial assumptions made in 1979.

Significant pension assumptions include amortization over 40 years of initial prior service liability as re-established at January 1, 1976; amortization over 30 years of additions to prior service liability; spreading actuarial gains and losses over 15 years; valuing debt securities at cost plus amortization of discount or premium to maturity; valuing common stock investments on a moving average method; valuing other investments at fair market value; and using a seven percent assumed rate of return on assets.

The Corporation has prefunded to date an aggregate of $200 million of company contributions. Based upon the most recent actuarial valuation, unfunded prior service liability at December 31, 1979 was estimated at $924 million, of which $904 million represented unfunded vested benefits. At December 31, 1978, prior to the effect of the increased benefits granted in 1979, unfunded prior service liability and liability for unfunded vested benefits were estimated to be $770 million and $740 million.

Various pension arrangements, which supplement and are coordinated with required government plans, are in effect for most non-U.S. subsidiary companies. For those subsidiaries having private pension plans, pension expense was approximately $10 million in 1979 and $8 million in 1978. Unfunded prior service liability was not material.

**Summary of Changes in Pension Plan Assets**
(in millions)

| | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Additions: | | |
| Company contributions | $ 182.4 | $ 168.3 |
| Employe contributions | 24.1 | 18.2 |
| Income from investments | 114.9 | 78.1 |
| Net gain from disposal of assets | 15.3 | 24.8 |
| | 336.7 | 289.4 |
| Reductions: | | |
| Benefit payments | 114.7 | 102.3 |
| Asset transfers | — | 27.8 |
| | 114.7 | 130.1 |
| Net additions to trust funds | 222.0 | 159.3 |
| Market value at beginning of year | 1,360.4 | 1,225.7 |
| Unrealized change in market value of assets | 61.7 | (24.6) |
| Market value at end of year | $1,644.1 | $1,360.4 |

**Note 3**
*Income Taxes*

Income tax expense for financial reporting was reduced by investment tax credits of $27.1 million in 1979 and $18 million in 1978. In addition, investment tax credit of $21 million has been deferred at the end of 1979 by the finance subsidiary and remains to be amortized.

Deferred federal income taxes have not been provided on cumulative undistributed earnings of $378 million from certain subsidiaries because the earnings have been reinvested for an indefinite period.

Certain amounts shown for 1978 in the accompanying tables have been reclassified for comparative purposes as a result of final determination of differences between income tax for financial statement purposes and the filed 1978 tax returns.

The federal income tax returns of the Corporation and its wholly owned subsidiaries are settled through December 31, 1973 and it is believed that adequate provisions for taxes have been made through December 31, 1979.

Income taxes refundable reflected in the balance sheet result from the carryback of losses caused by the costs of uranium litigation settlements.

**Income Taxes**
(in millions)

| | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Tax on income before extraordinary loss | | |
| Current: | | |
| Federal | $ 83.7 | $157.0 |
| State | 18.9 | 30.7 |
| Non-U.S. | 45.7 | 33.3 |
| | 148.3 | 221.0 |
| Deferred: | | |
| Federal | (28.2) | (59.2) |
| State | (4.5) | (14.8) |
| Non-U.S. | 10.1 | 7.4 |
| | (22.6) | (66.6) |
| Total taxes on income before extraordinary loss | 125.7 | 154.4 |
| Tax on extraordinary loss | | |
| Current: | | |
| Federal | (246.3) | (103.2) |
| State | (7.2) | (13.9) |
| Deferred: | | |
| Federal | (113.2) | 41.5 |
| State | (.3) | 5.7 |
| Total taxes on extraordinary loss | (367.0) | (69.9) |
| Total income taxes | $(241.3) | $ 84.5 |

**Income Taxes Deferred**
(in millions)

| | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Leveraged lease transactions of the finance subsidiary | $ 26.1 | $ 26.9 |
| Depreciation | 7.2 | 8.1 |
| Costs associated with contract termination | 5.6 | (28.5) |
| Product warranty | (12.9) | (14.3) |
| Long-term contracts in process | (20.7) | (23.8) |
| Pension contributions deductible in excess of pension expense | — | 35.8 |
| Fixed assets reduction to realizable value | — | (40.9) |
| Other miscellaneous timing differences | (27.9) | (29.9) |
| Income tax benefit deferred on income before extraordinary loss | (22.6) | (66.6) |
| Extraordinary loss from uranium litigation | (113.5) | 47.2 |
| Total income tax benefit deferred* | $(136.1) | $(19.4) |

*Includes deferred taxes of $26.0 million in 1979 and $29.5 million in 1978 attributable to the finance subsidiary reported under the equity method of accounting.

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences for the years 1979 and 1978 and the tax effect of each is shown in the table above.

**Effective Consolidated Tax Rate**
(in millions)

| | Year Ended December 31 | | | |
|---|---|---|---|---|
| | 1979 | | 1978 | |
| | Amount | Effective Rate | Amount | Effective Rate |
| Tax expense if based on federal statutory tax rate applied to income before taxes and extraordinary loss | $211.3 | 46.0% | $225.1 | 48.0% |
| Increases (reduction) in taxes resulting from: | | | | |
| Lower tax expense on net income of subsidiaries, including U.S. possessions companies and Domestic International Sales Corporations, subject to tax rates generally less than the federal statutory tax rate | (80.7) | (17.6) | (60.2) | (12.9) |
| Investment tax credit | (27.1) | (5.9) | (18.0) | (3.8) |
| State and local income taxes less reduction in federal income tax | 7.8 | 1.7 | 8.2 | 1.8 |
| Miscellaneous items | 14.4 | 3.2 | (.7) | (.2) |
| Total taxes on income before extraordinary loss | $125.7 | 27.4% | $154.4 | 32.9% |

The reconciliation between the federal statutory tax rate and the Westinghouse effective consolidated tax rate for 1979 and 1978 is shown in the table above.

Consolidated net income includes income of domestic manufacturing subsidiaries operating in Puerto Rico which are exempt from U.S. tax and exempt from Puerto Rican tax under grants of industrial tax exemption, which will expire at various dates from 1986 through 2004.

**Note 4**

*Inventories*

The excess of production cost calculated at December 31, 1979 and 1978 over the cost of inventories valued on the LIFO basis was approximately $685 million and $565 million.

**Inventories**
(in millions)

| | At December 31 1979 | 1978 |
|---|---|---|
| Valued principally on LIFO method: | | |
| Raw materials and supplies | $ 208.6 | $ 218.2 |
| Work in process | 821.8 | 687.5 |
| Finished goods | 295.8 | 243.4 |
| | 1,326.2 | 1,149.1 |
| Long-term contracts in process | 1,288.0 | 1,365.4 |
| Progress payments to subcontractors | 279.7 | 589.2 |
| Recoverable engineering and development costs (government contracts) | 190.8 | 171.9 |
| | 3,084.7 | 3,255.6 |
| Less: inventoried costs related to contracts with progress billings terms | 1,972.4 | 2,329.9 |
| Inventories | $1,092.3 | $ 925.7 |

**Note 5**

*Progress Billings*

Progress billings are applicable to many long-term production contracts and a wide range of products. Costs included in inventory do not include certain expenditures made on behalf of customers which are charged to income currently.

**Costs and Billings on Uncompleted Contracts**
(in millions)

| | At December 31 1979 | 1978 |
|---|---|---|
| Costs included in inventory | $ 723.3 | $ 851.1 |
| Less: progress billings on contracts | 464.6 | 488.3 |
| Excess of costs | $ 258.7 | $ 362.8 |
| Progress billings on contracts | $2,629.4 | $2,756.7 |
| Less: costs included in inventory | 1,249.1 | 1,478.8 |
| Excess of progress billings | $1,380.3 | $1,277.9 |

**Note 6**

*Investments*

Investments include the finance subsidiary and significant affiliates which are valued under the equity method plus advances, marketable securities with maturity dates in excess of one year and other securities at cost or less, not in excess of market value.

At December 31, 1979 and 1978 the Corporation had invested $288 million and $285 million in marketable securities with maturity dates in excess of one year, which include securities issued by the U.S. Government and its agencies of $120 million and $108 million. The remaining securities primarily consist of issues by state and local government agencies.

**Note 7**

*Plant and Equipment*

**Plant and Equipment, Net**
(in millions)

| | At December 31 1979 | 1978 |
|---|---|---|
| Land and buildings | $ 785.0 | $ 757.4 |
| Machinery and equipment | 2,023.6 | 1,863.1 |
| Construction in progress | 179.0 | 127.3 |
| Plant and equipment, at cost | 2,987.6 | 2,747.8 |
| Less: accumulated depreciation | 1,524.6 | 1,417.0 |
| Plant and equipment, net | $1,463.0 | $1,330.8 |

**Note 8**

*Other Assets*

Goodwill of $17.1 million at December 31, 1979 and $13.7 million at December 31, 1978, resulting from business combinations subsequent to November 1, 1970, remained to be amortized over the estimated period to be benefited, not to exceed 40 years from the date of acquisition.

**Other Assets**

| (in millions) | At December 31 1979 | 1978 |
|---|---|---|
| Goodwill | $ 70.9 | $ 67.6 |
| Non-current customer receivables, net | 50.3 | 77.7 |
| Miscellaneous | 156.9 | 187.2 |
| Other assets | $ 278.0 | $ 332.5 |

**Note 9**

*Short-Term Loans*

Short-term loans amounted to $83 million at December 31, 1979 and $52 million at December 31, 1978 primarily from borrowings of subsidiaries outside the United States.

Short-term credit arrangements include domestic bank lines of credit totaling $206 million at the prime commercial rate and $163 million of credit at varying rates available to subsidiaries, principally outside the United States. Of these lines, $292 million was unused at December 31, 1979. Compensating balance requirements under these credit arrangements are not material.

**Note 10**

*Debentures and Other Long-Term Debt*

Sinking fund deposit requirements of $15 million in 1980, $8 million annually through 1991 and $10 million annually through 1994 are currently being satisfied under the terms of the 3½ percent, 5⅜ percent and 8⅝ percent indentures, respectively.

Other debt is secured by various assets of wholly and majority owned subsidiary companies and matures serially in various annual amounts through the year 2006. At December 31, 1979 this debt included $52 million of borrowings by non-U.S. subsidiaries with an average interest rate of 10.6 percent. Other debt includes $13 million of notes convertible into the Corporation's common stock.

Long-term debt maturing in each of the following years is: 1980—$26 million, 1981—$34 million, 1982—$24 million, 1983—$23 million, 1984—$21 million.

**Debentures and Other Long-Term Debt**

| (in millions) | Interest Rates | Year at Maturity | At December 31 1979 | 1978 |
|---|---|---|---|---|
| Debentures | 3½% | 1981 | $ 15.0 | $ 30.0 |
| Debentures | 5⅜% | 1992 | 111.4 | 111.4 |
| Debentures | 8⅝% | 1995 | 139.9 | 139.9 |
| Other long-term debt | Various | Various | 77.8 | 89.8 |
| Debentures and other long-term debt | | | $344.1 | $371.1 |

**Note 11**

*Redeemable Preferred Stock*

Preferred stock, subject to mandatory redemption requirements, is shown separately from equity capital. This issue of 3.80 percent Series B cumulative preferred stock, par value $100, consists of 230,949 authorized shares, of which 160,923 shares were issued and outstanding at December 31, 1979 and 1978. Sinking fund requirements have been met.

**Note 12**

*Common Stock*

At December 31, 1979 and 1978, 88,674,610 shares of common stock, with par value of $3.125, had been issued from 120 million shares authorized. Shares held in treasury numbered 3,665,559 at the end of 1979 and 2,885,322 at the end of 1978.

Treasury shares, valued at cost, are used to supply the requirements of the various benefit plans under which common stock is distributed to employes. During the year 2,382,700 shares were purchased for $45.7 million and 1,582,463 shares having a cost of $31.2 million were delivered under the various employe benefit plans and, during 1978, 2,178,700 shares were purchased for $43.4 million and 1,487,294 shares having a cost of $28.5 million were delivered under these plans.

Cumulative preference stock, without par value, has been authorized at 10 million shares, of which none has been issued.

**Note 13**

*Stock Options and Other Incentive Plans*

1979 Stock Option and Long-Term Incentive Plan

Under the 1979 Stock Option and Long-Term Incentive Plan, 2.1 million shares of common stock have been reserved to provide non-qualified stock options and performance shares. The plan also provides for stock appreciation rights, which may also be granted in connection with stock options previously granted under the 1974 Stock Option Plan. The option price under this plan may not be less than the fair market value of the shares on the date the option is granted. To date, none of the stock options has been exercised. Performance shares are granted to certain officers at the discretion of a Committee of the Board of Directors and are payable in common stock, cash or any combination thereof. Each performance period covers four calendar years commencing at the beginning of the year of grant. No options, stock appreciation rights or performance shares may be granted under the Plan after May 30, 1984.

1974 Stock Options

The 1974 Stock Option Plan provides for granting of options to purchase 1.2 million shares of common stock at not less than market value at the date of grant. The 1974 Plan authorizes qualified stock options, non-qualified stock options or combinations of both. The terms of the options are substantially the same except that non-qualified options may be granted for terms up to 10 years. The Plan provides for a limit on options granted to any one employe of 50,000 shares and the options may not be exercised for one year after the date of grant. The period during which options may be granted expired on March 31, 1979.

Management Incentive Compensation

The Board of Directors voted to award under the management incentive program $10.8 million to 1,159 employes for 1979, and $12.3 million to 1,150 employes for 1978.

## Stock Options

| | 1979 | | 1978 | |
|---|---|---|---|---|
| | Shares | Average Price Per Share | Shares | Average Price Per Share |
| Outstanding at beginning of year | 1,078,350 | $18.11 | 901,000 | $16.91 |
| Granted | 563,850 | $20.00 | 209,050 | $23.00 |
| Exercised | (9,800) | $13.69 | (20,950) | $15.27 |
| Terminated | (15,550) | $20.12 | (10,750) | $18.69 |
| Outstanding at end of year | 1,616,850 | $18.77 | 1,078,350 | $18.11 |
| Exercisable at end of year | 1,054,000 | $18.12 | 869,750 | $16.94 |

**Note 16**

*Uranium Litigation*

The Corporation is a defendant in two lawsuits by public utility customers alleging breach of uranium supply contracts, including an antitrust claim in one of the cases. In late 1979, the damages phase of these two cases was completed, and settlement efforts are continuing. In a third case, the court deferred the trial when the parties reached an agreement in principle to settle the lawsuit. These suits constitute the balance of 17 suits filed after notification by the Corporation to its customers in September 1975 that performance was excused under the legal doctrine of commercial impracticability. An unresolved special issue still before the court in one other case involves the Corporation's contractual obligation to remove spent nuclear fuel.

The Corporation is also defending against several stockholder actions alleging securities law violations for failure to make proper disclosures of, among other things, the uranium situation. One of these actions is proceeding as a class action limited to uranium issues. All allegations of wrongdoing have been denied.

In 1978, the Corporation provided for the estimated cost of settling three uranium supply contract lawsuits, which resulted in an extraordinary loss before income taxes of $137.8 million and of $67.9 million after income taxes.

In 1979, the Corporation provided for the estimated cost of settling eight uranium supply contract lawsuits, which has resulted in an extraordinary loss before income taxes of $544.0 million and of $286.9 million after taxes.

The Corporation has now provided for the estimated cost of settling 14 uranium supply contract cases, representing approximately 85 percent of the total uranium originally claimed by all the plaintiffs. To date, the settlement agreements, the first of which occurred in 1977, have resulted in a recorded cumulative extraordinary loss before income taxes of $721.3 million and of $375.3 million after income taxes.

The terms of settlements to date include the payment or furnishing of: cash; nuclear steam supply system apparatus; warranty and inspection services; nuclear fuel fabrication; and uranium and certain rights in uranium properties. The goods and services are to be provided at no charge or at various price rebates. The settlement agreements contain differing combinations of settlement items, with various payment terms and delivery dates extending over approximately the next 25 years. The cost of goods and services is based upon the estimate of current total cost of each item escalated for the estimated average annual net effect of inflation to the date when the goods and services are to be delivered. Payments to be received by Westinghouse, if any, are also escalated to dates of expected receipt. The resulting net cost to the Corporation has been recorded as an extraordinary loss, net of income taxes.

In view of the status of the remaining uranium litigation and the clarification of certain legal issues in that litigation, management is now in a position to make a reasonable estimate of the remaining loss to be incurred. Therefore, in addition to the cost of settlements accounted for, the Corporation recorded in 1979 a provision for extraordinary loss before income taxes of $228.0 million and $118.1 million after income taxes. This amount provides for all estimated future costs associated with the resolution of the remaining uranium supply contract suits and related litigation, including legal and other expenses. The aggregate extraordinary loss provisions recorded constitute management's best estimate based upon the facts and circumstances that presently exist.

To discharge its remaining estimated obligations resulting from the uranium litigation, the Corporation will be required to use cash and other resources in the net amount of $686.3 million (see Estimated Future Costs of Uranium Litigation in the consolidated balance sheet on page 29) extending over approximately the next 25 years. At December 31, 1979 certain of the settlement items were in the process of being produced by the Corporation and its subsidiary, Wyoming Mineral Corporation (WMC). The carrying values of these items in process are accumulated and reported in the balance sheet as Uranium Settlements Assets. A substantial portion of WMC's business is devoted to producing uranium for the settlement agreements. As the goods and services are delivered, the net difference between the total costs of the goods and services and, where applicable, the revenue to be received from the utilities will be applied to the liability for Estimated Future Costs of Uranium Litigation and will not be reflected as sales or costs in the results of future operations. The remaining liability will be reviewed periodically and adjusted if appropriate.

In other related uranium litigation, the Corporation filed, in October 1976, an antitrust suit in the United States District Court for the Northern District of Illinois, Eastern Division, against 29 domestic and foreign uranium producers. The suit, now scheduled for trial in September 1981, seeks treble damages from the defendants as well as injunctive relief from illegal combinations and conspiracies entered into by defendants to restrain both the interstate and foreign commerce of the United States in uranium. Eight of the defendants have filed antitrust counterclaims. The Court has entered default judgments on the issue of liability against nine foreign defendants for failure to enter an appearance in the litigation. Certain of the appearing defendants and a non-party subsidiary of a defaulting defendant have now appealed from the entry of such default judgments and the granting of injunctions entered by the Court for the purpose of preserving the Court's jurisdiction over the defaulters' assets in the United States pending a determination of damages, and are contesting the right of the trial court to determine and award damages respecting the defaulting defendants prior to the conclusion of the trial respecting those defendants who have appeared. Although the outcome of litigation is always uncertain, any recovery will mitigate the financial consequences to the Corporation of the ultimate cost of the uranium litigation. No accounting recognition has been given in the consolidated financial statements for any such possible recovery.

In September 1979 Rio Algom Limited filed a suit in the Supreme Court of Ontario, Canada, against the Corporation and the Tennessee Valley Authority, an agency of the United States Government (i) alleging, among other things, a conspiracy to effect a repudiation by TVA of its contract to purchase uranium from Rio Algom and (ii) claiming a substantial amount of actual and punitive damages. Rio Algom is one of the defaulting defendants in the antitrust suit brought by the Corporation referred to above. The Corporation regards this lawsuit as totally without merit.

**Note 15**

*Segment Information*

The Corporation is engaged principally in the manufacture, sale and service of equipment and components for the generation, transmission, distribution, utilization and control of electricity. The four operating segments are Power Systems, Industry Products, Public Systems and Broadcasting.

Power Systems designs, develops, manufactures and distributes nuclear energy systems, power generating apparatus, and transmission and distribution equipment with associated installation and maintenance services for the electric utility industry, industrial companies and the construction market. In addition, Power Systems is involved in the development and implementation of techniques for the extraction and processing of uranium.

Industry Products supplies a variety of products and services—including motors, controls, breakers, lamps and lighting fixtures, process equipment and systems for automation of production machinery, engineering and repair services, and distribution—to a wide range of customers in such industries as metals, petrochemical, mining, pulp and paper, textile, transportation, rubber and durable goods.

Public Systems provides high technology equipment, such as radar, aircraft electrical systems, communications systems, marine propulsion and launching equipment, and ocean engineering to the U.S. Government and defense-related customers and supplies elevators, escalators, electric walks, horizontal transportation systems, heating and cooling equipment and other products and services to the construction industry. In addition, it offers various educational services and materials to schools and the general public, bottles and distributes beverage products in specific market areas, manufactures and sells timepieces for the consumer market and develops land for sale to the public.

Broadcasting, a wholly-owned subsidiary of the Corporation, owns and operates television stations located in Baltimore, Boston, Philadelphia, Pittsburgh and San Francisco, and radio stations located in Boston, Chicago, Fort Wayne, Houston, Los Angeles, New York, Philadelphia and Pittsburgh.

The financial statements of Ateliers de Constructions Electriques de Charleroi were not consolidated subsequent to 1976 as a result of a reduction in ownership to a minority position. The earnings and asset information reflects the consolidation of this former subsidiary for the years prior to 1977 in the Other category.

The operating profit for the years 1977 and 1976 for the Other category includes provisions for losses of the Treasure Lake subsidiaries.

Products are transferred between segments and geographic areas generally at inventory cost of the selling location plus a margin.

Depreciation was charged to the operating results of the segments of the Corporation for the years 1979 and 1978 as follows: Power Systems—$65 million and $61 million, Industry Products—$38 million and $38 million, Public Systems—$21 million and $21 million and Broadcasting—$6 million and $5 million.

Capital expenditures were made by each of the Corporation's segments for the years 1979 and 1978 as follows: Power Systems—$142 million and $112 million, Industry Products—$84 million and $65 million, Public Systems—$58 million and $38 million, and Broadcasting—$21 million and $11 million.

Westinghouse-sponsored research and development expenditures made in 1979 and 1978 were $162 million and $152 million. Of these amounts, Power Systems expended $104 million and $101 million.

Expenditures in 1979 and 1978 on research and development programs sponsored by customers were $328 million and $326 million, respectively. Of these amounts, Power Systems expended $117 million and $114 million and Public Systems expended $183 million and $177 million. These amounts do not include research and development program expenditures at government-owned, Westinghouse-operated facilities.

The largest single customer of the Corporation is the United States Government and its agencies, whose purchases accounted for 12.6 percent of the consolidated sales in 1979 and 11.2 percent in 1978. Of these purchases, 21 percent in 1979 and 18 percent in 1978 were made from Power Systems, 4 percent in 1979 and 5 percent in 1978 from Industry Products and 73 percent in 1979 and 75 percent in 1978 from Public Systems. In addition, Other Income includes fees generated through government-owned, Westinghouse-operated facilities. No other customer made purchases totaling 10 percent or more of consolidated sales.

Assets not identified to segments principally include cash and marketable securities, refundable and deferred income taxes, investments in the non-consolidated finance subsidiary and prepaid pension contributions.

Adjustments and Eliminations deducted from segment Identifiable Assets represent the removal of intersegment operating profit from the identifiable assets. Adjustments and eliminations added to or deducted from Segment Operating Profit represent the net change in the intersegment operating profit elimination and an adjustment from combining inventory cost into LIFO pools for those profit centers that value inventories according to the LIFO method.

## Financial Information by Segments

### Earnings Information

(in millions)

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Sales to unaffiliated customers: | | | | | |
| Power Systems | $2,486.1 | $2,318.5 | $2,254.2 | $2,052.5 | $1,983.1 |
| Industry Products | 2,816.2 | 2,563.7 | 2,256.8 | 2,083.9 | 1,939.2 |
| Public Systems | 1,783.9 | 1,540.6 | 1,406.0 | 1,315.8 | 1,297.9 |
| Broadcasting | 218.9 | 202.5 | 175.8 | 172.4 | 145.8 |
| Other | 46.9 | 38.0 | 45.9 | 520.6 | 496.7 |
| | $7,332.0 | $6,663.3 | $6,137.7 | $6,145.2 | $5,862.7 |
| Intersegment sales: | | | | | |
| Power Systems | $ 122.3 | $ 129.3 | $ 109.4 | $ 100.7 | $ 91.8 |
| Industry Products | 81.5 | 67.3 | 60.3 | 54.2 | 56.9 |
| Public Systems | 17.3 | 18.4 | 10.7 | 10.2 | 18.8 |
| Other | 49.1 | 48.6 | 29.1 | 25.7 | 32.5 |
| | $ 270.2 | $ 263.6 | $ 209.5 | $ 190.8 | $ 200.0 |
| Total sales: | | | | | |
| Power Systems | $2,588.4 | $2,447.8 | $2,363.6 | $2,153.2 | $2,074.9 |
| Industry Products | 2,897.7 | 2,631.0 | 2,317.1 | 2,138.1 | 1,996.1 |
| Public Systems | 1,801.2 | 1,559.0 | 1,415.7 | 1,326.0 | 1,316.7 |
| Broadcasting | 218.9 | 202.5 | 175.8 | 172.4 | 145.8 |
| Other | 96.0 | 86.6 | 75.0 | 546.3 | 529.2 |
| | 7,602.2 | 6,926.9 | 6,347.2 | 6,336.0 | 6,062.7 |
| Eliminations | (270.2) | (263.6) | (209.5) | (190.8) | (200.0) |
| | $7,332.0 | $6,663.3 | $6,137.7 | $6,145.2 | $5,862.7 |
| Operating profit: | | | | | |
| Power Systems | $ 163.4 | $ 139.2 | $ 113.7 | $ 113.1 | $ 67.4 |
| Industry Products | 191.1 | 227.4 | 220.6 | 198.9 | 193.8 |
| Public Systems | 86.6 | 103.2 | 68.8 | 49.3 | 59.8 |
| Broadcasting | 59.3 | 58.3 | 52.4 | 52.0 | 41.7 |
| Other | (22.9) | (17.1) | (15.3) | 6.5 | (4.5) |
| Adjustments and eliminations | (14.6) | (19.7) | (10.7) | (13.5) | 5.8 |
| Segment operating profit | 462.9 | 491.3 | 429.5 | 406.3 | 364.0 |
| General corporate expenses | 143.0 | 134.5 | 118.5 | 101.9 | 78.5 |
| | 319.9 | 356.8 | 311.0 | 304.4 | 285.5 |
| Equity in income (loss) of finance subsidiary and other affiliates | 15.7 | 44.5 | 34.0 | 21.0 | (4.5) |
| Other income | 167.4 | 109.0 | 128.0 | 88.1 | 70.3 |
| Interest expense | (43.7) | (41.4) | (46.1) | (52.3) | (76.4) |
| Income before taxes and minority interest | $ 459.3 | $ 468.9 | $ 426.9 | $ 361.2 | $ 274.9 |

### Asset Information

(in millions)

| | At December 31 | | | | |
|---|---|---|---|---|---|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Segment identifiable assets: | | | | | |
| Power Systems | $1,979.1 | $2,087.4 | $2,034.1 | $1,741.6 | $1,652.5 |
| Industry Products | 1,487.9 | 1,259.9 | 1,101.6 | 998.8 | 970.8 |
| Public Systems | 883.5 | 753.9 | 662.8 | 696.3 | 731.2 |
| Broadcasting | 135.4 | 113.9 | 103.8 | 99.9 | 103.8 |
| Other | 88.0 | 85.5 | 95.5 | 509.3 | 527.0 |
| Adjustments and eliminations | (113.5) | (92.5) | (76.1) | (67.4) | (58.5) |
| | 4,460.4 | 4,188.1 | 3,921.7 | 3,978.5 | 3,926.8 |
| Investments | 712.8 | 786.2 | 559.3 | 386.5 | 289.2 |
| Corporate assets | 1,648.3 | 1,320.2 | 1,046.6 | 953.3 | 650.3 |
| Total assets | $6,821.5 | $6,293.5 | $5,527.6 | $5,318.3 | $4,866.3 |

## Financial Information by Geographic Areas

| Earnings Information (in millions) | Year Ended December 31 | | |
|---|---|---|---|
| | 1979 | 1978 | 1977 |
| Sales: | | | |
| United States (less transfers between geographic areas of $90.0, $79.2 and $63.5) | $6,359.8 | $5,886.5 | $5,422.5 |
| Manufacturing subsidiaries outside United States (less transfers between geographic areas of $21.5, $23.0 and $16.6) | 972.2 | 777.8 | 715.2 |
| | $7,332.0 | $6,663.3 | $6,137.7 |
| Segment operating profit: | | | |
| United States | $ 367.9 | $ 430.2 | $ 356.6 |
| Manufacturing subsidiaries outside United States | 95.0 | 61.1 | 72.9 |
| | $ 462.9 | $ 491.3 | $ 429.5 |

| Segment Identifiable Assets (in millions) | At December 31 | | |
|---|---|---|---|
| | 1979 | 1978 | 1977 |
| United States | $3,817.4 | $3,620.7 | $3,381.6 |
| Manufacturing subsidiaries outside United States | 633.0 | 567.4 | 540.1 |
| | $4,450.4 | $4,188.1 | $3,921.7 |

In 1979 manufacturing subsidiaries located outside the United States contributed approximately 13 percent of consolidated sales and 12 percent of income before extraordinary loss. These subsidiaries represented 10 percent of total assets and 9 percent of total liabilities. In 1978 manufacturing subsidiaries located outside the United States contributed 12 percent of sales and 10 percent of income before extraordinary loss, and represented 13 percent of total assets and 7 percent of total liabilities.

The Corporation sells products manufactured domestically to customers throughout the world through domestic divisions and domestic subsidiaries primarily doing business outside the United States. These export sales contributed 12 percent to consolidated sales in both 1979 and 1978.

Total products sold outside the United States from both exports and foreign manufacturing subsidiaries contributed 25 percent and 24 percent to consolidated sales in 1979 and 1978, respectively.

Foreign currency adjustments in the consolidated financial statements are not material.

**Note 16**

*Offshore Power Systems*

In 1978 Offshore Power Systems and its only customer for floating nuclear power plants agreed to terminate the contract. Payments had been received to cover costs and expenditures including plant and equipment subsequently written down to net realizable value. The contract termination had no material financial effect. OPS is maintaining its option to manufacture floating nuclear power plants by continuing efforts to secure a manufacturing license and maintaining a marketing force.

**Note 17**

*Guarantees*

At December 31, 1979 the Corporation was guarantor of customers' notes sold to banks and other liabilities aggregating $155 million.

**Note 18**
***Rental Expense and Leasing Transactions***

There are no lease arrangements which would have a material impact on the Corporation's financial position.

**Note 19**
***Quarterly Financial Information and Impact of Inflation on Financial Reporting***

Unaudited data regarding quarterly financial information and changing prices appear on pages 43 to 46.

## Report of Independent Accountants

To the Board of Directors and
Stockholders of
Westinghouse Electric Corporation

We have examined the consolidated financial statements of Westinghouse Electric Corporation and its subsidiaries appearing on pages 28 through 42 of this Annual Report. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 9, 1979, our opinion on the 1978 financial statements was qualified as being subject to the effects of the adjustments as would be required by the resolution of the then pending litigation involving uranium supply contracts with customers and several related issues. As described in note 14 to the consolidated financial statements, provisions for extraordinary loss have been recorded for the estimated future cost associated with the resolution of the uranium litigation and related issues. Accordingly, our present opinion on the 1978 consolidated financial statements, as presented herein, is no longer qualified.

In our opinion, the financial statements referred to above present fairly the financial position of Westinghouse Electric Corporation and its subsidiaries at December 31, 1979 and 1978, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Price Waterhouse & Co.

600 Grant Street
Pittsburgh, Pennsylvania 15219
January 30, 1980

## Westinghouse Credit Corporation
## Condensed Consolidated Financial Statements

### Balance Sheet
(in millions)

| | At December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Cash | $ 50.8 | $ 45.1 |
| Receivables, net | 1,678.8 | 1,588.8 |
| Other assets | 78.6 | 22.0 |
| Total assets | $1,808.2 | $1,655.9 |
| Short-term notes payable | $ 743.2 | $ 652.0 |
| Long-term senior debt | 520.0 | 420.0 |
| Long-term senior debt due parent | — | 83.0 |
| Subordinated debt | 95.0 | 95.0 |
| Subordinated debt due parent | 60.0 | 35.0 |
| Other liabilities | 175.0 | 171.0 |
| Capital | 53.5 | 53.5 |
| Income reinvested in the business | 161.5 | 146.4 |
| Total liabilities and stockholder's equity | $1,808.2 | $1,655.9 |

### Statement of Income
(in millions)

| | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Earned income | $ 238.7 | $ 201.6 |
| Expenses | | |
| Interest | 138.0 | 101.3 |
| Operating and administration | 46.4 | 42.7 |
| Provision for losses on receivables | 31.4 | 18.4 |
| Provision for income taxes | 7.7 | 18.1 |
| Net income | $ 15.2 | $ 21.1 |

### Statement of Changes in Financial Position
(in millions)

| | Year Ended December 31 | |
|---|---|---|
| | 1979 | 1978 |
| Financial resources were provided by: | | |
| Net income | $ 15.2 | $ 21.1 |
| Provision for losses on receivables | 31.4 | 18.4 |
| Deferred income tax provision | 25.6 | 30.0 |
| Increase in short-term notes payable | 91.2 | 15.0 |
| Increase in long-term debt | 160.0 | 150.0 |
| Capital contribution by parent | — | 11.0 |
| | 323.4 | 245.5 |
| Financial resources were used for: | | |
| Increase in receivables, net of unearned finance charges | 136.8 | 230.1 |
| Redemption of long-term debt | 118.0 | — |
| Investments in preferred stocks | 35.0 | — |
| Other, net | 27.9 | 1.9 |
| | 317.7 | 232.0 |
| Increase in cash | $ 5.7 | $ 13.5 |

## Quarterly Financial Information (unaudited)

(in millions except per-share amounts)

| Quarter Ended | Sales | Operating Profit | Income Before Extraordinary Loss | Income Per Common Share Before Extraordinary Loss | Net Income (Loss) | Net Income (Loss) Per Common Share | Dividends Per Common Share | Common Stock Prices High | Common Stock Prices Low |
|---|---|---|---|---|---|---|---|---|---|
| 1979 | | | | | | | | | |
| March 31 | $1,781.8 | $ 93.4 | $ 83.2 | $ .96 | $ 83.2 | $ .96 | $.243 | 21 | 16½ |
| June 30 | 1,921.5 | 100.4 | 90.9 | 1.06 | (79.1) | (.91) | .243 | 20⅛ | 16½ |
| September 30 | 1,588.2 | 30.7 | 51.0 | .59 | 38.8 | .44 | .243 | 23 | 19⅜ |
| December 31 | 2,040.5 | 95.4 | 106.0 | 1.24 | (116.8)* | (1.36) | .243 | 20⅞ | 17⅛ |
| | $7,332.0 | $319.9 | $331.1 | $3.85 | $ (73.9) | $ (.87) | $.972 | 23 | 16½ |
| 1978 | | | | | | | | | |
| March 31 | $1,544.8 | $ 77.1 | $ 66.2 | $ .76 | $ 66.2 | $ .78 | $.243 | 18¾ | 16⅜ |
| June 30 | 1,677.3 | 88.7 | 74.8 | .86 | 74.8 | .86 | .243 | 23¾ | 16½ |
| September 30 | 1,658.5 | 86.3 | 82.1 | .95 | 27.3 | .32 | .243 | 25 | 21 |
| December 31 | 1,782.7 | 104.7 | 88.2 | 1.02 | 75.1 | .87 | .243 | 23 | 16 |
| | $6,663.3 | $356.8 | $311.3 | $3.59 | $243.4 | $2.81 | $.972 | 25 | 16 |

*See note 14 for discussion of extraordinary loss.

**Impact of inflation on financial reporting**

*General background*

Business transactions are recorded in actual amounts of dollars at the time of each transaction and these historical amounts establish the base for the preparation of primary financial statements. For most of this century the purchasing power of the dollar has declined generally at a slow rate, except for periods of war and depression. In recent years, due chiefly to inflation, the dollar's purchasing power has declined at such a rapid pace that changes from one year to the next have been significant.

Some users of financial statements are concerned with the unavailability of pertinent information showing the effects of rising prices on the historical financial reporting of businesses. Those users are concerned with their capability for evaluating decisions arrived at or to be made without such information. To recognize these concerns, the Financial Accounting Standards Board has issued requirements for reporting the effects of changes in the general price level (inflation) and changes in specific prices, both of which will be supplementary to the historical primary financial statements. The following information is furnished in accordance with these requirements.

*Methods of measuring effects of changing prices*

The Financial Accounting Standards Board has prescribed two methods for measuring the effects of changing prices and requires that both methods be reported.

The first method provides financial information in dollars of equivalent purchasing power (constant dollars) by use of the Consumer Price Index for All Urban Consumers. The result matches revenues for each year with expenses reported in terms of equivalent dollar value and provides a common measurement for comparing financial data over a series of years.

The second method adjusts for changes in specific prices (current cost) related to the types or kinds of plant and equipment, inventories and production costs being measured. The resulting measurements reflect the current cost of replacing and consuming these resources rather than the historical cost amounts actually expended to acquire them.

It is to be recognized that these methods, of necessity, require the use of assumptions, judgments and estimates. The results should be viewed accordingly and not as precise measurements of the effects of changing prices. Historical values continue as the basis for primary financial statements. It is the consensus that developing inflation evaluations best serve statement users as supplementary information.

**Discussion of Supplementary Information**

*Supplementary statement of income from continuing operations adjusted for changing prices*

Income from continuing operations developed under both constant dollar and current cost methods is lower than that determined under the historical method in the primary financial statements. Of the cost and expense elements from which the income figure is derived, only inventory cost of sales and depreciation have been adjusted for general inflation and changes in specific prices. Revenues and all other operating expenses are considered to reflect average price levels for the year and therefore have not been adjusted.

Adjustments made to cost of sales under both methods have a relatively small effect, since LIFO, the Corporation's principal inventory accounting method, reflects current year costs in the primary statements. The historical costs of plant and equipment, acquired over a period of years at actual dollar costs then in effect, are charged to operations generally through straight-line depreciation of such costs. The upward adjustment of these original fixed asset values under both methods results in showing an unfavorable inflationary impact on income.

The Financial Accounting Standards Board ruled, for purposes of this supplementary information, that income tax expense shall be the same as that charged against income from continuing operations in the primary statements. The requirement is appropriate, since inflation adjustments would not be allowable for deduction from income taxes under present regulations.

The memorandum caption Loss from Decline in Purchasing Power of Net Monetary Assets shows the net effect of inflationary value changes on those Corporation assets and liabilities carried on the balance sheet at fixed or determinable monetary settlement amounts. As the general purchasing power of the dollar declines during inflationary periods, holders of monetary assets sustain a decline in value while holders of monetary liabilities experience a potential benefit.

The increase in specific prices of inventories and plant and equipment held during 1979 was determined through use of the current cost method referred to earlier. The increase in specific prices on these items held was less than the increase in general prices as determined by the Consumer Price Index, but these results are not necessarily indicative of a lower future cost trend.

*Comparison of selected supplementary financial data adjusted for effects of changing prices*

Key operations data are presented over a five-year period to show the extent inflation has affected the Corporation. Amounts for the periods shown are expressed as their equivalent in average 1979 dollars. For example, sales in earlier years are adjusted upward to the 1979-dollar equivalent by application of the average Consumer Price Index. Certain constant dollar and current cost data for years earlier than 1979 are not shown due to the impracticability of developing the information, which is recognized by these new reporting requirements.

## Supplementary Statement of Income from Continuing Operations Adjusted for Changing Prices (unaudited)

| (in millions) | Year Ended December 31, 1979 | | |
|---|---|---|---|
| | As Reported in the Primary Statements | Adjusted for General Price Changes (Constant Dollar) | Adjusted for Specific Price Changes (Current Cost) |
| Sales | $7,332.0 | $7,332.0 | $7,332.0 |
| Cost of sales | 5,688.2 | 5,744.8 | 5,728.3 |
| Other operating expenses | 1,163.7 | 1,163.7 | 1,163.7 |
| Depreciation | 160.2 | 238.6 | 257.3 |
| Interest expense | 43.7 | 43.7 | 43.7 |
| Other income and minority interest | 180.6 | 180.6 | 180.6 |
| Income taxes | 125.7 | 125.7 | 125.7 |
| Income from continuing operations | $ 331.1 | $ 196.1 | $ 193.9 |
| Loss from decline in purchasing power of net monetary assets | | $ 126.0 | $ 126.0 |
| **Comparison of Price Changes** — Inventories and Plant and Equipment Held During the Year* | | | |
| Effect of general price changes measured by the consumer price index | | | $ 387.5 |
| Effect of specific price changes (current cost) | | | 363.6 |
| Amount by which general price increases exceed specific price increases | | | $ 23.9 |

*At December 31, 1979 current cost of inventory was $1,758.8 million and current cost of plant and equipment, net of accumulated depreciation was $2,390.3 million.

## Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (unaudited)*

| (in millions) | | 1979 | 1978 | 1977 | 1976 | 1975 |
|---|---|---|---|---|---|---|
| Sales | — as reported | $7,332.0 | $6,663.3 | $6,137.7 | $6,145.2 | $5,862.7 |
| | in constant dollars | 7,332.0 | 7,413.5 | 7,351.7 | 7,835.6 | 7,906.6 |
| Income from continuing operations | — as reported | 331.1 | 311.3 | 271.3 | 223.2 | 178.6 |
| | in constant dollars | 196.1 | | | | |
| | at current cost | 193.9 | | | | |
| per common share (in dollars) | — as reported | 3.85 | 3.59 | 3.10 | 2.54 | 2.04 |
| | in constant dollars | 2.28 | | | | |
| | at current cost | 2.25 | | | | |
| Common stock dividends per share (in dollars) | — as reported | .972 | .972 | .972 | .972 | .972 |
| | in constant dollars | .972 | 1.08 | 1.16 | 1.24 | 1.31 |
| Market price per common share at year-end | — as reported | 20⅛ | 16⅝ | 18⅛ | 17⅝ | 13⅜ |
| | in constant dollars | 20⅛ | 18¾ | 22⅜ | 23¼ | 18½ |
| Net assets at year-end | — as reported | 2,250.0 | 2,423.0 | 2,293.9 | 2,138.4 | 2,001.7 |
| | in constant dollars | 3,395.0 | | | | |
| | at current cost | 3,659.8 | | | | |
| Average consumer price index | | 217.4 | 195.4 | 181.5 | 170.5 | 161.2 |

*Amounts shown for constant dollars and current cost prior to 1979 are stated in average 1979 dollars based on the average consumer price index, except for market price per common share.

**Management Discussion and Analysis**

These comments supplement the operational data available from the financial statements and informative discussions found throughout this report. The Five-Year Summary appearing on the opposite page provides the data on operating results discussed in this review. Significant changes occurring in 1979 from 1978 and in 1978 from 1977 are discussed.

All major segments realized increased sales in 1979 over 1978 resulting in an increase of 10 percent for the Corporation (see note 15 to the consolidated financial statements). A seven-week strike in 1979, affecting many operations, contributed to a disproportionate increase in cost of sales and resulted in a 10.3 percent decrease in operating profit. Equity income was down due to lower earnings of the finance subsidiary. Higher other income reflects the incremental effect of increased investment in marketable securities and higher interest rates available in 1979. Other income also includes income of approximately $80 million in 1979 and 1978 from patent license and technical assistance agreements which are subject to periodic renewal.

An analysis of 1979 and 1978 income tax expense is available in note 2, page 32. A discussion of the extraordinary loss appears in note 14 on page 37.

Higher volume and increased prices, influenced in part by the general business climate, resulted in an 8.6 percent increase in 1978 sales over 1977. This improvement was broadly reflected by all segments.

Operating profit in 1978 was up 14.7 percent over 1977. This performance is also reflected in the operating profits of all segments. Distribution, administration and general expenses rose 11.8 percent over 1977 due principally to higher levels of operations and increases in employe salaries and benefits. Income Before Extraordinary Loss improved by 14.7 percent from 1977. Higher finance subsidiary income was the principal improvement factor in equity income. The decrease in other income resulted from the combination of 1978 losses and 1977 gains on disposition of certain assets more than offsetting 1978 increases in interest income from marketable securities and royalty income. Interest expense continued to decline, down 10.2 percent from 1977, reflecting the reduction in long-term obligations of subsidiaries and through meeting normal debenture sinking fund requirements.

**At the present time, there are 41 operating nuclear power plants which contain Westinghouse nuclear steam supply systems (NSSS), 15 of which are located outside the United States. Westinghouse has a backlog of orders for an additional 69 systems, of which 45 are domestic NSSS and 24 are foreign units.**

**Despite the slowdown of the NSSS market, Westinghouse nuclear operations continue to remain profitable. In addition to continuing work on the NSSS backlog, the Westinghouse nuclear fuel fabrication and nuclear services businesses have been the major contributing factors.**

The domestic market for nuclear steam supply systems has been flat for several years. However, several events occurred in 1979 which could affect the future of the nuclear industry. The highly publicized Three Mile Island incident probably had an adverse short-term effect on the industry. Nevertheless, the subsequent government and industry investigations of that incident and the eventual implementation of the resulting recommendations are expected to contribute to the long-term best interest of the industry. In addition, escalating oil prices and the turmoil in the Middle East could also affect the future of nuclear power. Westinghouse believes those factors demonstrate the need for the United States to reduce its dependence on foreign energy sources and nuclear power is necessary to achieve that goal.

Prior to Three Mile Island, the process of licensing nuclear plants was complex, time consuming, and resulted in power plant construction delays, increased costs and additional uncertainties. Regulatory and governmental indecisiveness and overreaction continue to plague the industry. At the present time the Nuclear Regulatory Commission (NRC) is not issuing construction permits and operating licenses for new nuclear plants. However, the several investigations relating to Three Mile Island should result in a restructuring of the NRC, the resumption of the licensing of nuclear plants, a greater emphasis on the training of plant operators, and improved safety designs and standards in an industry which has an unsurpassed safety record.

Due to governmental delays, it is sometimes very difficult to obtain licenses for the export of nuclear equipment and fuel on a timely basis. In this regard, the Corporation is continuing its efforts, on behalf of its customer, to secure the issuances of the requisite export licenses by the NRC in connection with its nuclear project in the Philippines. In the interim, the Philippines government has suspended construction at the plant site but engineering and manufacturing of plant components continues.

United States Government action is also long overdue in such areas as providing for reasonable measures for safeguarding of nuclear materials, realistic nuclear export control policies, construction of a demonstration-size liquid metal fast breeder reactor, and the storage and disposal or reprocessing and recycling of spent nuclear fuel.

In regard to the latter, certain utilities have an option to require the Corporation to fabricate mixed oxide fuel assemblies rather than fabricate the slightly enriched uranium fuel assemblies now being supplied. These options cannot presently be exercised because there is no facility in the United States licensed to separate plutonium from spent fuel. Even if plutonium could be supplied by the utilities, under current regulations mixed oxide fuel is not permitted to be used in United States reactors on a commercial basis. The failure to provide for reprocessing facilities makes it even more imperative for an acceptable solution to be found for the storage of spent fuel.

From an operational standpoint, Westinghouse nuclear equipment and service continue to lead the industry. As previously reported, certain nuclear plants containing Westinghouse steam generators and those of other manufacturers have experienced operation outages. Westinghouse studies indicate that when impurities are present in the steam generator water, some of the tubes in the steam generators are affected. In certain instances, utilities may elect either to plug the tubes or, as one has, to replace a portion of the steam generator. As a result, steam generators and associated steam cycle systems and components have received industry-wide and regulatory attention. The Corporation continues to meet with customers to review specific operating conditions for the next generation of steam generators which is expected to be operational in the near future.

Other components of power plants may be affected by the condition of the water used to make steam. Recently, stress corrosion cracking in certain turbines manufactured by the Corporation was discovered. Westinghouse has developed an ultrasonic testing technique which permits inspection for this cracking without the removal or disassembly of the turbine rotor. The results of research and development programs are shared with customers and the NRC.

# Five-Year Summary

## Summary of Operations

(in millions)

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Sales | $7,332.0 | $6,863.3 | $6,137.7 | $6,145.2 | $5,862.7 |
| Cost of sales | 5,688.2 | 5,127.6 | 4,767.4 | 4,786.2 | 4,647.1 |
| Distribution, administration and general expenses | 1,163.7 | 1,030.0 | 921.4 | 914.9 | 801.3 |
| Depreciation | 160.2 | 148.9 | 137.9 | 139.7 | 128.8 |
| Operating costs and expenses | 7,012.1 | 6,306.5 | 5,826.7 | 5,840.8 | 5,577.2 |
| Operating profit | 319.9 | 356.8 | 311.0 | 304.4 | 285.5 |
| Equity in income (loss) of finance subsidiary and other affiliates | 15.7 | 44.5 | 34.0 | 21.0 | (4.5) |
| Other income | 167.4 | 109.0 | 128.0 | 88.1 | 70.3 |
| Interest expense | (43.7) | (41.4) | (46.1) | (52.3) | (76.4) |
| Income before income taxes and minority interest | 459.3 | 468.9 | 426.9 | 361.2 | 274.9 |
| Income taxes | (125.7) | (154.4) | (151.0) | (130.9) | (93.8) |
| Minority interest | (2.5) | (3.2) | (4.6) | (7.1) | (2.5) |
| Income from continuing operations before extraordinary loss | 331.1 | 311.3 | 271.3 | 223.2 | 178.6 |
| Discontinued businesses | | | | | |
| Loss on disposal | — | — | — | — | (13.4) |
| Income before extraordinary loss | 331.1 | 311.3 | 271.3 | 223.2 | 165.2 |
| Extraordinary loss from uranium litigation, net of income taxes of $367.0, $69.9 and $19.0 | (405.0) | (67.9) | (20.5) | — | — |
| Net income (loss) | $ (73.9) | $ 243.4 | $ 250.8 | $ 223.2 | $ 165.2 |
| Per common share (in dollars) | | | | | |
| Income from continuing operations before extraordinary loss | $ 3.85 | $ 3.59 | $ 3.10 | $ 2.54 | $ 2.04 |
| Discontinued businesses—disposal loss | — | — | — | — | (.15) |
| Extraordinary loss | (4.72) | (.78) | (.24) | — | — |
| Net income (loss) | $ (.87) | $ 2.81 | $ 2.86 | $ 2.54 | $ 1.89 |
| Book value | $ 26.47 | $ 28.24 | $ 26.34 | $ 24.37 | $ 22.80 |
| Dividends | $ .972 | $ .972 | $ .972 | $ .972 | $ .972 |

## Statistical Information

(in millions)

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1979 | 1978 | 1977 | 1976 | 1975 |
| Inventories—valued principally on LIFO method | $1,326.2 | $1,149.1 | $1,004.6 | $1,165.5 | $1,159.3 |
| Plant and equipment, at cost | $2,987.6 | $2,747.8 | $2,656.5 | $2,638.8 | $2,544.6 |
| Total taxes | $ 420.0 | $ 312.0 | $ 334.6 | $ 363.9 | $ 306.2 |
| Income from continuing operations before extraordinary loss per dollar sales | 4.5% | 4.7% | 4.4% | 3.6% | 3.0% |
| Dividends | | | | | |
| Preferred | $ .6 | $ .6 | $ .6 | $ .6 | $ .9 |
| Common | $ 83.3 | $ 83.8 | $ 84.7 | $ 84.9 | $ 84.5 |
| Preferred shares | 160,923 | 160,923 | 160,923 | 160,923 | 165,328 |
| Average common shares | 86,875,985 | 86,411,345 | 87,328,526 | 87,492,151 | 87,141,071 |
| Common stockholders | 180,518 | 193,006 | 199,638 | 204,546 | 206,131 |
| Average number of employes | 145,254 | 141,776 | 141,394 | 160,945 | 166,048 |

## Management

- **R. E. Kirby**
  Chairman and
  Chief Executive Officer
- **Douglas D. Danforth**
  Vice Chairman and
  Chief Operating Officer

*Industry Products Company*
- **Edwin V. Clarke, Jr.**
  President
**Douglas D. Stark**
  Executive Vice President
  Components and Materials
**Robert P. Wagner**
  Executive Vice President
  Control Equipment
**William O. Carlsen**
  Vice President
  Distribution Products Divisions
**Thomas P. Costello**
  Vice President
  Motor Divisions
**Paul E. Lego**
  Vice President
  Lamp Divisions
**Glen E. Nietfeld**
  President
  Westinghouse
  Electric Supply Company
**C. E. Price**
  Vice President
  Industry Services Divisions
**James C. Sheehan**
  President
  Thermo King Corporation
**Jack J. Sherman**
  Vice President
  Industry Products Marketing

*Power Systems Company*
- **Gordon C. Hurlbert**
  President
**Albert L. Bethel**
  Executive Vice President
  Transmission and Distribution
**E. J. Cattabiani**
  Executive Vice President
  Power Generation
**Theodore Stern**
  Executive Vice President
  Nuclear Energy Systems
**Nicholas A. Beldecos**
  Vice President
  Power Generation Operations
**John O. Campbell**
  Vice President
  Transformer Divisions
**George W. Hardigg**
  Vice President
  Advanced Power
  Systems Divisions
**Bruce W. Morrison**
  Vice President
  Power Systems Marketing
**John J. Taylor**
  Vice President
  Water Reactor Divisions
**Harry Weingarten**
  Vice President
  Switchgear Divisions

*Public Systems Company*
- **Thomas J. Murrin**
  President
**William A. Coates**
  Executive Vice President
  Construction
**Roy V. Gevert, Jr.**
  Executive Vice President
  Learning and Leisure
**Robert L. Hofmann**
  President
  Community Development
**Harry B. Smith**
  Executive Vice President
  Defense

*International*
- **John C. Marous, Jr.**
  President
**Thomas N. Humphreville**
  President
  Latin America
**Clovis F. Obermesser**
  President
  Far East
**Chester A. Sadlow**
  President
  Europe, Middle East and Africa
**Frank H. Tysack**
  President
  Westinghouse Canada, Ltd.

*Westinghouse Broadcasting Company*
**Donald H. McGannon**
  Chairman
**Daniel L. Ritchie**
  President and
  Chief Executive Officer

*Finance*
- **Leo W. Yochum**
  Senior Executive
  Vice President
  Finance
**John B. Ferguson**
  Vice President and Controller
**August W. Frisch**
  Vice President and
  General Tax Counsel
**Donald C. Korb**
  Vice President and
  Treasurer
**John R. McChester**
  President
  Westinghouse Credit Corporation
**Harry F. Murray**
  Vice President
  Pension Investments and
  Investor Relations

*General Counsel and Secretary*
**Robert F. Pugliese**
  Vice President

*Corporate Resources*
**M. J. McDonough**
  Senior Executive
  Vice President
  Corporate Resources
**Francis P. Cotter**
  Vice President
  Government Affairs
**Earle W. DuBois**
  Vice President
  Corporate Relations
**George F. Mechlin**
  Vice President
  Research and Development
**Nicholas V. Petrou**
  Vice President
  Human Resources
**Donald J. Povejsil**
  Vice President
  Corporate Planning
**Samuel F. Davies, Jr.**
  Vice President
  Atlantic Region
**John E. Goetz, Jr.**
  Vice President
  Western Region
**David L. Litten**
  Vice President
  Midwestern Region
**William S. A. McIntyre**
  Vice President
  Central Region
**Charles D. Paine**
  Vice President
  Southeastern Region
**E. W. Seay**
  Vice President
  Corporate Communications
**David L. Trezise**
  Vice President
  Personnel
**J. Stanley Wyble**
  Vice President
  Southwestern Region
**A. P. Zechella**
  Vice President
  Northeastern Region

**A. J. Hendry**
  Senior Executive
  Vice President

## Board of Directors

**B. C. Bareham**
  Director-Officer
  Westinghouse
  Pittsburgh, Pa.
**Douglas D. Danforth**
  Vice Chairman and
  Chief Operating Officer
  Westinghouse
  Pittsburgh, Pa.
- **R. Burt Gooldin**
  Director (retired Vice Chairman)
  H. J. Heinz Company
  Pittsburgh, Pa.
**Dr. Donald F. Hornig**
  Director
  Interdisciplinary Programs
  Harvard University
  School of Public Health
  Boston, Mass.
- **R. E. Kirby**
  Chairman and
  Chief Executive Officer
  Westinghouse
  Pittsburgh, Pa.
- **John F. McGillicuddy**
  Chairman, President and
  Chief Executive Officer
  Manufacturers Hanover
  Corporation
  New York, N.Y.
- **David T. McLaughlin**
  Chairman and
  Chief Executive Officer
  The Toro Company
  Minneapolis, Minn.
- **Roger Milliken**
  President
  Milliken & Company
  Spartanburg, S.C.
**Richard R. Pivirotto**
  Chairman
  Associated Dry Goods
  Corporation
  New York, N.Y.
- **Hobart Taylor, Jr.**
  Of Counsel
  Jones, Day, Reavis
  & Pogue (law)
  Washington, D.C.
**O. Pendleton Thomas**
  Director (retired Chairman)
  The BFGoodrich Company
  Akron, Ohio
**Hays T. Watkins**
  Chairman, President and
  Chief Executive Officer
  Chessie System, Inc.
  Cleveland, Ohio
**George L. Wilcox**
  Director-Officer
  Westinghouse
  Pittsburgh, Pa.

- Member of the Management Committee

- Member of the Executive Committee of the Board of Directors

D. C. Burnham

Douglas D. Danforth

R. Burt Gookin

Dr. Donald F. Hornig

R. E. Kirby

John F. McGillicuddy

David T. McLaughlin

Roger Milliken

Richard R. Pivirotto

Hobart Taylor, Jr.

O. Pendleton Thomas

Hays T. Watkins

George L. Wilcox

# Westinghouse Annual Report 1980

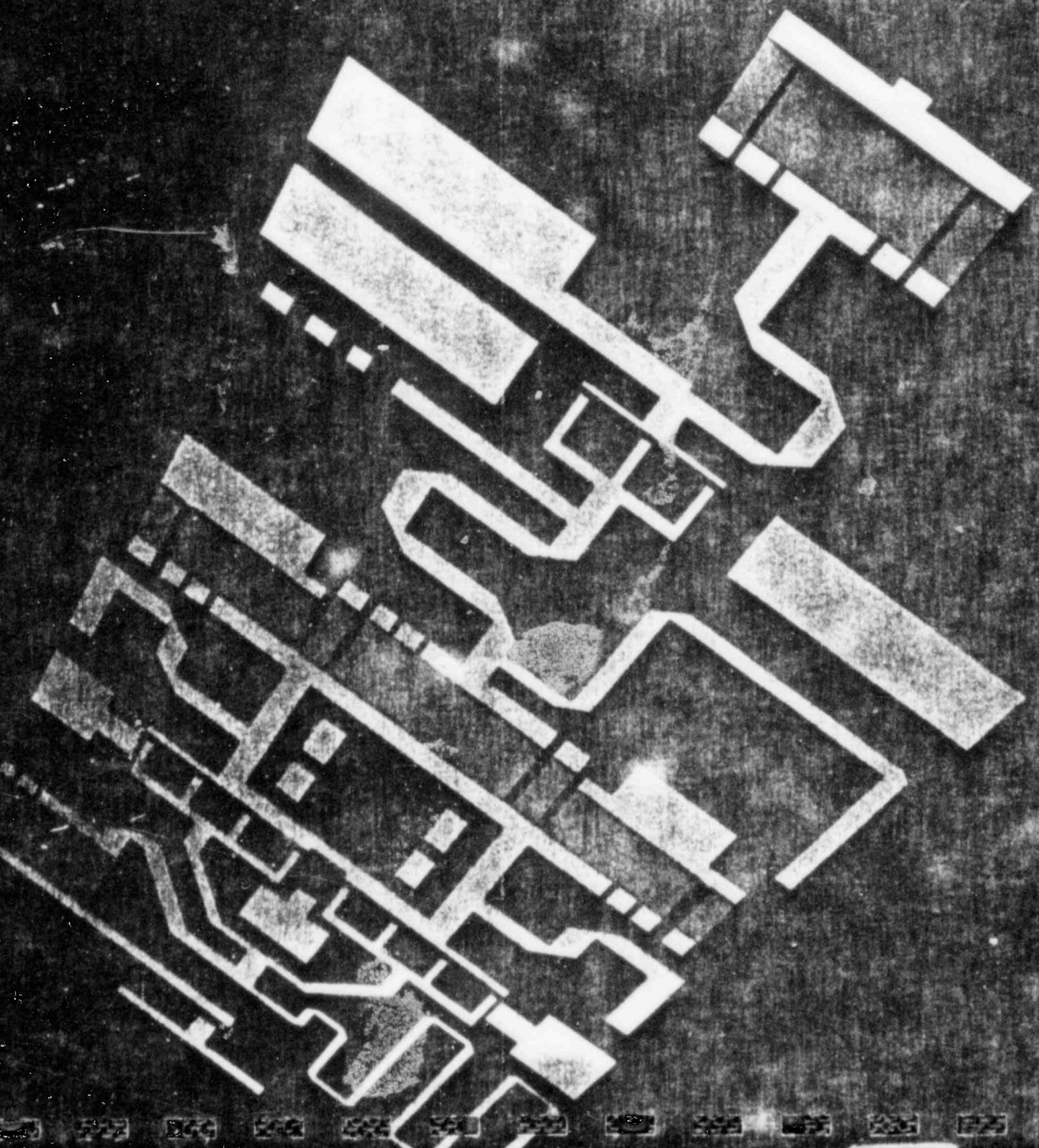


EXHIBIT B

**D**iscovery and innovation are vital to profitable growth in today's competitive marketplace. Westinghouse research and development teams are improving the performance of new generations of products and systems using advanced solid-state technology. Shown in design on the cover and to the right as a greatly enlarged photograph is a new power amplifier for radar systems of the future. This gallium arsenide integrated circuitry – a first of its kind – was developed by Westinghouse. This device can perform tasks previously attainable only by interconnecting large numbers of individual microwave transistors by hand. Advanced semiconductor production techniques have reduced the size and increased the efficiency of these radar amplifiers. The device shown is actually the size of this letter "**o**." The achievement of this one-piece power amplifier will improve Westinghouse radar systems by reducing their cost, size and weight and by increasing overall reliability. It is one example of a wide range of new Westinghouse solid-state electronic products and systems now emerging from the laboratory and moving into commercial applications.

## Financial Highlights

| (in millions except common share data) | 1980 | 1979 | 1978 |
|---|---|---|---|
| Sales and operating revenues | $8,514.3 | $7,443.1 | $6,779.8 |
| Income: | | | |
| Income before extraordinary uranium loss | $ 402.9 | $ 331.1 | $ 311.3 |
| Net income (loss) | $ 402.9 | $ (73.9) | $ 243.4 |
| Common share data: | | | |
| Income before extraordinary uranium loss | $ 4.71 | $ 3.85 | $ 3.59 |
| Net income (loss) | $ 4.71 | $ (.87) | $ 2.81 |
| Dividends | $ 1.40 | $ .972 | $ .972 |
| Book value at year-end | $ 29.81 | $ 26.47 | $ 28.24 |
| Market price at year-end | 29⅝ | 20⅛ | 16⅝ |
| Expenditures for new and improved facilities | $ 446.0 | $ 317.0 | $ 235.0 |
| Depreciation | $ 185.0 | $ 160.0 | $ 149.0 |

Westinghouse had its sixth consecutive year of earnings improvement in 1980, despite especially difficult economic conditions. Sales were up 14.4 percent over 1979 while income before extraordinary loss was up 21.7 percent. All major segments of the Corporation contributed to this advance.

At the beginning of 1980, the Board of Directors increased the quarterly dividend payment on the common stock from 24.3 cents per share to 35 cents. The Board at its January 1981 meeting again increased the quarterly dividend, to a new rate of 45 cents a share.

The financial condition of the Corporation remained strong in 1980, as evidenced by its cash and marketable securities position of $1.1 billion and an improvement in the ratio of debt to total capital.

In October, 1980, the Corporation announced its proposed acquisition of Teleprompter Corporation. The action, which would be the biggest acquisition in the history of Westinghouse, would greatly increase the service sector of the total corporate portfolio and complement the historic strength of Westinghouse Broadcasting Company (Group W). Completion of the acquisition will require the approval of Teleprompter shareholders and certain government regulatory clearances.

The Corporation negotiated a $500 million contractual credit arrangement. This, combined with the available cash and marketables, not only provides the means to complete the Teleprompter acquisition but to meet expanding capital expenditure and working capital needs.

Further progress was made in upgrading the effectiveness of our strategic planning. Detailed analyses of all the business units are now carried on continually to help reach decisions that allocate our capital resources in the most appropriate areas. These efforts are directed at improving operating profit margins, the one area of financial performance that has fallen short of our objective.

Westinghouse invested a record $446 million in capital improvements in 1980, an increase of 41 percent over 1979. A substantial portion of this investment was made as part of our corporate-wide quality and productivity improvement effort. This effort includes modernizing existing facilities, building new plants, introducing advanced manufacturing processes and focusing on human motivational factors.

Acquisitions broadened the Westinghouse base in a variety of service-related industries. These included industry services, broadcasting and elevators.

Special efforts were directed at strengthening the Corporation's technological resources by emphasizing innovation in product design, manufacturing processes and marketing approaches.

Westinghouse has reached out-of-court settlements with four of the defendants in its uranium antitrust lawsuit against domestic and foreign uranium producers. Under these settlements, Westinghouse is entitled to initial cash payments of $40 million with a right to possible future cash payments under certain conditions. These settlements also have permitted the Corporation to cover, on favorable terms, approximately 13 million pounds of its obligation to deliver 28 million pounds of uranium to utilities under the settlement agreements arising out of the uranium supply contract cases in Richmond, Va. Westinghouse is continuing to prosecute the suit against the remaining defendants.

Inflation continued to be a significant negative factor in the business climate in 1980. Spiraling costs and high interest rates forced many important customers to delay or scale back investments needed to modernize their plants and equipment.

The past year marked the retirements from the Board of Directors of two long-time Westinghouse executives, former Chairman Donald C. Burnham and former Vice Chairman George L. Wilcox. Both take with them the gratitude and esteem of their colleagues for their many contributions to the Corporation.

Moving into 1981, management is committed to strengthening the technological capabilities of the Corporation with an eye to continuing consistent, profitable growth.

R. E. Kirby
January 28, 1981

## Vice Chairman's Report

Evidence of the underlying strengths of Westinghouse was abundant in the year just concluded. The Corporation sold more goods and services than ever before.

Westinghouse made a number of moves to improve productivity, continue the development and application of new technologies, expand the high-margin services sector and build a network of in-country managers to increase business outside the U.S. Through new product development and acquisitions, we are accelerating application of solid-state technology in sophisticated equipment. Westinghouse has 30 years of experience with solid-state developments, particularly in power-semiconductor applications.

To a large degree, our future success will depend on how well we plan, build, modernize and operate our productive facilities. Two-thirds of the funds appropriated in 1980 for capital spending will be invested in existing plants to improve their operations and to make them more productive and competitive.

A number of new plants will be built in growing market areas. They will use the most advanced and productive processes and equipment.

Westinghouse is addressing the task of improving quality and productivity from a number of directions. We have created a corporate Productivity Center and named a vice president to direct its operation. Its staff of specialists is developing, testing and employing new industrial techniques which can be broadly applied across the Corporation.

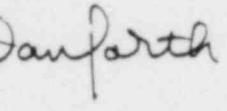
In our existing plants, we are utilizing the special insights that production employes can bring to improve productivity through analytical group meetings called quality circles. By year-end, more than 500 quality circles were operating to identify on-the-job problems and to propose solutions.

The International organization made good progress, as evidenced by 1980 sales outside the U.S. of $2.3 billion. Implementation of the new International organization, which was formed in 1979, is ahead of schedule.

In 1980, Westinghouse directed more than $1 billion in research and development programs which were funded by the Corporation, its customers and the government through Westinghouse-administered contracts.

Elsewhere in this report are discussions of promising new technologies, such as photovoltaic cells, industrial batteries, coal gasification and other synthetic fuels.

In summary, Westinghouse operations have been improved significantly over the past several years. Improvement in operating profit margins continues as a top-priority management concern. We expect to capitalize on the opportunities before us.

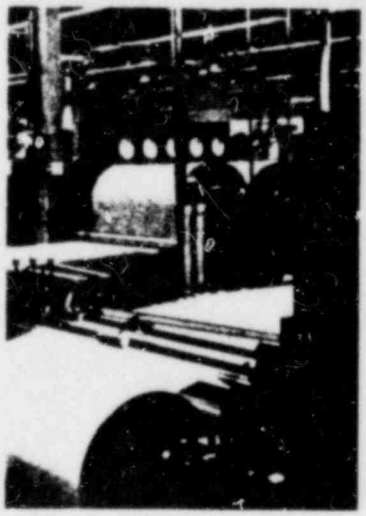


Douglas D. Danforth
January 28, 1981

Members of the Westinghouse Management Committee: (Center) **R. E. Kirby,** chairman and chief executive officer; (clockwise from lower left) **John C. Marous, Jr.,** president, International; **Douglas D. Danforth,** vice chairman and chief operating officer; **Gordon C. Hurlburt,** president, Power Systems Company; **Thomas J. Murrin,** president, Public Systems Company; **Edwin V. Clarke, Jr.,** president, Industry Products Company; **Leo W. Yochum,** senior executive vice president, finance.

From telephones to telecommunications switching equipment, Micarta copper-clad laminates provide the base material for many electronic printed circuit board applications.

*The largest of the Corporation's operating companies, Industry Products reorganized in 1980 to capitalize on fast-growing solid-state markets and to increase penetration of high-growth businesses. It is a major supplier of materials, components, equipment, controls and control systems and services. Prime markets of Industry Products include the metals, mining, petroleum and petro-chemical industries as well as electric utilities, paper, pulp, textile and construction industries.*



Processes such as textile production, at this southeastern U.S. manufacturing plant, rely on solid-state motor starters supplied by Vectrol, a recent Westinghouse acquisition.

Difficult economic conditions prevailed in many markets served by the Industry Products Company. Despite these conditions, the Company's 1980 sales reached a record $3.2 billion with operating profit for the year of $218.8 million, compared with 1979 sales of $2.9 billion and operating profit of $199.7 million.

Solid-state electronics technology is affecting nearly every industrial company today. Anticipating greater industry reliance on the microprocessor in future product development, Westinghouse formed the Electronics and Control Group. Its business units are chartered to develop and market components, products and systems based on state-of-the-art solid-state technology.

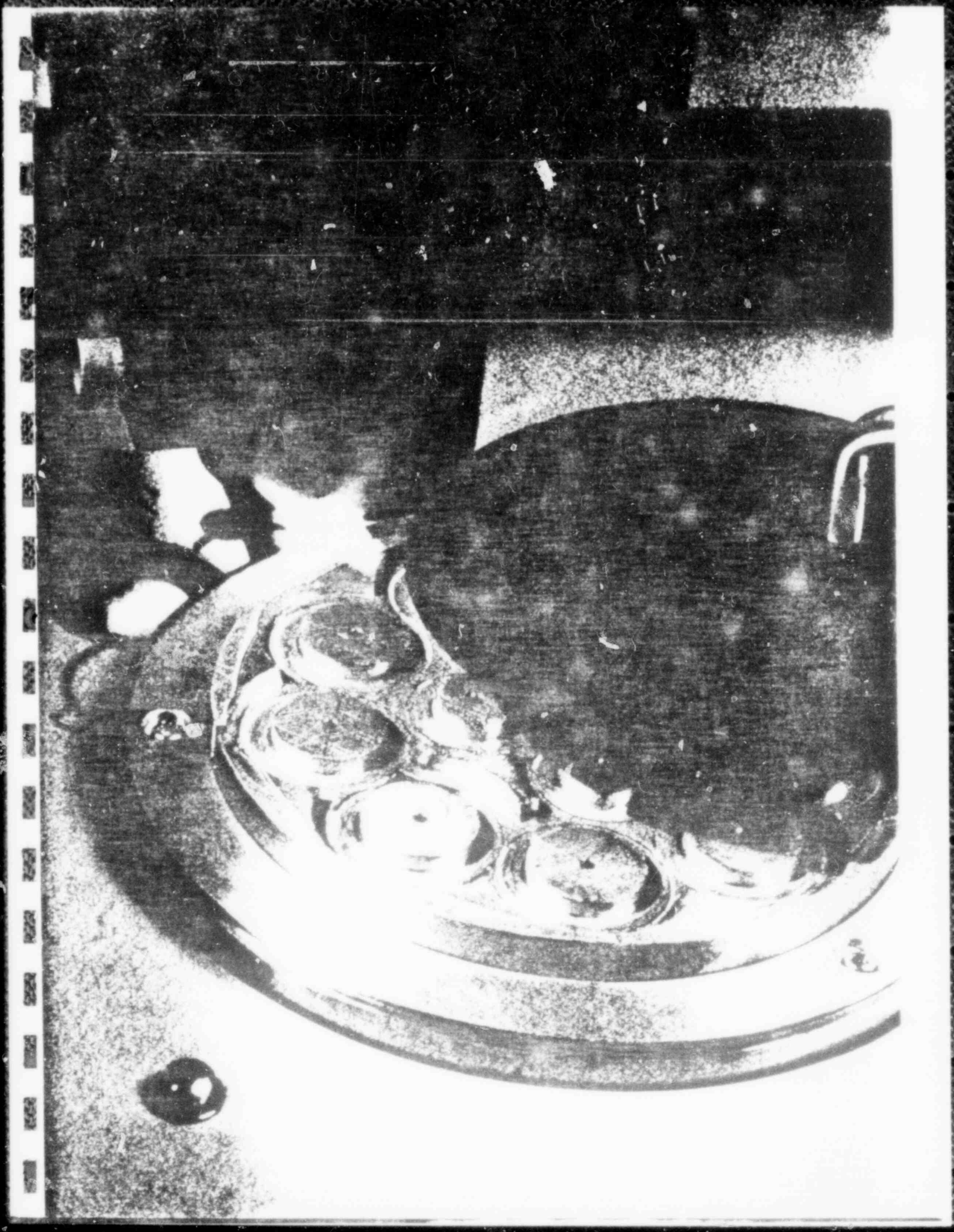
The group has three business units – electronic components, industrial control and electronic systems – plus a solid-state resource organization which provides engineering, manufacturing and logistic support. In 1980, manufacturing and service capacity were increased by 25 percent in the Industrial Control Business Unit with the addition of a new plant and new service centers.

Westinghouse acquired Vectrol, Inc., a manufacturer of solid-state alternating current motor controllers. In addition, it made an investment in Siliconix, Inc., a leading manufacturer of power transistors and integrated circuits.

Keeping pace with the rapid advancements in printed circuit board technology, the Micarta Division installed new production equipment to meet demand for ultra-thin copper-clad laminates used in multi-layer printed circuit boards. Construction began at a production facility near Pendleton, S.C., to increase capacity for decorative and copper-clad laminates.

The Insulating Materials Division had steady growth with sales improvement of insulation used in motors, transformers and other electrical equipment. The unit expanded its fibre-reinforced plastic pultrusion lines to include such applications as cable cutters and tool handles.

This laser scribe unit increases accuracy and efficiency in Westinghouse production of high-powered circular thyristors and rectifiers used in motor controls, inverters and dc power supplies.



International Paper Company selected Westinghouse MAC II high-efficiency motors for new equipment and replacement purchases for all of its primary pulp and paper mills.

This value-engineering team at the Medium Motor and Gearing Division in Buffalo, N.Y., is developing technologies for the next generation of energy-efficient motors.

Thermo King expanded production facilities, introduced a new line of fuel-efficient truck and trailer refrigeration units and reorganized to direct greater attention to key markets.

The Lamp Divisions continued to shift from standard to high-efficiency products. They will test-market a compact fluorescent lamp in 1981. The divisions also introduced a sealed-beam halogen automotive headlamp, which, on high beam, extends effective seeing distance up to 50 percent.

The Lighting Divisions concentrated development work on the high-technology end of the lighting market. Westinghouse successfully applied a new laser-aiming system to adjust lighting equipment in the U.S. Tennis Center in New York and the Texas A&M athletic stadium. In addition, it applied advanced solid-state technology to the circuitry of ballasts for high-intensity discharge lamps.

Strong organization, capital investments and development of energy-saving products contributed to a year of progress by the Industry Equipment Group.

Awareness of, and demand for, energy-saving electrical apparatus was high in industrial markets. Westinghouse leads in the design and production of high-efficiency motors, including the MAC II Energy Miser product line. At Canton, Ohio, Westinghouse installed an energy-efficient induction heating system to replace a costly gas-fired heat treating forging operation for a Ford Motor Company plant.

The Distribution Products Divisions reorganized to better serve both domestic and international markets for molded case circuit breakers and assemblies. Several international subsidiaries were combined to increase effectiveness in serving the low-voltage breaker and distribution equipment markets overseas.

Four facilities were opened in 1980. A manufacturing plant in Sumter, S.C., will increase production capacity in the southeast, while satellite operations in Cerritos, Calif., Kent, Wash., and Elk Grove, Ill., will provide faster service to area customers.

Westinghouse Electric Supply Company, the Company's distribution arm, ended the year with record operating performance. WESCO's improved performance resulted from better asset management, attention to business mix and product pricing, expansion through acquisition and increased penetration of foreign markets.

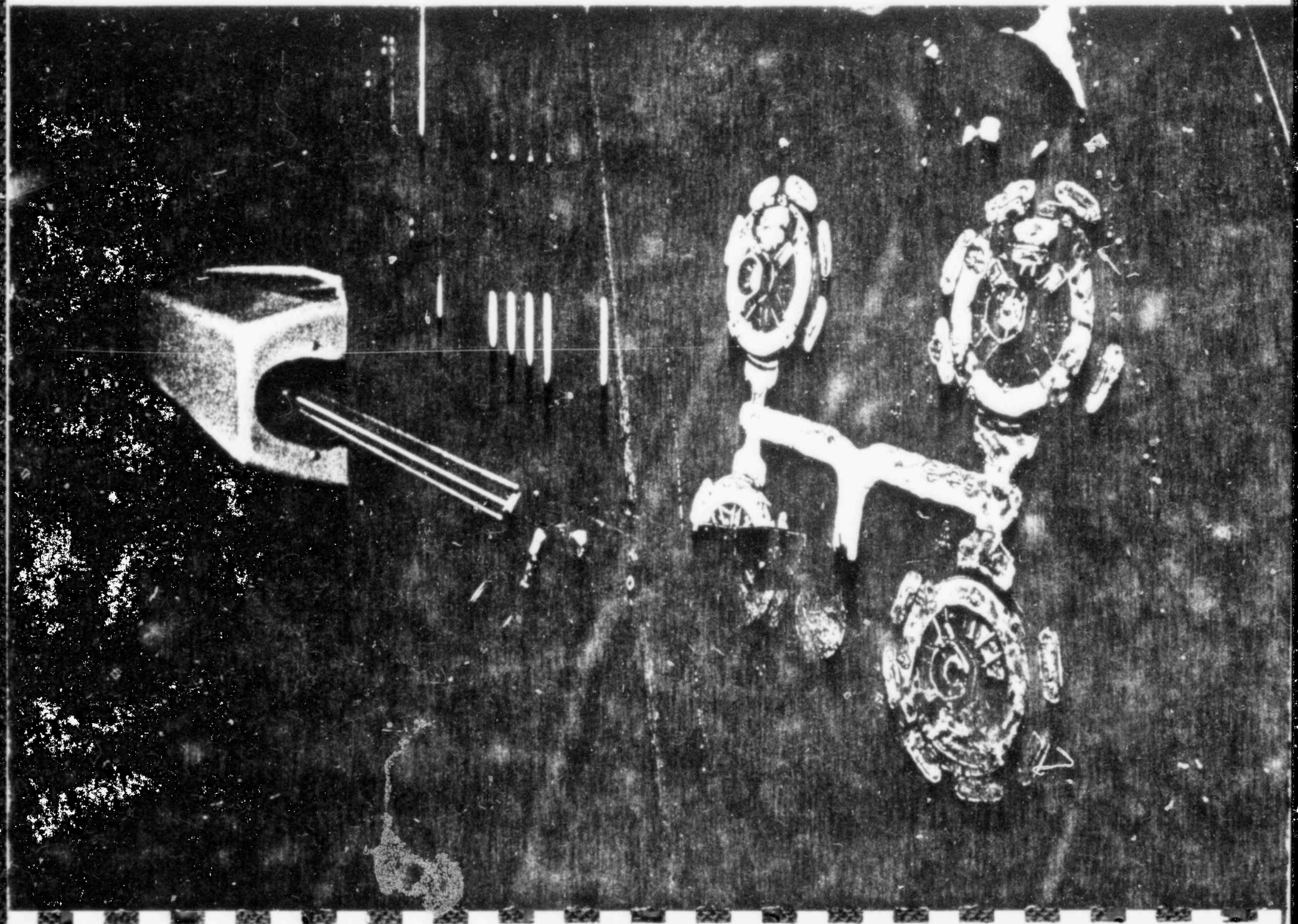
Operating a global network of more than 200 repair plants and service locations, Industry Services Divisions improved its volume in 1980. This unit offers project management, installation, start-up and maintenance of electrical equipment. Industry Services International expanded its business in Latin America, while a joint venture in Taiwan signaled increased business in Asia.

An example of Westinghouse capabilities as a systems company is the large, digitally controlled, adjustable-frequency variable-speed fan drive system installed in 1980 at Toledo Edison's Bay Shore generating plant. The Westinghouse system may annually save the utility 16,000,000 kilowatt-hours of power.

In 1980, a Westinghouse computer-based industrial energy management system was installed at American Cyanamid's diversified chemical manufacturing facility at Bound Brook, N.J. The system monitors and controls the use of process steam, electric power generation, water, refrigeration, natural gas, heating, ventilating and air conditioning. It provides annual customer savings of more than $800,000 in labor and energy costs.

The Washington Metropolitan Area Transit Authority (WMATA) awarded a $9.1 million order to Westinghouse to supply 12 electrical substations and associated equipment. The new WMATA line extends from the District of Columbia into suburban Maryland.

Among the dozens of tasks this robot performs in the manufacturing of motors is automatically ladling aluminum into a mold; it retrieves the mold cluster and transports it through its cooling phases.



Westinghouse introduced a light-fired thyristor in 1980 which will eliminate electrical "noise" in electronic control circuits and increase overall system reliability.

Westinghouse pioneered the development of power circuit breakers using $SF_6$ gas to replace oil as the arc-interrupting medium. This $SF_6$ Puffer Breaker provides more reliable system protection for a power substation in Pennsylvania.

*The Power Systems Company principally serves the electric power market with products and systems that generate, transmit, distribute and measure electricity. Its basic products include turbine-generators and nuclear steam supply systems for power plants, transformers, power circuit breakers, switchgear and meters. In response to newly defined needs of an evolving, competitive marketplace, the Company stepped up efforts in service-related businesses in 1980.*

**A** combination of continued emphasis on customer satisfaction, service, training and technology resulted in a year of solid performance for the Power Systems Company. Operating profit was $272.6 million compared with $234.7 million in the prior year. Sales increased to $3 billion, up from $2.7 billion in 1979.

Westinghouse realigned its nuclear business operations, service and training to help utilities increase plant reliability and availability. The service organization was expanded to place service facilities closer to Westinghouse-designed utility systems.

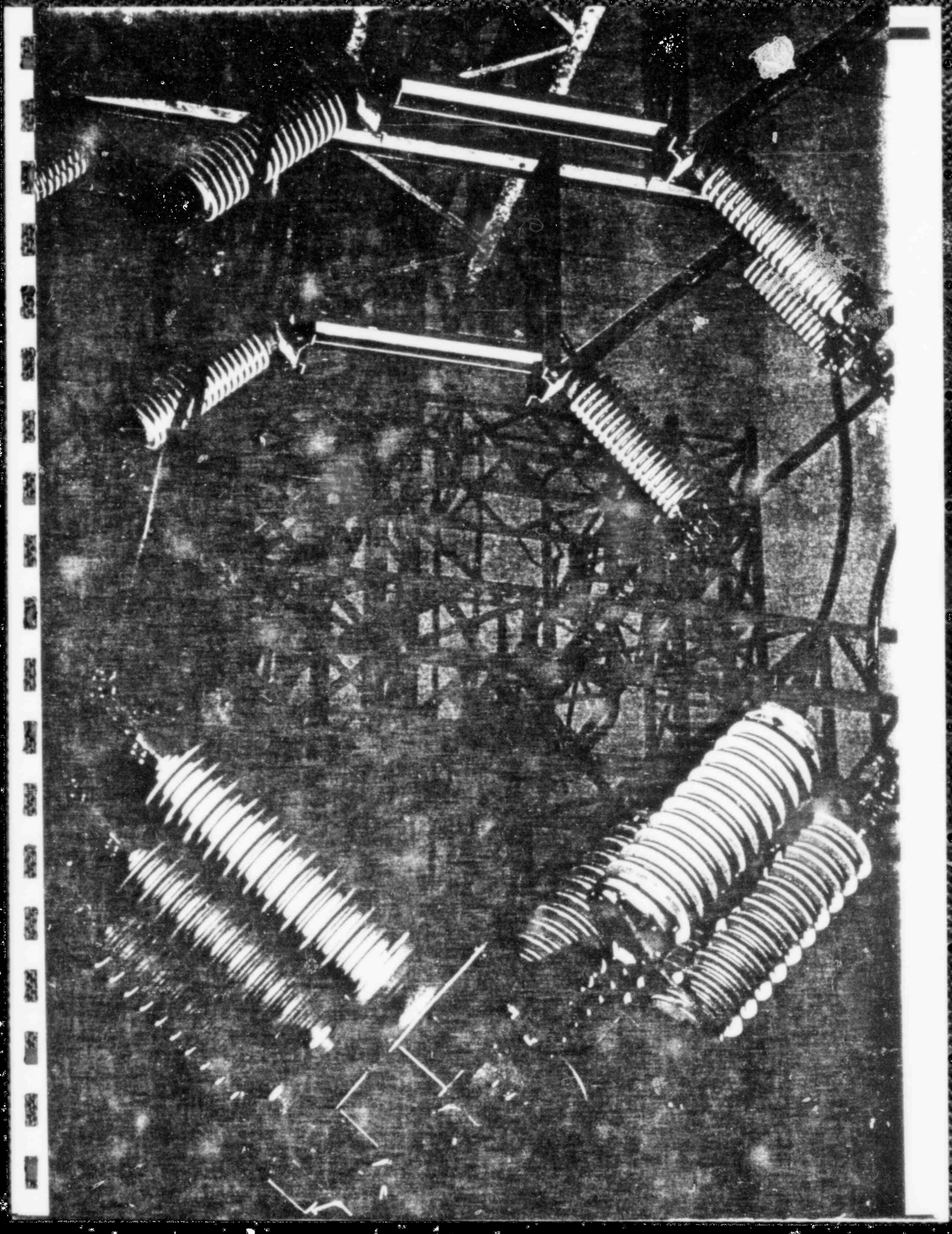
Westinghouse introduced a Technical Support Center, a system capable of assessing nuclear power plant operations to meet the need for clearer presentation of data to utility operating and technical support personnel.

Continuing international confidence in Westinghouse nuclear technology is reflected in Great Britain's decision to select Westinghouse technology for its pressurized water reactors and in Italy's activation of an agreement for Westinghouse design and development support for the Italian nuclear program.

In the United States, two Westinghouse nuclear plants went into operation in 1980. Nuclear fuel fabrication orders provide a basis for good loadings of fuel fabrication plants well into the future. However, no new orders were placed for nuclear plants in the U.S.

Westinghouse maintains a diverse portfolio of energy technologies, a number of which are administered by the Advanced Power Systems Divisions, including the liquid metal fast breeder reactor, fusion, solar photovoltaics, fuel cells and advanced batteries. The Corporation is committed to developing broad energy capabilities. Requiring vast capital, human resources and time, these technologies must be commercially demonstrated before they can be considered promising as future energy alternatives.

Westinghouse supplied the world's first 1200-kilovolt zinc oxide arrester to a major northwestern utility for its evaluation in 1980. Equipment of this type will provide greater protection for future ultra-high voltage systems.



Westinghouse Technical Support Centers feature unique visual displays. This diagram alerts the operator to a problem requiring investigation.

This digital electro-hydraulic unit is part of Westinghouse turbine-generator control system used in operations and monitoring training.

Although still many years away, the commercial application of photovoltaic cells which convert sunlight directly into electricity moved a step closer in 1980. Pacific Gas & Electric Company and Southern California Edison jointly announced support of a Westinghouse photovoltaic project expected to develop low-cost, high-efficiency solar cells. Westinghouse is moving ahead with plans to install a pilot manufacturing facility to further fuel cell development. It also began operation of a nickel-iron battery pilot assembly line to continue engineering development and demonstration which could lead to commercial use.

In addition, Westinghouse continued testing advanced nuclear fuel and materials for the fast breeder reactor at the Fast Flux Test facility in Hanford, Wash., where, in 1980, the breeder test reactor reached full power. Nuclear waste management research and development also continued pursuing high level waste storage methods.

Capitalizing on the changes in the ordering pattern of utilities, the Power Generation Group has shifted its business mix toward increased service. Many utility plants – some more than 50 years old – were built when fuel costs were 10 percent of today's prices. This fact translates into strong business opportunities to increase power plant fuel efficiency. Power Generation has stepped up emphasis on the service-related businesses to meet utility needs for increased availability, efficiency and reliability of existing power plants.

Increasing reliance was placed on advanced microelectronics to improve control and monitoring systems. To reduce steam turbine maintenance, Westinghouse developed a new on-line steam analyzer system to monitor the internal environment of turbines where impurities and corrosion could contribute to component failure.

In international markets, Westinghouse capped a record year of combustion turbine sales with an order to provide a Saudi Arabian utility with a 600,000-kilowatt combustion turbine power plant, bringing the total overseas sales to more than 1,500,000 kilowatts. The first phase of the contract, covering six turbine-generator units, is valued at $114 million. Westinghouse entered into an historic agreement with the People's Republic of China for technology transfer and supply of turbine and generator components. This was the first major electrical equipment and technology contract between the PRC and an American company.

Responding to emerging markets for synthetic gas and liquid fuels, Westinghouse formed the Synthetic Fuels Division, expanding its efforts to commercialize advanced coal gasification and other synthetic fuels technology.

Broadly positioned in global markets, the Transmission & Distribution Group supplies transformers, protective and control equipment, meters and switching apparatus for electrical transmission and distribution systems.

The Transmission & Distribution Group operated in a relatively flat domestic market. However, the Group increased international market penetration resulting in higher foreign sales.

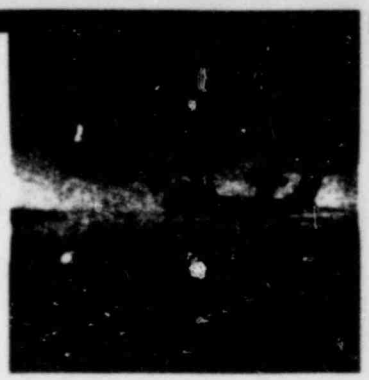
Shifts in utility requirements accelerated technological developments. One important continuing development is the re-design of transformers to reduce energy losses. Advances in design and manufacturing technology have lowered transformer core losses. Development work with new materials, such as amorphous metals, holds promise to reduce transformer core losses in the future by one-third.

Another technological advancement was the development of transformers using WECOSOL, a new cooling fluid that is used in environmentally acceptable fire-retardant transformers.

Electronic technology including application of microprocessors is being extensively applied in the field of metering and load management for cost effective approaches to energy conservation. Key technological and commercial product advances were announced in 1980 in time-of-use metering, mass data acquisition and automated distribution.

This turbine offers hands-on maintenance and repair training at the Westinghouse Dutton Mill Center opened in 1980 near Philadelphia.

## Public Systems Company



Boeing aircraft deployed during political crises in 1980 were equipped with Westinghouse long-range surveillance radar.

*The Public Systems Company is a leader in design and production of high-technology systems and services. Some 70 percent of its revenues come from governments at all levels – federal, state and local as well as foreign nations. In addition to highly sophisticated defense systems, the Company supplies elevators and people-movers, soft drinks, watches, open office furniture and develops new communities.*

The Public Systems Company increased its sales, operating profit and backlog in 1980. It also made gains in its rate of productivity and in the quality of its products.

The Company's operating profit, at $114.6 million, was 27 percent higher than the 1979 operating profit of $90.3 million. Sales increased 24 percent to $2.2 billion, compared with 1979 sales of $1.8 billion.

As a leading supplier of military electronic systems, the Company's Defense Group exceeded $1 billion in sales for the first time, and the backlog increased to $1.6 billion.

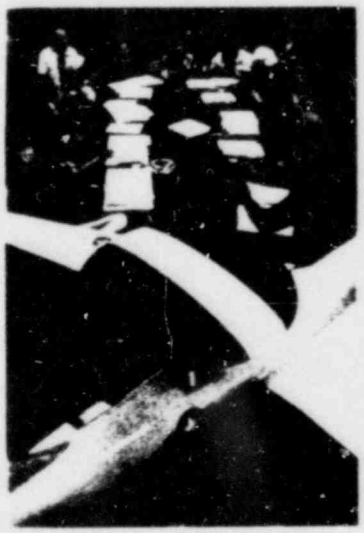
To meet the growing defense-related markets and to improve its competitive position, the Company embarked on a $100 million five-year expansion and modernization program at its Defense Center near Baltimore. The capital spending plan is aimed at maintaining a strong position in research and development, ensuring the ability to produce high-quality systems and improving productivity.

Royal Netherlands Air Force selected the Westinghouse ALQ-131 electronic countermeasures (ECM) system for its F-16 fighter aircraft, marking the first overseas sale of this ECM system. The ALQ-131 has been designated the interim ECM system for the U.S. Air Force F-16.

Westinghouse and ITT continued joint development of the next generation of Airborne Self-Protection Jammer ECM systems under a competitive development contract from the U.S. Navy.

Westinghouse has now delivered more than 500 fire control radars for the F-16 aircraft with over 250 systems sold in 1980. Westinghouse also won a development contract for an advanced F-16 radar system and adapted the all-weather radar for a new U.S. Army mobile air defense gun system, DIVADS – a joint effort with Ford Aerospace.

Members of this Baltimore Defense Group Quality Circle work in E-3A radar test, tool and production areas.



Interactive graphics shown on this video display terminal are employed in the design of customized large-scale integrated circuits used in Westinghouse E-3A radar systems.

In the Atlanta people-mover, increased capacity and reliability are provided, offering the option of tunnel bypass or simple shuttle movement.

Electronic sensors located throughout the Atlanta people-mover system feed computer data into this on-site control room for reliable, safe operation.

In 1980, full-scale development of the MX-Missile Launching Canister began. Two major contracts were awarded to Westinghouse for the Variable Speed Constant Frequency generators for Harrier and F5G aircraft.

Westinghouse surveillance radar in the E-3A Airborne Warning and Control System continued to set operational performance standards. AWACS aircraft, equipped with Westinghouse-built radar capable of detecting aircraft and seagoing ships at great distances, were deployed to Saudi Arabia and Europe during 1980. Westinghouse also began initial production of radar for 18 NATO aircraft.

In 1980, a Westinghouse automated country-wide air defense system became operational in Morocco and several major ground radar systems orders were received, including a $60 million contract for 24 medium-range tactical radars.

The Construction Group's Transportation Division put into operation last year a mile-long Westinghouse people-mover system along links connecting four concourses and the main terminal at Atlanta's new International Airport.

The Miami Airport, equipped with Westinghouse people-movers, also opened in 1980. The Company is installing a similar system at the Orlando Airport.

The Corporation has leadership in solid-state controls for elevators. This, combined with a fairly strong commercial and industrial construction market, has helped elevator sales volume. The backlog is at a record high.

A combination of fewer housing starts and high interest rates has depressed the market for residential heating and cooling equipment. A plant in Oklahoma is being closed but its operations are being consolidated into an Ohio facility. The industrial air conditioning business was strong in 1980.

The expanding acceptance of the open office furniture concept has boosted sales and earnings of the Architectural Systems Division. A factory to manufacture this product line was opened in Ireland to serve markets in the United Kingdom, Europe and the Middle East. This plant will also produce air conditioning equipment.

Learning and Leisure improved its operating performance in 1980.

Expanding its international market base, Westinghouse DataScore Systems, a division of the Learning Business Unit, secured contracts with Venezuela and the Dominican Republic to supply optical mark reading systems for recording upcoming censuses in those countries. In addition, the unit's mix of products and services was broadened with the acquisition of Information Associates, Inc., Rochester, N.Y., which provides computer programming to colleges and universities.

The Beverage Group's sales increased faster than the overall beverage market. In 1980, the group embarked on a 10-year capital investment program to expand distribution facilities and improve the productivity of bottling operations. It added new products to its lines in southern California and Indiana and also acquired the 7-Up franchise in Las Vegas.

Despite a generally soft U.S. watch market, the Longines-Wittnauer Watch Company improved profitability in 1980 and added 500 retail outlets.

Operating performance of the Community Development Group improved significantly in 1980. Engaged in land and community development projects in Florida and California, the group continued its profitability for the thirty-fourth consecutive year.

Port Royale, a condominium project on the east coast of Florida, will include some 1,500 units in six high-rise structures. Pelican Bay, on the west coast of Florida, includes three miles of Gulf frontage. The houses, villas and high-rise apartments comprise one of the most attractive developments in the country.

More than 40 million passengers annually are expected to travel in this fully automated Westinghouse people-mover in Atlanta's new Hartsfield International Airport. Peak period capacity is 18,000 passengers per hour.

Concourse B
All Gates
Concourse C
All Gates
Concourse D
All Gates

In a London, England, office of Pakistan Airlines, this Westinghouse Canada video display terminal is used for ticketing airline passengers.

*International is organized into four operating areas: Canada; Europe, Africa, Middle East; Latin America; Asia-Pacific. Its function is to integrate the activities of domestic business units and the in-country operations in key nations around the globe. Besides exports and in-country manufacturing, markets are being developed through projects, licensing and technical assistance agreements and third country sales.*

Westinghouse export sales in 1980 totaled $1.2 billion. Sales from manufacturing subsidiaries overseas were $1.1 billion, amounting to non-U.S. sales volume of $2.3 billion. This represented 27 percent of total corporate sales, up from 25 percent in the previous year.

The International Company, established in mid-1979, directed its efforts toward consolidating the full scope of Westinghouse resources and expertise in key countries around the globe. In recognition of the vast economic and social differences among nations, as well as the growing involvement of governments in those two spheres, Westinghouse allocated financial and human resources on a country-by-country basis. The individual country is the building block of international strategy.

This strategy reflects the realities of a global marketplace where penetration of new markets will ensure continued success in established markets as world competition intensifies.

Westinghouse Canada had an excellent year in both sales and earnings. Developing high-growth domestic business opportunities while increasing its exports, Canada remained strong in the combustion turbine market. In 1980, several combustion turbines went into operation in Libya as part of a $30 million order for turbines supporting a land-reclamation project.

Westinghouse Canada strategy also is based on world mandates for technology-intensive products such as advanced airport lighting control systems, as well as control panels and mimic boards for air traffic control lighting console systems.

Other advanced products marketed worldwide from Canada are video terminals and controllers. These satellite-linked systems furnish airlines and ticketing offices with instantaneous air travel information. World charters require research, development, manufacturing and marketing capabilities and contribute to Canada's industrial and technological strength.

Linatrol optical line-tracing equipment, a Westinghouse Canada product, is exported to Japan and other industrial nations.

In 1980, combustion turbines produced by Westinghouse Canada were installed in such countries as Venezuela, India and Libya.

In Japan, Roger C. Nichols (center), President, Westinghouse Electric KK, is taking the lead in the intensified business activities in that important Far East country.

Stuart P. Simpson, President, Westinghouse Spain, inspects a large motor under repair at the versatile Westinghouse service facilities in Madrid.

The Westinghouse commitment to a strong international competitive position was demonstrated by efforts in Spain with a major subsidiary. New managerial and financial commitments were made to address the needs of the Spanish domestic markets and to prepare for export opportunities in Europe, Africa, the Middle East and Latin America.

The corporate thrust to provide offshore facilities to better supply world markets led to the opening of two additional Irish plants in 1980, Shannon and Dunleer, which manufacture industrial systems and components and low-voltage electrical equipment.

Saudi Arabia is a significant market for Westinghouse products and services. The Company emphasized human resource development aimed at increasing the involvement of nationals in Westinghouse activities. Highlighting the year was an order for combustion turbines valued at $114 million.

In Brazil, facilities were expanded and new products were added to position the Company for the future and to meet Brazil's need for rural electricification and industrial expansion. Progress was made in Brazil to substantially increase the local content of Westinghouse-manufactured goods.

Building a broad industrial base is one of Mexico's highest priorities, and Westinghouse is well positioned to contribute to such growth. Westinghouse has maintained an equity participation and technical collaboration in Industria Electrica de Mexico, S.A. for more than 30 years. Today, IEM represents an excellent springboard to the heavy electrical apparatus industry.

Venezuela continues to provide a growing market for Westinghouse products and systems. Overall, export orders from the rest of Latin America in 1980 more than doubled over the previous year.

Westinghouse involvement in the Asia-Pacific area was highlighted by the continued sale of high-technology products and systems. Long-standing, mutually beneficial relationships transfering technology to licensees were strengthened in key countries. Relations with Mitsubishi, dating from 1923, were strengthened and continued.

Shipments of components from Westinghouse factories to nuclear projects in Korea, Japan, Taiwan and the Philippines continued throughout the year.

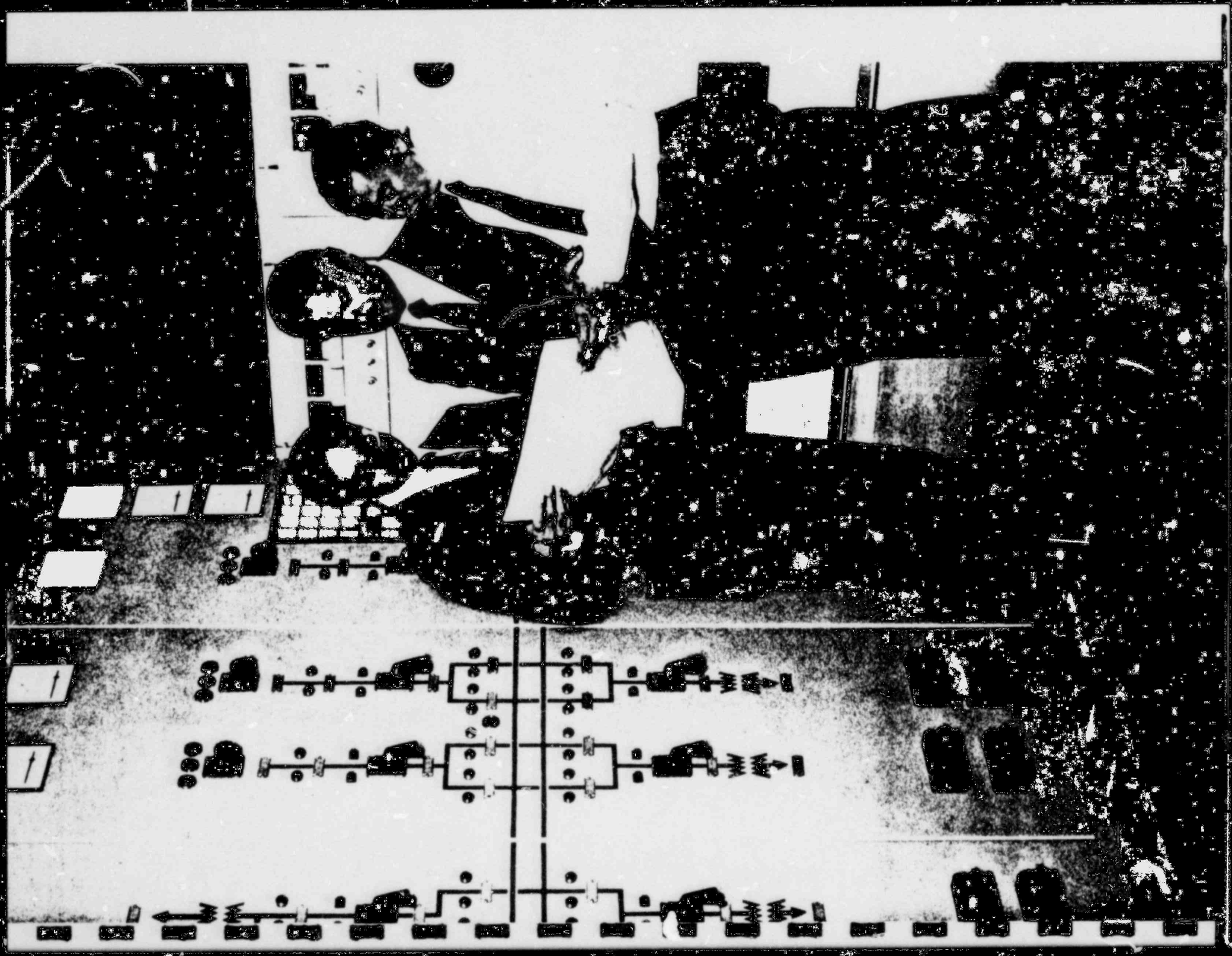
Another example of the successful involvement in markets requiring a high degree of technical leadership was a contract to supply China Steel Company of Taiwan with electric drive and automatic control equipment. This application of microprocessor-based drives represents leading-edge technology and will result in one of the most modern installations in the world.

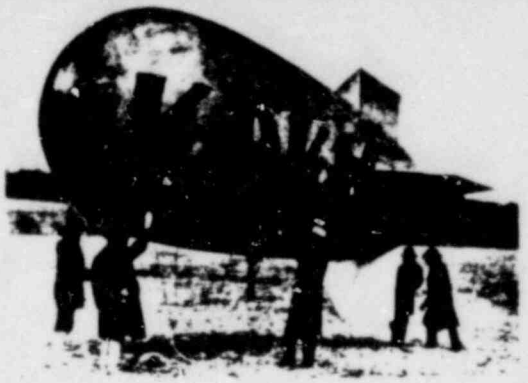
Typifying the strategy to achieve greater participation in the expanding service and repair markets was the joint venture with China Industrial Service Company of Taiwan.

Westinghouse received the first American contract from the People's Republic of China for technology transfer and supply of components for steam turbines and generators. This was an important first step toward a mutually rewarding relationship in the decade ahead.

Westinghouse participated in the rapidly expanding Australian mining, mineral processing and electricity supply markets through its service and repair operations as well as through Tyree Industries, a Westinghouse subsidiary which had record volume and profits in 1980.

Ivan G. de Souza, (center) President, Westinghouse do Brasil S.A., reviews production schedules at the Marini & Daminelli Division, a manufacturer of breakers, relays and switchgear assemblies.





In the early days of broadcasting, this experimental KDKA-Pittsburgh radio antenna was carried aloft by a balloon. It was characteristic of Group W pioneering efforts in communications technology.

In 1920, KDKA, the Westinghouse Group W Pittsburgh radio station, originated the world's first commercial radio broadcasting program. It reported results of the Harding-Cox presidential election. In 1980, its sixtieth anniversary year, Group W continued its record of innovative, responsive broadcasting. Group W achieved record sales and earnings, with the strongest gain resulting from radio operations.

Westinghouse signed an agreement to acquire Teleprompter Corporation, the nation's largest cable television operator, in a proposed cash transaction amounting to $646 million. Cable television is viewed as a high-growth medium of the future. The acquisition, which requires approval by Teleprompter shareholders, was under review by various Federal Government agencies at year-end. Clearview Cable TV, which Group W currently operates in Georgia and Florida, recorded another year of exceptional growth. Additional channels will expand service to subscribers.

Group W acquired an interest in Home Theater Network Inc., a pay cable movie service offering subscribers only "G" and "PG" rated movies. Group W plans to acquire full ownership of this company by 1986. During 1980, the group acquired WPCQ-TV (formerly WRET-TV), Charlotte, N.C., and FM radio stations KODA, Houston and KOAX, Dallas-Fort Worth. The Company signed an agreement to purchase KOSI-FM, Denver, subject to Federal Communications Commission approval. Early in 1981, it acquired KJQY, the top-rated San Diego FM station.

In 1980, Group W Productions formed a cable program production unit and launched several successful programs.

Group W Cable Production's first venture was an adaptation of the George M. Cohan musical, *Little Johnnie Jones*, which was distributed nationally on the Showtime pay cable network. An adaptation of the Broadway hit, *Eubie*, also was produced. VidSat, a satellite distribution service using state-of-the-art technology, was introduced in 1980.

The debut of John Davidson as television's newest talk/variety show host resulted in high audience ratings. *PM Magazine*, the nightly information and entertainment series, continued as the number one rated program in the 7:30-8:00 p.m. prime time access period in the nation's 50 largest markets. A daytime series introduced in 1980, *Hour Magazine*, also received favorable audience ratings. Also in 1980, *Fight Back! With David Horowitz*, a weekly series starring consumer advocate David Horowitz, went into production. The show takes a probing but entertaining look into the selling of consumer products and services.

Group W ended the year positioned to capitalize on the new technologies for future growth and development.

Talented John Davidson premiered in a new talk/variety show on more than 100 stations across the country. The daytime series had high ratings throughout its first season.

New technologies signal a new age for Group W. Pointed toward a satellite located some 22,000 miles out in space, this satellite earth station is part of a Group W antenna assembly that receives and transmits television signals nationwide.

For the first time in its 27-year history, the Westinghouse Credit Corporation's total receivables outstanding surpassed $2 billion. Net income rose to $22 million, up 45 percent from 1979. As a result of the full retention of earnings, the parent company's equity investment in WCC increased to $237 million at year-end. The balance sheet was further strengthened in June with the public sale of $100 million 10-year notes bearing a rate of 10⅞ percent.

WCC is organized into four groups. The Industrial Equipment Group finances income-producing personal property through installment loans, capital loans and leases in a wide variety of industries. The 1980 results for this group represented an improvement from the previous year. The Industrial Equipment Group recorded solid gains in several attractive markets, including energy-related industries, off-shore and land-based oil exploration businesses, computers and printing equipment. Receivables outstanding applicable to the construction-equipment and coal-mining markets declined.

The Business Financing Group offers three major types of financing --leveraged leasing, corporate financing and commercial financing. The group reached a record volume in 1980. This group has also been able to provide capital financing assistance to many major utility companies and other industries through the purchase of preferred stock issues with mandatory redemption provisions.

The Commercial Real Estate Group's financing continued to be a rapidly growing segment of WCC's business. Although real estate activity is closely tied to economic trends, the diversity of the Group's portfolio insulates it from the negative effects of any single industry. The portfolio consists of receivables related to income-producing commercial properties, including apartments, condominiums, office complexes, shopping centers, warehouses and industrial buildings.

The Consumer Group, renamed the Financial Services Group, emphasized expansion of wholesale inventory financing which reflected the group's diminishing role in financing individual consumer retail purchases. These accounts carry larger balances, shorter payment terms and more pricing flexibility than consumer retail accounts.

Productivity was improved in 1980 through training and development and capital investments. Nationwide telecommunications networks linking field offices with corporate headquarters improved customer service and productivity.

Market strategies to deal with economic uncertainties have positioned Westinghouse Credit Corporation for future growth and profitability.

## Financial Statements

*Report of Management*

The Corporation has prepared the consolidated financial statements and related financial information included in this 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 and results of operations 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 was prepared on a basis consistent with the financial statements.

The Corporation maintains a system of internal accounting controls, supported by 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 internal 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 fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and 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 which is composed solely of directors who are not officers or employes of the Corporation. The Audit Review Committee meets regularly with the independent accountants, management and the internal auditors. The independent accountants have direct access to the Audit Review Committee, with or 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
Stockholders of
Westinghouse Electric Corporation

In our opinion, the consolidated financial statements appearing on pages 26 through 40 of this Annual Report present fairly the financial position of Westinghouse Electric Corporation and its subsidiaries at December 31, 1980 and 1979, and the results of their operations and the changes in financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied.

Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

600 Grant Street
Pittsburgh, Pennsylvania 15219
January 28, 1981

**Consolidated Statements of Income and Retained Earnings** Westinghouse Electric Corporation

| Year Ended December 31 | 1980 | 1979 | 1978 |
|---|---|---|---|
| *Statement of Income* (in millions) | | | |
| Sales and operating revenues | $8,514.3 | $7,443.1 | $6,779.8 |
| Cost of sales | 6,486.4 | 5,706.2 | 5,152.6 |
| Distribution, administration and general expenses | 1,352.7 | 1,163.7 | 1,030.0 |
| Depreciation | 185.0 | 160.0 | 149.0 |
| Operating costs and expenses | 8,024.1 | 7,029.9 | 6,331.6 |
| Operating profit | 490.2 | 413.2 | 448.2 |
| Equity in income of finance subsidiary and other affiliates | 24.0 | 15.7 | 44.5 |
| Other income | 104.0 | 74.1 | 17.6 |
| Interest expense | (61.7) | (43.7) | (41.4) |
| Income before income taxes and minority interest | 556.5 | 459.3 | 468.9 |
| Income taxes | (151.5) | (125.7) | (154.4) |
| Minority interest | (2.1) | (2.5) | (3.2) |
| Income before extraordinary loss | 402.9 | 331.1 | 311.3 |
| Extraordinary loss from uranium litigation, net of income taxes of $367.0 and $69.9 | -- | (405.0) | (67.9) |
| Net income (loss) | $ 402.9 | $ (73.9) | $ 243.4 |
| Earnings per common share: | | | |
| Income before extraordinary loss | $ 4.71 | $ 3.85 | $ 3.59 |
| Extraordinary loss, net of income taxes | — | (4.72) | (.78) |
| Net income (loss) per common share | $ 4.71 | $ (.87) | $ 2.81 |
| *Statement of Retained Earnings* (in millions) | | | |
| Retained earnings at beginning of year | $1,546.7 | $1,704.5 | $1,545.5 |
| Net income (loss) | 402.9 | (73.9) | 243.4 |
| Dividends declared on preferred stock | (.6) | (.6) | (.6) |
| Dividends declared on common stock | (119.0) | (83.3) | (83.8) |
| Retained earnings at end of year | $1,830.0 | $1,546.7 | $1,704.5 |

Certain Statement of Income amounts for years prior to 1980 have been reclassified for comparative purposes.

The information on pages 25 through 40 is an integral part of these financial statements.

**Consolidated Balance Sheet** Westinghouse Electric Corporation

| At December 31 (in millions) | 1980 | 1979 |
|---|---|---|
| *Assets* | | |
| Cash | $ 111.0 | $ 65.9 |
| Marketable securities at cost, which approximates market | 742.3 | 851.7 |
| Customer receivables | 1,475.2 | 1,462.1 |
| Inventories | 1,013.1 | 2,092.3 |
| Costs of uncompleted contracts in excess of related billings | 254.0 | 258.7 |
| Income taxes refundable | 33.9 | 143.2 |
| Uranium settlements assets | 45.4 | 52.1 |
| Deferred current income taxes | 68.7 | 126.4 |
| Prepaid and other assets | 374.6 | 313.0 |
| Total current assets | 4,118.2 | 4,367.4 |
| Investments | 704.0 | 712.8 |
| Plant and equipment | 1,714.1 | 1,463.0 |
| Other assets | 276.3 | 278.0 |
| Total assets | $6,812.6 | $6,821.2 |
| *Liabilities and Stockholders' Equity* | | |
| Short-term loans and current portion of long-term debt | $ 138.1 | $ 100.1 |
| Accounts payable | 470.9 | 550.8 |
| Accrued employe compensation | 278.3 | 251.3 |
| Income taxes currently payable | 99.1 | 107.2 |
| Billings on uncompleted contracts in excess of inventoried costs | 1,273.9 | 1,380.3 |
| Estimated future costs of uranium litigation | 81.3 | 147.7 |
| Other liabilities | 921.4 | 823.0 |
| Total current liabilities | 3,263.0 | 3,370.4 |
| Estimated future costs of uranium litigation, non-current | 353.8 | 538.6 |
| Other non-current liabilities | 233.8 | 177.9 |
| Debentures and other long-term debt | 326.7 | 344.1 |
| Deferred non-current income taxes | 59.4 | 84.6 |
| Minority interest | 29.9 | 30.5 |
| Redeemable preferred stock | 16.1 | 16.1 |
| Common stock | 277.1 | 277.1 |
| Paid-in capital | 503.9 | 498.1 |
| Common stock held in treasury | (81.1) | (71.9) |
| Retained earnings | 1,830.0 | 1,546.7 |
| Total common stockholders' equity | 2,529.9 | 2,250.0 |
| Total liabilities and stockholders' equity | $6,812.6 | $6,821.2 |

Certain 1979 amounts have been reclassified for comparative purposes.

The information on pages 25 through 40 is an integral part of these financial statements.

**Consolidated Statement of Changes in Financial Position** Westinghouse Electric Corporation

| Year Ended December 31 (in millions) | 1980 | 1979 | 1978 |
|---|---|---|---|
| *Source of funds* | | | |
| Income before extraordinary loss | $ 402.9 | $ 331.1 | $ 311.3 |
| Depreciation | 185.0 | 160.0 | 149.0 |
| Equity in income of finance subsidiary and other affiliates | (24.0) | (15.7) | (44.5) |
| Deferred non-current income taxes | (25.2) | (14.3) | (37.6) |
| Minority interest | 2.1 | 2.5 | 3.2 |
| Funds from operations before extraordinary loss | 540.8 | 463.6 | 381.4 |
| Extraordinary loss from uranium litigation, net of income taxes | — | (405.0) | (67.9) |
| Estimated future costs of uranium litigation, non-current | — | 414.4 | 96.8 |
| Reduction in non-current marketable securities | 79.3 | (2.7) | (133.9) |
| Issuance of common stock to employes | 32.4 | 30.4 | 29.6 |
| Transfer of prepaid pension contributions, non-current | 16.0 | 28.8 | (59.9) |
| Fixed asset reduction to realizable value | — | — | 80.0 |
| Other non-current items, net | 82.2 | 98.3 | 122.1 |
| Decrease in current assets: | | | |
| Income taxes refundable | 111.3 | (145.2) | — |
| Inventories and costs of uncompleted contracts in excess of related billings | 83.9 | (62.5) | (69.5) |
| Deferred current income taxes | 57.7 | (150.5) | (7.6) |
| Uranium settlements assets | 6.7 | (52.1) | — |
| Increase in other liabilities, current | 106.0 | 11.9 | 187.7 |
| Other current items, net | 47.8 | 57.4 | 22.1 |
| Total source of funds | 1,164.1 | 286.8 | 580.9 |
| *Use of funds* | | | |
| Expenditures for new and improved facilities | 446.0 | 317.0 | 235.0 |
| Reduction in estimated future costs of uranium litigation, non-current | 184.8 | — | — |
| Dividends | 119.6 | 83.9 | 84.4 |
| Reduction of debentures and other long-term debt | 51.3 | 33.4 | 64.0 |
| Increase in investments | 46.5 | (90.8) | 47.4 |
| Purchase of common stock for treasury | 35.7 | 45.7 | 43.4 |
| Decrease in current liabilities: | | | |
| Billings on uncompleted contracts in excess of inventoried costs | 106.4 | (102.4) | (181.1) |
| Accounts payable | 88.9 | (27.4) | (94.1) |
| Estimated future costs of uranium litigation | 66.4 | (108.9) | (4.5) |
| Income taxes currently payable | 8.1 | 24.2 | (67.9) |
| Increase in current assets: | | | |
| Prepaid and other assets | 61.6 | 45.7 | (25.2) |
| Customer receivables | 13.1 | 85.6 | 183.1 |
| Total use of funds | 1,228.4 | 306.0 | 284.5 |
| Increase (decrease) in cash and marketable securities | $ (64.3) | $ (19.2) | $ 296.4 |

The information on pages 25 through 40 is an integral part of these financial statemen

## Notes

### *Accounting Principles and Policies*

The major accounting principles and policies followed by Westinghouse are presented to assist the reader in evaluating the consolidated statements and other data in this report.

### Principles of Consolidation

The financial statements include the consolidation of all wholly and majority owned subsidiaries except the finance subsidiary Westinghouse Credit Corporation. The equity method of accounting is followed for this subsidiary and for investments in 20 to 50 percent owned affiliates.

### Revenue Recognition

Sales are recorded primarily as products are shipped.

The percentage of completion method of accounting is used for nuclear steam supply system orders with durations generally in excess of five years and certain construction projects where this method of accounting is consistent with industry practices. For federal income tax purposes, the accrual shipment method is used. For other long-term contracts, sales are recognized as products are shipped.

Revenues and expenses associated with patent license and technical assistance agreements are classified, beginning in 1980, as operating revenues and cost of sales. Amounts for years prior to 1980 have been reclassified for comparative purposes.

### Inventories

The value accumulated in inventories is determined principally on the LIFO method. 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 factory overhead. In accordance with the practice of the Corporation, and the electrical manufacturing industry generally, inventories include items which are not realizable within one year.

Use of the percentage of completion method results in the accumulation of costs incurred plus estimated profits in long-term contracts in process. Costs are also accumulated for progress payments to subcontractors and recoverable engineering and development costs.

### Pension Plans

Pension plans cover substantially all employes of the Corporation. Benefits under the plans are being funded by the pension trust method. The annual provision for pension cost includes the amount of benefits earned during the year and the amortization of prior service liability over 25 years. It is the normal policy of the Corporation to fund each year the amount of pension expense accrued.

### 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, maintenance and shop tooling are charged to operations as incurred.

### Deferred Income Taxes

Deferred income taxes are provided for timing differences between financial and tax reporting, principally related to long-term contracts in process, depreciation, uranium litigation costs, product warranty accruals and the finance subsidiary's leveraged leasing transactions.

Deferred federal income taxes are provided for undistributed earnings of foreign subsidiaries except when those earnings have been indefinitely reinvested.

### Investment Tax Credit

Investment tax credit on all qualified assets is recorded under the flow-through method of accounting except for investment tax credit on assets leased to others by the finance subsidiary. Investment tax credit on such leased assets is deferred and amortized over the terms of the respective leases.

## Notes

*2 Pensions*

The parent and its domestic subsidiaries have defined benefit pension plans covering substantially all employes. Pension expense for these plans was $179 million in 1980, $182 million in 1979 and $136 million in 1978.

The increase in pension expense in 1979 over 1978 reflected increased plan benefits granted to employes during the year and an additional contribution under a special provision of the Employee Retirement Income Security Act.

The actuarial present value of accumulated plan benefits at December 31, 1980 was estimated to be $2,821 million, $2,478 million of which was vested. The assumed rate of return used in estimating the actuarial present value of accumulated plan benefits was seven percent. Seven percent is also the assumed rate of return used for cost determination and funding purposes.

The Corporation has prefunded to date an aggregate of $200 million of company contributions and these prepayments are reported in Prepaid and Other Assets.

Various pension arrangements, which supplement and are coordinated with required government plans, are in effect for most foreign subsidiary companies. For those subsidiaries having private pension plans, pension expense was approximately $12 million in 1980, $10 million in 1979 and $8 million in 1978.

**Summary of Changes in Pension Plan Assets** (in millions)

| | 1980 | 1979 |
|---|---|---|
| Market value at beginning of year | $1,644.1 | $1,360.4 |
| Company contributions | 179.1 | 182.4 |
| Employe contributions | 30.3 | 24.1 |
| Income from investments | 137.8 | 114.9 |
| Realized and unrealized net gain on assets | 161.6 | 77.0 |
| Benefit payments | (132.4) | (114.7) |
| Net increase | 376.4 | 283.7 |
| Market value at end of year | $2,020.5 | $1,644.1 |

*3 Income Taxes*

Income tax expense for financial reporting was reduced by investment tax credits of $31.7 million in 1980, $27.1 million in 1979 and $18 million in 1978. In addition investment tax credit of $23.3 million was deferred at the end of 1980 by the finance subsidiary and remains to be amortized.

Deferred federal income taxes have not been provided on cumulative undistributed earnings of $467 million from certain subsidiaries because the earnings have been reinvested for an indefinite period.

The foreign portion of income before income taxes was $65.6 million in 1980, $51.6 million in 1979 and $39.7 million in 1978. The foreign income before tax is comprised of profits and losses generated from foreign operations. Such income can be subject to both U.S. and foreign taxes.

Certain amounts shown for 1979 in the accompanying tables have been reclassified for comparative purposes as a result of final determination of differences between income tax for financial statement purposes and the filed 1979 tax returns.

The federal income tax returns of the Corporation and its wholly owned subsidiaries are settled through December 31, 1973. For 1974 and 1975 the Internal Revenue Service has proposed reallocations to the U.S. parent company of a portion of the income of certain domestic subsidiaries operating in Puerto Rico under tax incentive grants. Such proposed reallocations would result in additional taxes of $14.5 million. If similar reallocations were made for subsequent years, substantial additional taxes would be assessed for the years 1976 through 1980. Tax counsel for the Corporation has advised that the proposed reallocations are not appropriate under the law. Accordingly, the Corporation will vigorously contest the proposed reallocations for 1974 and 1975 and any similar reallocations for later years. Management believes that adequate provisions for taxes, including tax deficiencies applicable to the ultimate resolution of the reallocation issues, have been made through December 31, 1980.

Income taxes refundable resulted from the carryback of losses caused by the costs of uranium litigation settlements. The reduction in income taxes refundable reflects amounts recovered through 1980.

## Notes

| **Income Taxes** (in millions) | 1980 | 1979 | 1978 |
|---|---|---|---|
| Tax on income before extraordinary loss | | | |
| Current | | | |
| Federal | $ 126.4 | $ 79.1 | $157.0 |
| State | 22.3 | 18.9 | 30.7 |
| Non-U.S. | 60.5 | 48.5 | 33.3 |
| | 209.2 | 146.5 | 221.0 |
| Deferred | | | |
| Federal | (58.5) | (23.6) | (59.2) |
| State | (8.1) | (4.5) | (14.8) |
| Non-U.S. | 8.9 | 7.3 | 7.4 |
| | (57.7) | (20.8) | (66.6) |
| Total taxes on income before extraordinary loss | 151.5 | 125.7 | 154.4 |
| Tax on extraordinary loss | | | |
| Current | | | |
| Federal | (100.8) | (246.7) | (103.2) |
| State | (13.2) | (9.7) | (13.9) |
| Deferred | | | |
| Federal | 100.8 | (110.3) | 41.5 |
| State | 13.2 | (.3) | 5.7 |
| Total taxes on extraordinary loss | — | (367.0) | (69.9) |
| Total income taxes | $ 151.5 | $(241.3) | $ 84.5 |

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences for the years 1980, 1979 and 1978 and the tax effect of each are shown in the table below.

| **Income Taxes Deferred** (in millions) | 1980 | 1979 | 1978 |
|---|---|---|---|
| Leveraged lease transactions of the finance subsidiary | $ 20.3 | $ 25.8 | $ 26.9 |
| Depreciation | 10.5 | 7.9 | 8.1 |
| Costs associated with contract termination | 4.4 | 5.9 | (28.5) |
| Product warranty | (12.4) | (12.9) | (14.3) |
| Long-term contracts in process | (26.1) | (17.5) | (23.8) |
| Pension contributions deductible in excess of pension expense | — | — | 35.8 |
| Fixed assets reduction to realizable value | — | — | (40.9) |
| Other miscellaneous timing differences | (54.4) | (30.0) | (29.0) |
| Income tax benefit deferred on income before extraordinary loss | (57.7) | (20.8) | (66.6) |
| Extraordinary loss from uranium litigation | 114.0 | (110.6) | 47.2 |
| Total income taxes deferred* | $ 56.3 | $(131.4) | $(19.4) |

* Includes deferred taxes of $16.9 million in 1980, $26.5 million in 1979 and $29.7 million in 1978 attributable to the finance subsidiary reported under the equity method of accounting.

**Notes**

The reconciliation between the federal statutory tax rate and the Westinghouse effective consolidated tax rate for 1980, 1979 and 1978 is shown in the table below.

Consolidated net income includes income of certain domestic manufacturing subsidiaries operating as Puerto Rico possession corporations which are exempt from U.S. tax and which are either totally or partially exempt from Puerto Rican income tax under grants of industrial tax exemptions, which will expire at various dates from 1986 through 2004.

| Effective Consolidated Tax Rate | 1980 | 1979 | 1978 |
|---|---|---|---|
| Tax expense if based on federal statutory tax rate applied to income before taxes and extraordinary loss | 46.0% | 46.0% | 48.0% |
| Increases (reduction) in taxes resulting from: | | | |
| Lower tax rate on net income of Puerto Rico possession corporations | (14.0)% | (13.3)% | (8.5)% |
| Investment tax credit | (5.7)% | (5.9)% | (3.8)% |
| Lower tax rate on DISC income | (2.7)% | (3.2)% | (2.4)% |
| State and local income taxes less reduction in federal income tax | 1.4% | 1.7% | 1.8% |
| Miscellaneous items | 2.2% | 2.1% | (2.2)% |
| Total taxes on income before extraordinary loss | 27.2% | 27.4% | 32.9% |

*4 Customer Receivables*

Doubtful account allowances were $26.1 million in 1980 and $26.9 million in 1979.

Customer receivables included $85 million in 1980 and $114 million in 1979 representing the sales value of materials shipped under long-term contracts which will be billed to the customer upon shipment of each major component of the contract. Collection of these unbilled receivables is expected to be substantially completed within one year.

*5 Inventories*

The excess of production cost calculated at December 31, 1980 and 1979 over the cost of inventories valued on the LIFO basis was approximately $790 million and $685 million.

Inventories, valued principally on the LIFO method, included costs relating to current and long-term contracts and programs of approximately $695 million and $708 million at December 31, 1980 and 1979. In addition, all costs in Recoverable Engineering and Development Costs (Government Contracts), Long-term Contracts in Process and Progress Payments to Subcontractors were related to current and long-term contracts and programs.

Inventories not expected to be realized within one year were not material. Inventory costs do not exceed realizable values.

## Notes

| **Inventories** (in millions) | 1980 | 1979 |
|---|---|---|
| Valued principally on LIFO method | | |
| Raw materials | $ 255.4 | $ 208.6 |
| Work in process | 773.3 | 821.8 |
| Finished goods | 278.6 | 295.8 |
| | 1,307.3 | 1,326.2 |
| Long-term contracts in process | 1,208.3 | 1,268.0 |
| Progress payments to subcontractors | 252.7 | 279.7 |
| Recoverable engineering and development costs (government contracts) | 204.3 | 190.8 |
| | 2,972.6 | 3,064.7 |
| Less: inventoried costs related to contracts with progress billings terms | 1,959.5 | 1,972.4 |
| Inventories | $1,013.1 | $1,092.3 |

*Progress Billings*

Progress billings are applicable to many long-term production contracts and a wide range of products. Costs included in inventory do not include certain expenditures made on behalf of customers which are charged to income currently.

| **Costs and Billings on Uncompleted Contracts** (in millions) | 1980 | 1979 |
|---|---|---|
| Costs included in inventory | $ 695.7 | $ 723.3 |
| Less: progress billings on contracts | 441.7 | 464.6 |
| Excess of costs | $ 254.0 | $ 258.7 |
| Progress billings on contracts | $2,537.7 | $2,629.4 |
| Less: costs included in inventory | 1,263.8 | 1,249.1 |
| Excess of progress billings | $1,273.9 | $1,380.3 |

*7 Investments*

Investments include the finance subsidiary and affiliates which are valued under the equity method plus advances, marketable securities with maturity dates in excess of one year and other securities at cost or less, not in excess of market value.

In October 1980 Westinghouse announced its intention to acquire all the shares of Teleprompter Corporation for $38 per share. The total value of the proposed transaction is $646 million. The cash merger transaction is subject to approval of holders of two-thirds of the outstanding shares of Teleprompter and certain government agencies including the Federal Communications Commission. Contemporaneously, agreements were entered into with certain stockholders of Teleprompter for the purchase of approximately 28 percent of the outstanding shares.

The obtaining of appropriate approval is proceeding, and the stock purchase agreements were consummated on January 30, 1981. The Teleprompter stockholders meeting is planned for March, and necessary approvals are expected during 1981. If any approval necessary to consummate the merger is not received, Westinghouse intends to pursue options available, including sale of the stock or other means to obtain all the shares.

In November the Corporation acquired an 80 percent interest in Home Theater Network, Inc., which provides family-oriented pay television programming. The agreement provides for acquiring the remaining 20 percent within the next five years with the aggregate price to be paid based upon a cash flow formula.

Westinghouse Broadcasting also acquired one UHF television station and two FM radio stations during 1980. Agreement to acquire an additional FM radio station was consummated in January 1981 and agreement to purchase another FM station is pending appropriate regulatory approval. A letter of intent was signed calling for the sale in 1981 of the assets and assignment of the license of radio station WBZ-FM in Boston.

During 1980 the Corporation also acquired several other entities that integrate with on-going product lines. In addition an interest of approximately 22 percent was obtained in Siliconix, Inc., a manufacturer of power transistors and integrated circuits.

At December 31, 1980 and 1979 the Corporation had $209 million and $288 million of marketable securities with maturity dates in excess of one year classified as investments, which included securities issued by the U.S. Government and its agencies of $113 million and $120 million. The remaining securities primarily consist of certificates of deposit and issues by state and local government agencies.

**Investments** (in millions)

| | 1980 | 1979 |
|---|---|---|
| Securities | | |
| Non-consolidated subsidiaries | $244.4 | $202.8 |
| Affiliates | 139.6 | 98.5 |
| Indebtedness | 70.0 | 87.6 |
| Other securities investments | 250.0 | 323.9 |
| Investments | $704.0 | $712.8 |

*9. Plant and Equipment*

**Plant and Equipment** (in millions)

| | 1980 | 1979 |
|---|---|---|
| Land and buildings | $ 864.6 | $ 785.0 |
| Machinery and equipment | 2,279.6 | 2,023.6 |
| Construction in progress | 207.2 | 179.0 |
| Plant and equipment, at cost | 3,351.4 | 2,987.6 |
| Less: accumulated depreciation | 1,637.3 | 1,524.6 |
| Plant and equipment | $1,714.1 | $1,463.0 |

*9. Short-Term Loans and Current Portion of Long-Term Debt*

Short-term loans amounted to $112.9 million at December 31, 1980 and $83 million at December 31, 1979 primarily from borrowings of subsidiaries outside the United States.

In November 1980 the Corporation entered into a credit arrangement with six banks, which commits the banks to November 1983 to lend amounts up to $500 million to the Corporation in U.S. domestic dollars or, if the Corporation elects, in Eurodollars. The agreement provides for a revolving credit arrangement with interest payable at the prime rate and at a one-half percent commitment fee on the unborrowed portion. At the end of the third year, the Corporation may elect to convert all or any portion of the amount of the commitment to a four-year term loan bearing interest at the prime rate plus one-quarter percent during the first and second years and at the prime rate plus one-half percent during the third and fourth years. The term loans are payable in eight equal semi-annual installments.

Short-term credit arrangements also include domestic bank lines of credit totaling $206 million at the prime commercial rate and $150 million of credit at varying rates available to subsidiaries, principally outside the United States. Of these lines, $277 million was unused at December 31, 1980. Compensating balance requirements under these credit arrangements are not material.

*10. Other Liabilities*

Included in other liabilities are product warranty accruals of $197.6 million and $169.5 million at December 31, 1980 and 1979.

## Notes

*11 Debentures and Other Long-Term Debt*

Sinking fund deposit requirements of $8 million annually through 1991 and $10 million annually through 1994 are currently being satisfied under the terms of the 5⅜ percent and 8⅜ percent indentures.

Other debt is secured by various assets of wholly and majority owned subsidiary companies and matures serially in various annual amounts through the year 2006. At December 31, 1980 this debt included $61 million of borrowings by foreign subsidiaries with an average interest rate of 8.8 percent. Other debt includes $13 million of notes convertible into the Corporation's common stock.

Long-term debt maturing in each of the following years is: 1981 – $25 million, 1982 – $27 million, 1983 – $21 million, 1984 – $27 million, 1985 – $23 million.

**Debentures and Other Long-Term Debt** (in millions)

| | Interest Rates | Year at Maturity | 1980 | 1979 |
|---|---|---|---|---|
| Debentures | 3¼% | 1981 | — | $ 15.0 |
| Debentures | 5⅜% | 1992 | $110.9 | 111.4 |
| Debentures | 8⅜% | 1995 | 123.0 | 139.9 |
| Other long-term debt | Various | Various | 92.8 | 77.8 |
| Debentures and other long-term debt | | | $326.7 | $344.1 |

*12 Common and Preferred Stock*

At December 31, 1980, 1979 and 1978 common stock of 78,674,610 shares, with par value of $3.125, had been issued from 120 million shares authorized. Shares held in treasury numbered 3,801,922 at the end of 1980, 3,665,359 at the end of 1979 and 2,885,322 at the end of 1978.

Treasury shares, valued at cost, are used primarily to supply the requirements of the various benefit plans under which common stock is distributed to employes. During the year, 1,439,300 shares were purchased for $35.7 million and 1,302,937 shares having a cost of $26.6 million were delivered under the various employe benefit plans. In 1979, 2,362,700 shares were purchased for $45.7 million and 1,582,463 shares having a cost of $31.2 million were delivered under these plans. In 1978, 2,178,700 shares were purchased for $43.4 million and 1,487,293 shares having a cost of $28.5 million were delivered under these plans.

At December 31, 1980 and 1979 the 3.80 percent Series B cumulative preferred stock, par value $100, consisted of 230,949 shares, of which 160,923 shares were issued and outstanding. Sinking fund requirements have been met.

Cumulative preference stock, without par value, has been authorized at 10 million shares, of which none has been issued.

*13 Uranium Litigation*

At year-end 1979 the Corporation had provided for all estimated future costs associated with the resolution of all uranium supply contract suits and related litigation, including certain legal and other expenses. Reference is made to the extraordinary loss from uranium litigation settlements in the Statement of Income.

The uranium supply contract settlement agreements contain differing combinations of cash, uranium, products and services with varying payment terms and delivery dates. To discharge its remaining estimated obligations resulting from the uranium litigation, the Corporation will be required to use cash and other resources over an extended period. Uranium Settlements Assets in the balance sheet relate to settlement items being produced by the Corporation and its subsidiary, Wyoming Mineral Corporation. Substantially all of Wyoming's business is devoted to producing uranium to be delivered under the settlement agreements. As goods and services are delivered under the settlement agreements, the difference between the total costs of the goods and services and any payments to be made by the utilities will be applied to the balance of the liability for such estimated future costs and will not be reflected in sales or cost of sales in the results of future operations.

In other related uranium litigation, the Corporation has pending an antitrust suit against a number of domestic and foreign uranium producers seeking treble damages as well as injunctive relief. Certain defendants filed antitrust counterclaims in this litigation, alleging multi-billion dollar damages which, in the opinion of management, are speculative, grossly inflated, without merit and were filed as a defensive tactic.

Default judgments against nine foreign defendants on the issue of liability have been affirmed by the U. S. Circuit Court of Appeals in an opinion ruling that the issue of damages must be postponed until the liability of the non-defaulting defendants has been determined. The case is now proceeding against the non-defaulting defendants on the issue of liability with the trial scheduled to commence on September 1, 1981.

In December 1980 the Corporation settled with one of the then remaining twenty-seven defendants, Homestake Mining Company. Under the terms of the settlement with Homestake, which also included discontinuance of litigation brought by Homestake against the Corporation arising out of a uranium supply contract, Homestake has agreed to pay the Corporation $2 million and will deliver to the Corporation 450,000 pounds of uranium in March 1981 at a price of $14 a pound. In January 1981, the Corporation settled with three other defendants in the suit, Getty Oil Company, Gulf Oil Corporation and its wholly owned subsidiary, Gulf Minerals Canada, Ltd. Under the terms of the settlements, Getty has paid the Corporation $13 million and Gulf will pay the Corporation $25 million. In addition, Gulf will assume primary responsibility for the sale and delivery of approximately 13 million of the remaining 28 million pounds of uranium due certain utilities under uranium supply contract settlement agreements. If certain conditions are not met, the Corporation has an option to purchase 6 million of the 13 million pounds at a discount from the market price. Also, Gulf will pay the Corporation cash equal to specified percentages of revenues from the sales of the uranium to be delivered by Gulf. Further, Homestake, Getty and Gulf Oil agreed to dismissal of their respective antitrust counterclaims against the Corporation.

Recognition of the benefits to the Corporation resulting from the settlements to date will not affect net income until an evaluation of such benefits and the remaining long-term obligations provided for in the previously established uranium accrual indicates an adjustment is appropriate. The evaluation will include the impact on future operations of Wyoming Mineral Corporation from reduced uranium requirements and determination of any payments to which certain utilities may become entitled under sharing of antitrust proceeds clauses in uranium supply contract settlement agreements.

The liability for the Estimated Future Costs of Uranium Litigation, which was reduced during 1980 as a result of cash payments and delivery of goods and services to the utilities, aggregated $435.1 million at December 31, 1980. This liability will be adjusted, as appropriate, to reflect the effect of these settlements and any other changes in facts or circumstances, including any further benefits to the Corporation resulting from any settlements with other uranium producers.

Rio Algom Limited, one of the defendants in the above mentioned antitrust suit, filed a suit in Ontario, Canada against the Corporation and the Tennessee Valley Authority, an agency of the United States Government, (i) alleging, among other things, a conspiracy to effect a repudiation by TVA of its contract to purchase uranium from Rio Algom and (ii) claiming substantial actual and punitive damages. The Corporation regards this lawsuit as totally without merit.

The Corporation is also defending against several stockholder actions alleging securities law violations for failure to make proper disclosures of, among other things, the uranium situation. One of these actions is proceeding as a class action limited to uranium issues. All allegations of wrong doing have been denied.

*14 Segment Information*

The Corporation is engaged principally in the manufacture, sale and service of equipment and components for the generation, transmission, distribution, utilization and control of electricity. The four operating segments are Power Systems, Industry Products, Public Systems and Broadcasting.

Power Systems designs, develops, manufactures and distributes nuclear energy systems, power generating apparatus and service, and transmission and distribution equipment with associated installation and maintenance services for the electric utility industry, industrial companies and the construction market. In addition, Power Systems is involved in the development and implementation of techniques for the extraction and processing of uranium.

Industry Products supplies a variety of products and services – including motors, controls, breakers, lamps and lighting fixtures, process equipment and systems for automation of production machinery, engineering and repair services, and distribution – to a wide range of customers in such industries as metals, petrochemical, mining, pulp and paper, textile, transportation, rubber and durable goods.

Public Systems provides high-technology equipment, such as radar, aircraft electrical systems, communications systems, marine propulsion and launching equipment, and ocean engineering to the U.S. Government and defense-related customers and supplies elevators, escalators, electric walks, horizontal transportation systems, heating and cooling equipment, open office furniture systems and

**Financial Information by Segments** Westinghouse Electric Corporation

| *Earnings Information* (in millions) | 1980 | 1979 | 1978 |
|---|---|---|---|
| Sales and operating revenues: | | | |
| Power Systems | $2,998.2 | $2,675.7 | $2,541.7 |
| Industry Products | 3,227.4 | 2,907.9 | 2,641.3 |
| Public Systems | 2,245.2 | 1,805.8 | 1,562.9 |
| Broadcasting | 266.5 | 218.9 | 202.5 |
| Other | 115.4 | 105.0 | 95.0 |
| | 8,852.7 | 7,713.3 | 7,043.4 |
| Intersegment sales | (338.4) | (270.2) | (263.6) |
| | $8,514.3 | $7,443.1 | $6,779.8 |
| Operating profit: | | | |
| Power Systems | $ 272.6 | $ 234.7 | $ 210.9 |
| Industry Products | 218.8 | 199.7 | 235.7 |
| Public Systems | 114.6 | 90.3 | 106.5 |
| Broadcasting | 64.4 | 59.3 | 58.3 |
| Other | (2.2) | (13.2) | (9.0) |
| Adjustments and eliminations | (16.0) | (14.6) | (19.7) |
| Segment operating profit | 652.2 | 556.2 | 582.7 |
| General corporate expenses | 162.0 | 143.0 | 134.5 |
| | 490.2 | 413.2 | 448.2 |
| Equity in income of finance subsidiary and other affiliates | 24.0 | 15.7 | 44.5 |
| Other income | 104.0 | 74.1 | 17.6 |
| Interest expense | (61.7) | (43.7) | (41.4) |
| Income before income taxes and minority interest | $ 556.5 | $ 459.3 | $ 468.9 |

| *Asset Information* (in millions) | 1980 | 1979 | 1978 |
|---|---|---|---|
| Segment identifiable assets: | | | |
| Power Systems | $1,899.7 | $1,979.1 | $2,087.4 |
| Industry Products | 1,576.4 | 1,487.9 | 1,259.9 |
| Public Systems | 1,069.2 | 893.5 | 753.9 |
| Broadcasting | 204.5 | 135.4 | 113.9 |
| Other | 19.6 | 68.0 | 65.5 |
| Adjustments and eliminations | (120.1) | (113.5) | (92.5) |
| | 4,649.3 | 4,450.4 | 4,188.1 |
| Investments | 704.0 | 712.8 | 785.2 |
| Corporate assets | 1,459.3 | 1,658.0 | 1,320.2 |
| Total assets | $6,812.6 | $6,821.2 | $6,293.5 |

Sales and Operating Revenues and Operating Profit for 1979 and 1978 have been reclassified for comparative purposes.

other products and services to the construction industry. In addition, it offers various educational services and materials to schools and the general public, bottles and distributes beverage products in specific market areas, manufactures and sells timepieces for the consumer market and develops land for sale to the public.

Broadcasting, a wholly owned subsidiary of the Corporation, owns and operates television stations located in Baltimore, Boston, Charlotte, Philadelphia, Pittsburgh and San Francisco, and radio stations located in Boston, Chicago, Dallas, Fort Wayne, Houston, Los Angeles, New York, Philadelphia, Pittsburgh and San Diego.

Products are transferred between segments and geographic areas generally at inventory cost of the selling location plus a margin.

Depreciation was charged to the operating results of the segments of the Corporation for each of the three years ended 1980 as follows: Power Systems – $78 million, $69 million and $61 million; Industry Products – $44 million, $38 million and $38 million; Public Systems – $25 million, $21 million and $21 million and Broadcasting – $9 million, $6 million and $5 million.

Capital expenditures were made by the Corporation's segments for each of the three years ended 1980 as follows: Power Systems – $127 million, $142 million and $112 million; Industry Products – $133 million, $84 million and $63 million; Public Systems – $122 million, $38 million and $38 million and Broadcasting – $27 million, $21 million and $11 million.

Westinghouse-sponsored research and development expenditures made in each of the three years ended 1980 were $186 million, $162 million and $152 million. Of these amounts, Power Systems expended $107 million, $104 million and $101 million.

Expenditures in 1980, 1979 and 1978 on research and development programs sponsored by customers were $374 million, $328 million and $326 million, respectively. Of these amounts, Power Systems expended $149 million, $117 million and $114 million and Public Systems expended $191 million, $183 million and $177 million. These amounts do not include research and development program expenditures at government-owned, Westinghouse-operated facilities.

The largest single customer of the Corporation is the United States Government and its agencies, whose purchases accounted for 13 percent of the consolidated sales and operating revenues in 1980, 12.4 percent in 1979 and 11 percent in 1978. Of these purchases, 15 percent in 1980, 21 percent in 1979 and 18 percent in 1978 were made from Power Systems, 4 percent in 1980 and 1979 and 5 percent in 1978 from Industry Products and 79 percent in 1980, 73 percent in 1979 and 75 percent in 1978 from Public Systems. No other customer made purchases totaling 10 percent or more of consolidated sales.

Assets not identified to segments principally include cash and marketable securities, refundable and deferred income taxes, investments in the non-consolidated finance subsidiary and prepaid pension contributions.

Adjustments and eliminations deducted from segment identifiable assets represent the removal of intersegment operating profit from the identifiable assets.

**Financial Information by Geographic Areas** (in millions)

| | 1980 | 1979 | 1978 |
|---|---|---|---|
| Sales and operating revenues: | | | |
| United States | $7,387.9 | $6,470.9 | $6,002.0 |
| Manufacturing subsidiaries outside United States | 1,126.4 | 972.2 | 777.8 |
| | $8,514.3 | $7,443.1 | $6,779.8 |
| Segment operating profit: | | | |
| United States | $ 549.2 | $ 461.2 | $ 521.6 |
| Manufacturing subsidiaries outside United States | 103.0 | 95.0 | 61.1 |
| | $ 652.2 | $ 556.2 | $ 582.7 |
| Segment identifiable assets: | | | |
| United States | $3,920.6 | $3,817.4 | $3,620.7 |
| Manufacturing subsidiaries outside United States | 728.7 | 633.0 | 567.4 |
| | $4,649.3 | $4,450.4 | $4,188.1 |

Sales and Operating Revenues and Segment Operating Profit for 1979 and 1978 have been reclassified for comparative purposes.

## Notes

Adjustments and eliminations added to or deducted from segment operating profit represent the net change in the intersegment operating profit elimination and an adjustment from combining inventory cost into LIFO pools for those profit centers that value inventories according to the LIFO method.

Manufacturing facilities located outside the United States contributed 13 percent, 13 percent and 11 percent of consolidated sales and operating revenues and 9 percent, 12 percent and 10 percent of income before extraordinary loss for the years 1980, 1979 and 1978. These subsidiaries represented 11 percent, 10 percent and 9 percent of total assets and 10 percent, 9 percent and 7 percent of total liabilities for the same three years.

The Corporation sells products manufactured domestically to customers throughout the world through domestic divisions and domestic subsidiaries primarily doing business outside the United States. These export sales contributed 14 percent, 12 percent and 12 percent to consolidated sales and operating revenues in 1980, 1979 and 1978.

Total products sold outside the United States from both exports and foreign manufacturing subsidiaries contributed 27 percent, 25 percent and 24 percent of consolidated sales and operating revenues in 1980, 1979 and 1978. Transfers between geographic areas were not significant.

15 *Stock Options and Other Incentive Plans*

Under the 1979 Stock Option and Long-Term Incentive Plan 2.1 million shares of common stock have been reserved to provide stock options and performance shares. The Plan also provides for stock appreciation rights, which may also be granted under the 1974 Stock Option Plan. The option price under the Plan may not be less than the fair market value of the shares on the date the option is granted. The options become exercisable in whole or in part after the commencement of the second year of the term. Performance shares are granted to certain officers at the discretion of a committee of the Board of Directors and are payable in common stock, cash or any combination thereof. Each performance period covers four calendar years commencing at the beginning of the year of grant.

At December 31, 1980 approximately 316 employees of the Corporation and its subsidiaries were eligible and were granted options under the 1979 Plan. The first option grants under the Plan were made on July 24, 1979 when options to purchase 562,050 shares were awarded to Plan participants at an exercise price of $20.00 per share. These options expire July 23, 1989. On October 31, 1979 options to purchase 1,800 shares were awarded to Plan participants at an exercise price of $19.00 per share. These options expire October 30, 1989. On July 29, 1980 options to purchase 36,950 shares were awarded to Plan participants at an exercise price of $26.00 per share. These options expire July 28, 1990. At December 31, 1980, 542,750 shares were

**Stock Options and Other Incentive Plans**

| | 1980 | | 1979 | |
|---|---|---|---|---|
| | Shares | Average Price Per Share | Shares | Average Price Per Share |
| 1979 Stock Option and Long-Term Incentive Plan | | | | |
| Outstanding at beginning of year | 562,850 | $20.00 | — | — |
| Granted | 36,950 | $26.00 | 563,850 | $20.00 |
| Exercised | (8,300) | $20.00 | — | — |
| Terminated | (11,800) | $20.00 | (1,000) | $20.00 |
| Outstanding at end of year | 579,700 | $20.38 | 562,850 | $20.00 |
| 1974 Stock Option Plan | | | | |
| Outstanding at beginning of year | 1,054,000 | $18.12 | 1,078,350 | $18.11 |
| Granted | — | — | — | — |
| Exercised | (86,850) | $15.68 | (9,800) | $13.69 |
| Terminated | (6,250) | $21.46 | (14,550) | $20.13 |
| Outstanding and exercisable at end of year | 960,900 | $18.32 | 1,054,000 | $18.12 |

**Notes**

exercisable under the Plan at an option price of $20.00. No options, stock appreciation rights or performance shares may be granted under the Plan after May 30, 1984.

The 1974 Stock Option Plan provides for the granting of options to purchase 1.2 million shares of common stock at not less than market value at the date of the grant. Such options may be granted for terms up to ten years and become exercisable in whole or in part after the commencement of the second year of the term. The Plan provides for a limit on options granted to any one employe of 50,000 shares.

At December 31, 1980, 295 employes held options to purchase 960,900 shares. These options have a range of expiration dates beginning July 30, 1984 and ending July 25, 1988, with an average exercise price of $18.32 per share. The period during which options may be granted expired on March 31, 1979.

The Board of Directors voted to award under the management incentive program $14.9 million, $10.8 million and $12.3 million in 1980, 1979 and 1978 to more than 1,100 employes.

*16 Commitments and Contingent Liabilities*

The Corporation had commitments for the acquisition of property, plant and equipment of approximately $129 million at December 31, 1980. Guarantees by the Corporation of notes and other securities obligations of non-consolidated subsidiaries, affiliates and other unrelated obligors were $158 million at December 31, 1980.

*17 Offshore Power Systems*

In 1978 Offshore Power Systems and its only customer for floating nuclear power plants agreed to terminate the contract. Payments had been received to cover costs and expenditures including plant and equipment subsequently written down to net realizable value. The contract termination had no material financial effect. OPS is maintaining its option to manufacture floating nuclear power plants by continuing efforts to secure a manufacturing license and maintaining a marketing force.

**Condensed Consolidated Financial Statements** Westinghouse Credit Corporation

*Balance Sheet* (in millions)

| At December 31 | 1980 | 1979 |
|---|---|---|
| Cash | $ 37.9 | $ 50.8 |
| Receivables, net | 1,853.5 | 1,714.0 |
| Other assets | 14.0 | 43.4 |
| Total assets | $1,905.4 | $1,808.2 |
| Short-term notes payable | $ 795.6 | $ 743.2 |
| Long-term senior debt | 519.3 | 520.0 |
| Subordinated debt | 90.2 | 95.0 |
| Subordinated debt due parent, non-interest bearing | 60.0 | 60.0 |
| Other liabilities | 203.3 | 175.0 |
| Capital | 53.5 | 53.5 |
| Income reinvested in the business | 183.5 | 161.5 |
| Total liabilities and stockholder's equity | $1,905.4 | $1,808.2 |

*Statement of Income* (in millions)

| Year Ended December 31 | 1980 | 1979 | 1978 |
|---|---|---|---|
| Earned income | $ 276.2 | $ 238.7 | $ 201.6 |
| Expenses: | | | |
| Interest | 160.8 | 138.0 | 101.3 |
| Operating and administration | 48.6 | 46.4 | 42.7 |
| Provision for losses on receivables | 35.0 | 31.4 | 18.4 |
| Provision for income taxes | 9.8 | 7.7 | 18.1 |
| Net income | $ 22.0 | $ 15.2 | $ 21.1 |

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The Corporation reported increasing sales and income before extraordinary loss over the three years ended December 31, 1980. Financial information showing the effects of inflation on key operating elements of the Corporation appears on pages 44 and 45. The following comments supplement the operational data available from the financial statements.

*Results of Operations*

Sales and operating revenues in 1980 advanced 14.4 percent over 1979 to over $8.5 billion. The improvement was primarily attributable to higher volume of product sold. Sales of all segments increased despite the dampening effect of the recession. The Corporation encountered softness in demand for some product lines due to the downturn in the economy, but this was more than offset by strong performance in many product lines, especially those related to defense, energy and service.

Income before extraordinary loss improved 21.7 percent over 1979. Consolidated operating profit was up 18.6 percent, resulting in a ratio to sales of 5.8 percent compared to 5.6 percent in 1979. All segments reported increased operating profit. Other income was higher in 1980 due primarily to gains on purchase of debentures to satisfy future sinking fund requirements and the writedown in 1979 of several small investments. Higher short-term interest rates on increased levels of borrowings by foreign subsidiaries are reflected in the rise in interest expense.

Financial information relating to the operations of the Corporation's segments is presented in Note 14 to the financial statements.

All segments realized increased sales in 1979 over 1978 resulting in an increase of 9.8 percent for the Corporation. A seven-week strike in 1979, affecting many operations, contributed to a disproportionate increase in cost of sales and resulted in a 7.8 percent decrease in operating profit. Equity income was down due to lower earnings of the finance subsidiary. Higher other income reflects the incremental effect of increased investment in marketable securities at higher interest rates in 1979.

Higher volume and increased prices, influenced in part by the general business climate, resulted in a 9.0 percent increase in 1978 sales over 1977. This improvement was broadly reflected by all segments.

Operating profit in 1978 was up 17.1 percent over 1977. This performance is also reflected in the operating profits of all segments. Distribution, administration and general expenses rose 11.8 percent over 1977 due principally to higher levels of operations and increases in employe salaries and benefits. Income before extraordinary loss improved by 14.7 percent from 1977. Higher finance subsidiary income was the principal improvement factor in equity income. The decrease in other income resulted from the combination of 1978 losses and 1977 gains on disposition of certain assets, more than offsetting 1978 increases in interest income from marketable securities. Interest expense continued to decline, down 10.2 percent from 1977, reflecting the reduction in long-term obligations of subsidiaries and the meeting of normal debenture sinking fund requirements.

Analyses of 1980, 1979 and 1978 income tax expense are shown in Note 3. Additionally, the extraordinary uranium loss, which also relates to the years 1979 and 1978, is discussed in Note 13.

At the present time, there are 44 operating nuclear power plants which contain Westinghouse nuclear steam supply systems (NSSS), of which 16 are located outside the United States. Westinghouse has a backlog of orders for an additional 62 systems of which 39 are domestic and 23 are foreign. During recent years, there has been an industry-wide slowdown in the NSSS market and several NSSS orders have been cancelled. In addition, Three Mile Island has contributed to increased regulatory and governmental indecisiveness. The process of licensing nuclear plants is complex, time-consuming, and has resulted in power plant construction delays and increased costs. Despite these conditions, the Corporation's nuclear operations continue to remain profitable due primarily to the continuing work on the NSSS backlog and the contributions made by the nuclear fuel fabrication and nuclear service businesses. Significant portions of costs and billings on uncompleted contracts, as shown in Note 6 to the financial statements, are applicable to NSSS contracts.

Westinghouse believes that the United States must, as a matter of national policy, minimize its dependence on foreign energy sources and remains convinced that an expanded American nuclear power industry will be necessary to achieve that goal.

As previously reported, certain nuclear plants containing Westinghouse steam generators and those of other manufacturers have experienced operation outages. As a result, steam generators and associated steam cycle systems and components have received industry-wide and regulatory attention. Westinghouse studies indicate that when impurities are present in the steam generator water, some of the tubes in the steam generators are affected. Tubes in steam generators manufactured by the Corporation have been affected in several ways. Results of tests to identify methods to abate the adverse effects on the tubes have been shared with the customer. In certain instances, utilities may elect either to plug the tubes or to replace a portion of the steam generator. Westinghouse and several utilities are also working on a development program for sleeving steam generator tubes as an alternative to plug-

ging or replacement. The Corporation continues to meet with customers to review specific operating conditions for the next generation of steam generators which is expected to be operational in the near future.

Other components of power plants may be affected by the condition of the water used to make steam. Stress corrosion cracking in certain turbines manufactured by the Corporation has been discovered. In some cases, these surface cracks may be eliminated by grinding the affected parts. The inspections and analyses, however, indicate that some turbines should be inspected at regular intervals. If the cracks continue to propagate, repair or replacement of low pressure turbine rotors may be required. In connection with nuclear turbines, results of research and development programs have been shared with customers and the NRC and Westinghouse has developed an ultrasonic testing technique which permits inspection for this cracking without removal or disassembly of the turbine rotor.

*Liquidity and Capital Resources*

During the fourth quarter of 1980, the Corporation announced action taken to acquire all the common stock of the Teleprompter Corporation through merger. Under the proposed transaction Westinghouse will pay $38 per share for all the common stock of Teleprompter, resulting in a total value of $646 million. Consummation of the merger will require the prior approval of the Federal Communications Commission (FCC) to the transfer of certain FCC licenses held by Teleprompter. A decision is expected to be rendered by the FCC during 1981.

The Corporation entered into a credit agreement with six banks in November 1980, which commits the banks to lend an amount up to $500 million to the Corporation under a revolving credit arrangement. At the end of the third year, the Corporation may elect to convert all or any portion of the amount of the commitment to a term loan. Note 9 to the financial statements provides additional information. In addition unused domestic and foreign bank lines of credit of approximately $277 million were available to the Corporation at year-end.

In 1980 the Corporation initiated a major facilities program covering the five years ending in 1984 that is expected to result in more than $2 billion of capital expenditures, of which $446 million were expended in the first year. This program includes plans to construct a number of new manufacturing plants and to spend $100 million over the next five years to expand and modernize research and manufacturing facilities at the Defense and Electronic Systems Center in Baltimore.

The Corporation plans to fund these proposed expenditures by appropriate combinations of funds provided from operations, utilization of funds presently invested in the marketable securities portfolio and the traditional capital markets available to the Corporation. The final determination of the sources of funds will depend upon the impact of normal business variables to which the Corporation may be subject during the expenditure period. The Corporation intends to maintain appropriate debt-to-equity and interest coverage ratios to assure continuing access to capital markets.

The level of marketable securities will depend upon variables relating to cash requirements, alternative sources for funds, capital market conditions and yield considerations. The Corporation had at year-end marketable securities of $209 million, reported in the balance sheet in Investments, which are available for use beyond the current operating cycle.

## Selected Financial and Statistical Data

| (In millions except per share amounts) | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|
| Sales and operating revenues | $8,514.3 | $7,443.1 | $6,779.8 | $6,221.1 | $6,220.9 |
| Income before extraordinary loss | $ 402.9 | $ 331.1 | $ 311.3 | $ 271.3 | $ 223.2 |
| Income before extraordinary loss – per common share | $ 4.71 | $ 3.85 | $ 3.59 | $ 3.16 | $ 2.54 |
| Income before extraordinary loss – per dollar sales | 4.7¢ | 4.4¢ | 4.6¢ | 4.4¢ | 3.6¢ |
| Net income (loss) | $ 402.9 | $ (73.9) | $ 243.4 | $ 250.8 | $ 223.2 |
| Net income (loss) – per common share | $ 4.71 | $ (.87) | $ 2.81 | $ 2.86 | $ 2.54 |
| Total assets | $6,812.6 | $6,821.2 | $6,293.5 | $5,527.6 | $5,318.3 |
| Debentures and other long-term debt | $ 326.7 | $ 344.1 | $ 371.1 | $ 408.5 | $ 500.9 |
| Inventories – valued principally on LIFO method | $1,307.3 | $1,326.2 | $1,149.1 | $1,004.6 | $1,165.5 |
| Plant and equipment, at cost | $3,351.4 | $2,987.6 | $2,747.8 | $2,656.5 | $2,638.8 |
| Total taxes | $ 466.0 | $ 420.0 | $ 382.0 | $ 354.0 | $ 361.0 |
| Cash dividends declared – per common share | $ 1.40 | $ .972 | $ .972 | $ .972 | $ .972 |
| Preferred shares | 160,923 | 160,923 | 160,923 | 160,923 | 160,923 |
| Average common shares | 85,365,035 | 85,875,985 | 86,411,345 | 87,328,526 | 87,492,151 |
| Common stockholders | 173,380 | 180,518 | 193,006 | 199,638 | 204,546 |
| Average number of employes | 145,513 | 145,254 | 141,776 | 141,394 | 140,945 |

## Quarterly Financial Information (unaudited)
(In millions except per share amounts)

| Quarter Ended | Sales and Operating Revenues | Operating Profit | Income Before Extraordinary Loss | Income Per Common Share Before Extraordinary Loss | Net Income (Loss) | Net Income (Loss) Per Common Share | Dividends Per Common Share | Common Stock Prices High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 1980 | | | | | | | | | |
| March 31 | $2,043.9 | $135.4 | $100.6 | $1.18 | $100.6 | $1.18 | $ .35 | 27 | 19 |
| June 30 | 2,130.7 | 140.4 | 104.0 | 1.22 | 104.0 | 1.22 | .35 | 24¼ | 19¼ |
| September 30 | 2,074.8 | 97.2 | 91.3 | 1.06 | 91.3 | 1.06 | .35 | 27¼ | 22¼ |
| December 31 | 2,264.9 | 117.2 | 107.0 | 1.25 | 107.0 | 1.25 | .35 | 32½ | 25 |
| | $8,514.3 | $490.2 | $402.9 | $4.71 | $402.9 | $4.71 | $1.40 | 32½ | 19 |
| 1979 | | | | | | | | | |
| March 31 | $1,806.6 | $115.5 | $ 83.2 | $ .96 | $ 83.2 | $ .96 | $.243 | 21 | 16½ |
| June 30 | 1,956.6 | 132.9 | 90.9 | 1.06 | (79.1) | (.91) | .243 | 20⅛ | 16½ |
| September 30 | 1,609.7 | 49.0 | 51.0 | .59 | 38.8 | .44 | .243 | 23 | 19⅛ |
| December 31 | 2,070.2 | 115.8 | 106.0 | 1.24 | (116.8) | (1.36) | .243 | 20⅞ | 17⅛ |
| | $7,443.1 | $413.2 | $331.1 | $3.85 | $ (73.9) | $ (.87) | $.972 | 23 | 16½ |

Sales and Operating Revenues and Operating Profits for 1979 have been reclassified for comparative purposes.

## Impact of Inflation on Financial Reporting

*General Background*

Business transactions are recorded in actual amounts of dollars at the time of each transaction and these historical amounts establish the base for the preparation of primary financial statements. For most of this century the purchasing power of the dollar has declined generally at a slow rate, except for periods of war and depression. In recent years, due chiefly to inflation, the dollar's purchasing power has declined at such a rapid pace that changes from one year to the next have been significant.

Some users of financial statements are concerned with the unavailability of pertinent information showing the effects of rising prices on the historical financial reporting of businesses. Those users are concerned with their capability for evaluating decisions arrived at or to be made without such information. To recognize these concerns, the Financial Accounting Standards Board (FASB) in 1979 issued requirements for reporting the effects of changes in the general price level (inflation) and changes in specific prices, both of which are supplementary to the historical primary financial statements. The following information is furnished in accordance with these requirements.

*Methods of measuring effects of changing prices*

The FASB has prescribed two methods for measuring the effects of changing prices and requires that both methods be reported.

The first method provides financial information in dollars of equivalent purchasing power (constant dollars) by use of the Consumer Price Index for All Urban Consumers (CPI-U). The result matches revenues for each year with expenses reported in terms of equivalent dollar value and provides a common measurement for comparing financial data over a series of years.

The second method adjusts for changes in specific prices (current cost) related to the types or kinds of plant and equipment, inventories and production costs being measured. The resulting measurements reflect the current cost of replacing and consuming these resources rather than the historical cost amounts expended to acquire them.

It is to be recognized that these methods, of necessity, require the use of assumptions, judgments and estimates. The results should be viewed accordingly and not as precise measurements of the effects of changing prices. Historical values continue as the basis for primary financial statements. It is the consensus that inflation evaluations best serve statement users as supplementary information.

## Discussion of Supplementary Information

*Supplementary statement of income from continuing operations adjusted for changing prices*

Income from continuing operations developed under both constant dollar and current cost methods is lower than that determined under the historical method in the primary financial statements. Of the cost and expense elements from which the income figure is derived, only inventory cost of sales and depreciation have been adjusted for general inflation and changes in specific prices. Revenues and all other operating expenses are considered to reflect average price levels for the year and have not been adjusted.

Adjustments made to cost of sales under both methods have a relatively small effect, since LIFO, the Corporation's principal inventory accounting method, reflects current year costs in the primary statements. The historical costs of plant and equipment, acquired over a period of years at actual dollar costs then in effect, are charged to operations generally through straight-line depreciation. The upward adjustment of these original fixed asset values under both methods results in showing an unfavorable inflationary impact on income.

The FASB ruled, for purposes of this supplementary information, that income tax expense shall be the same as that charged against income from continuing operations in the primary statements. The requirement is appropriate, since inflation adjustments would not be allowable for deduction from income taxes under present regulations.

The loss from decline in purchasing power of net monetary assets shows the net effect of inflationary value changes on those assets and liabilities carried on the balance sheet at fixed or determinable monetary settlement amounts. As the general purchasing power of the dollar declines during inflationary periods, holders of monetary assets sustain a decline in value while holders of monetary liabilities experience a potential benefit.

The increase in specific prices of inventories and plant and equipment held during 1980 was determined through use of the current cost method referred to earlier. The increase in specific prices on these items held was less than the increase in general prices as determined by the CPI-U, but these results are not necessarily indicative of a lower future cost trend.

*Comparison of selected supplementary financial data adjusted for effects of changing prices*

Key operations data are presented over a five-year period to show the extent inflation has affected the Corporation. Amounts for the periods shown are expressed as their equivalent in average 1980 dollars. For example, sales in earlier years are adjusted upward to the 1980 dollar equivalent by applying the average CPI-U. Certain constant dollar and current cost data for years earlier than 1979 are not shown because developing the information is not practical.

## Supplementary 1980 Statement of Income from Continuing Operations Adjusted for Changing Prices (unaudited)

(in millions)

| | As Reported in the Primary Statements | Adjusted for General Price Changes (Constant Dollar) | Changes Adjusted for Specific Price (Current Cost) |
|---|---|---|---|
| Sales and operating revenues | $8,514.3 | $8,514.3 | $8,514.3 |
| Cost of sales | 6,486.4 | 6,589.0 | 6,559.6 |
| Other operating expenses | 1,352.7 | 1,352.7 | 1,352.7 |
| Depreciation | 185.9 | 264.0 | 278.0 |
| Interest expense | 61.7 | 61.7 | 61.7 |
| Other income and minority interest | 125.9 | 125.9 | 125.9 |
| Income taxes | 151.5 | 151.5 | 151.5 |
| Income from continuing operations | $ 402.9 | $ 221.3 | $ 236.7 |
| Loss from decline in purchasing power of net monetary assets | | $ 113.3 | $ 113.3 |
| Comparison of Price Changes – Inventories and Plant and Equipment Held During the Year* | | | |
| Effect of general price changes measured by the consumer price index | | | $ 414.9 |
| Effect of specific price changes (current cost) | | | 319.2 |
| Amount by which general price increases exceed specific price increases | | | $ 95.7 |

*At December 31, 1980 current cost of inventory was $1,833.7 million and current cost of plant and equipment, net of accumulated depreciation, was $2,705.6 million.

## Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (unaudited)*

(in millions except per share amounts)

| | | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|---|
| Sales and operating revenues | — as reported | $8,514.3 | $7,443.1 | $6,779.8 | $6,221.1 | $6,220.9 |
| | in constant dollars | 8,514.3 | 8,449.7 | 8,563.2 | 8,459.3 | 9,004.8 |
| Income from continuing operations | — as reported | $ 402.9 | $ 331.1 | $ 311.3 | $ 271.3 | $ 223.2 |
| | in constant dollars | 221.3 | 222.6 | | | |
| | at current cost | 236.7 | 220.1 | | | |
| per common share | — as reported | $ 4.71 | $ 3.85 | $ 3.59 | $ 3.10 | $ 2.54 |
| | in constant dollars | 2.59 | 2.59 | | | |
| | at current cost | 2.77 | 2.55 | | | |
| Dividends per common share | — as reported | $ 1.40 | $ .972 | $ .972 | $ .972 | $ .972 |
| | in constant dollars | 1.40 | 1.10 | 1.23 | 1.32 | 1.41 |
| Market price per common share at year-end | — as reported | 29⅝ | 20⅛ | 16⅝ | 18⅛ | 17⅝ |
| | in constant dollars | 29⅝ | 22⅞ | 21 | 24⅝ | 25½ |
| Net assets at year-end | — as reported | $2,529.9 | $2,250.6 | $2,423.0 | $2,293.9 | $2,138.4 |
| | in constant dollars | 3,970.9 | 3,854.1 | | | |
| | at current cost | 4,226.0 | 4,154.7 | | | |
| Average consumer price index | | 246.8 | 217.4 | 195.4 | 181.5 | 170.5 |

*Amounts shown for constant dollars and current cost prior to 1980 are stated in average 1980 dollars based on the average consumer price index.

## Management

**R. E. Kirby** •
Chairman and Chief Executive Officer
**Douglas D. Danforth** •
Vice Chairman and Chief Operating Officer

*Industry Products Company*
**Edwin V. Clarke, Jr.** •
President
**Paul E. Lego**
Executive Vice President
Electronics and Control
**Douglas D. Stark**
Executive Vice President
Components and Materials
**Robert P. Wagner**
Executive Vice President
Industry Equipment
**William O. Carlsen**
Vice President
Distribution Products Division
**Thomas P. Costello**
Vice President
Motor Divisions
**Philip F. Dietz**
Vice President
Lamp Divisions
**Glen E. Nietfeld**
President
Westinghouse Electric Supply Company
**C. Edward Price**
Vice President
Industry Services Divisions
**James C. Sheehan**
President
Thermo King Corporation
**Jack J. Sherman**
Vice President
Industry Products Marketing

*Power Systems Company*
**Gordon C. Hurlbert** •
President
**Albert L. Bethel**
Executive Vice President
Transmission and Distribution
**Eugene J. Cattabiani**
Executive Vice President
Power Generation
**Theodore Stern**
Executive Vice President
Nuclear Energy Systems
**Joseph W. Baker**
Vice President
Switchgear Divisions
**Nicholas A. Beldecos**
Vice President
Power Generation Operations
**John O. Campbell**
Vice President
Executive Assistant
**George W. Hardigg**
Vice President
Executive Assistant
**Bruce W. Morrison**
Vice President
Power Systems Marketing
**John J. Taylor**
Vice President
Water Reactor Divisions
**Harry Weingarten**
Vice President
Transformer Divisions

*Public Systems Company*
**Thomas J. Murrin** •
President
**William A. Coates**
Executive Vice President
Construction
**Roy V. Gavert, Jr.**
Executive Vice President
Learning and Leisure
**H. Joe Frazier**
President
Community Development
**Harry B. Smith**
Executive Vice President
Defense
**Barton S. Brodkin**
President
Beverage Group
**Donald W. Neukranz**
President
Westinghouse Elevator Company

*International*
**John C. Marous, Jr.** •
President
**Thomas N. Humphreville**
President
Latin America
**Clovis F. Obermesser**
President
Asia-Pacific
**Chester A. Sadlow**
President
Europe, Africa, Middle East
**Frank H. Tyaack**
President
Westinghouse Canada Inc.
**Robert L. Wells**
Vice President

*Finance*
**Leo W. Yochum** •
Senior Executive
Vice President
Finance
**John B. Ferguson**
Vice President and Controller
**August W. Frisch**
Vice President and
General Tax Counsel
**Donald C. Korb**
Vice President and
Treasurer
**John R. McClester**
President
Westinghouse Credit Corporation
**Harry F. Murray**
Vice President
Pension Investments and
Investor Relations

*General Counsel and Secretary*
**Robert F. Pugliese**
Vice President

*Westinghouse Broadcasting Company*
**Donald H. McGannon**
Chairman
**Daniel L. Ritchie**
President and Chief
Executive Officer

*Corporate Resources*
**Mathias J. McDonough**
Senior Executive
Vice President
Corporate Resources
**Francis P. Cotter**
Vice President
Government Affairs
**Earle W. L. Bois**
Vice President
Corporate Relations
**L. Jerry Hudspeth**
Vice President
Corporate Productivity
**George F. Mechlin**
Vice President
Research and Development
**Donald J. Povejsil**
Vice President
Corporate Planning
**Richard L. Reinhart**
Vice President
Human Resources
**David L. Trezise**
Vice President
Personnel
**Samuel F. Davies, Jr.**
Vice President
Atlantic Region
**John E. Goetz, Jr.**
Vice President
Western Region
**David L. Litten**
Vice President
Midwestern Region
**William S. A. McIntyre**
Vice President
Central Region
**Charles D. Paine**
Vice President
Southeastern Region
**Howard J. Thomas**
Vice President
Northeastern Region
**J. Stanley Wyble**
Vice President
Southwestern Region

**Nicholas V. Petrou**
Vice President

## Board of Directors

**R. E. Kirby** ▪
Chairman and Chief Executive Officer
Westinghouse
Pittsburgh, Pa.
**Douglas D. Danforth**
Vice Chairman and Chief Operating Officer
Westinghouse
Pittsburgh, Pa.
**Barbara H. Franklin**
Senior Fellow
Wharton School of the University of Pennsylvania
Philadelphia, Pa.
**R. Burt Gookin** ▪
Vice Chairman and Chief Executive Officer (Retired)
H. J. Heinz Company
Pittsburgh, Pa.
**Dr. Donald F. Hornig**
Director, Interdisciplinary Programs
Harvard University
School of Public Health
Boston, Mass.
**John F. McGillicuddy** ▪
Chairman, President and Chief Executive Officer
Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company
New York, N.Y.
**David T. McLaughlin** ▪
Chairman and Chief Executive Officer
The Toro Company
Minneapolis, Minn.
**Roger Milliken** ▪
President
Milliken & Company
Spartanburg, S.C.
**Richard R. Pivirotto**
Chairman (Retired)
Associated Dry Goods Corporation
New York, N.Y.
**Hobart Taylor, Jr.** ▪
Of Counsel
Jones, Day, Reavis and Pogue (law)
Washington, D.C.
**O. Pendleton Thomas**
Chairman
InvestAmerica Corporation
Houston, Texas
**Hays T. Watkins**
President
CSX Corporation
Richmond, Va.

*Member of the Management Committee* •

*Member of the Executive Committee of the Board of Directors* ▪

Dr. Donald F. Hornig
Richard R. Pivirotto

R. E. Kirby
John F. McGillicuddy
Hobart Taylor, Jr.

Douglas D. Danforth
Barbara H. Franklin
David T. McLaughlin
O. Pendleton Thomas

R. Burt Gookin
Roger Milliken
Hays T. Watkins

*Executive Offices:*
Westinghouse Building
Gateway Center
Pittsburgh, Pa. 15222
(412) 255-3800

*Stockholder Records:*
For information or assistance regarding individual stock records and transactions, contact:
Stockholder Records
Westinghouse Electric Corporation
Box 8815
Pittsburgh, Pa. 15221
(412) 244-2398
(412) 244-2723

*Corporate Information:*
For a copy of Form 10-K or other information about the Corporation, write:
Stockholder Communications
Westinghouse Electric Corporation
Westinghouse Building
Gateway Center
Pittsburgh, Pa. 15222

*Annual Meeting:*
April 29, 1981
10:30 a.m.
The Century Plaza Hotel
Los Angeles, Calif.

*Stock Exchange Listings:*
New York
Philadelphia
Boston
Midwest
Pacific

*Transfer Agents/Registrars*
*Common Stock:*
Chemical Bank
Corporate Trust Department
Box 25966
Church Street Station
New York, N.Y. 10249
(212) 952-2035

Crocker National Bank
Box 38005
Rincon Annex
San Francisco, Calif. 94138
(415) 477-8152

Mellon Bank, N.A.
Stock Transfer Department
P.O. Box 444
Pittsburgh, Pa. 15230
(412) 391-5210

The First National Bank of Chicago
One First National Plaza
Chicago, Ill. 60670
(312) 732-8100

*Preferred Stock:*
Chemical Bank
Corporate Trust Department
Box 25966
Church Street Station
New York, N.Y. 10249
(212) 952-2035

EXHIBIT C

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

# Form 10-K

## ANNUAL REPORT

For Fiscal Year Ended December 31, 1980

**Westinghouse**
ELECTRIC CORPORATION

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1980 Commission file number 1-977

WESTINGHOUSE ELECTRIC CORPORATION
(Exact name of registrant as specified in its charter)

| Pennsylvania | 25-0877540 |
|---|---|
| (State of incorporation) | (I.R.S. Employer Identification No.) |

| Westinghouse Bldg., Gateway Center, Pittsburgh, Pennsylvania | 15222 | (412) 255-3800 |
|---|---|---|
| (Address of principal executive offices) | (Zip Code) | (Telephone No.) |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered | |
|---|---|---|
| Common Stock, par value $3.125 per share | New York Stock Exchange<br>Philadelphia Stock Exchange<br>Boston Stock Exchange | Midwest Stock Exchange<br>Pacific Stock Exchange |
| 5-3/8% Debentures due April 1, 1992 | New York Stock Exchange | |
| 8-5/8% Debentures due September 1, 1995 | New York Stock Exchange | |
| 3.80% Cumulative Preferred Stock, Series B, par value $100 per share | New York Stock Exchange<br>Philadelphia Stock Exchange | Boston Stock Exchange<br>Midwest Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No__.

The Registrant had 85,029,426 shares of common stock outstanding at March 1, 1981. As of that date the aggregate market value of common stock held by non-affiliates was $2.54 billion.

Documents incorporated by reference:

| | |
|---|---|
| Part I | 1980 Annual Report to Stockholders |
| | Proxy Statement for the 1981 Annual Meeting of Stockholders |
| Part II | 1980 Annual Report to Stockholders |
| Part III | Proxy Statement for the 1981 Annual Meeting of Stockholders |
| Part IV | 1980 Annual Report to Stockholders |

The terms "Westinghouse" and "Corporation" as used in this annual report refer to Westinghouse Electric Corporation and its consolidated subsidiaries unless the context indicates otherwise.

# PART I

## ITEM 1. BUSINESS.

*General*

Westinghouse is a large diversified industrial corporation. Since its incorporation in Pennsylvania in 1872, its principal business activity has been and continues to be the manufacture, sale and service of equipment and components for the generation, transmission, distribution, utilization and control of electricity. Its present business activities, however, now include, in addition to broadcasting operations and a finance subsidiary, a wide range of products and services which are unrelated to electrical manufacturing, such as, the bottling and distribution of beverage products, land development and the manufacture and sale of timepieces. No material portion of Westinghouse's total business is seasonal in nature.

Westinghouse is organized into three operating companies—Industry Products, Power Systems and Public Systems—and International, an organization that integrates the foreign activities of these three companies. It also has a broadcasting subsidiary, Westinghouse Broadcasting Company, Inc., and a finance subsidiary, Westinghouse Credit Corporation. In 1975 Westinghouse introduced the business unit concept into its organization for strategic and profit-planning purposes. A business unit may consist of one or more divisions or subsidiaries which meets certain internal criteria for a decentralized profit center. At present there are 33 business units, each of which conducts its own strategic and profit planning, and reports to a senior company executive. The business units are structured into major groups within each of the three companies.

In 1979 Westinghouse established a new organization, International, to integrate the international activities of domestic business units with the in-country operations in key markets of the world. This organization is intended to provide a management structure tailored to adapt to the various marketing and economic conditions in each country or trading area. In 1980 manufacturing subsidiaries of Westinghouse located outside the United States contributed approximately 13 percent of consolidated sales, and exports accounted for an additional 14 percent. In addition, net revenue of approximately $99 million in 1980, $80 million in 1979 and $80 million in 1978 was from patent license and technical assistance agreements, which are subject to periodic renewal. A significant portion of this revenue was paid by foreign licensees.

*Operating Segments*

For financial reporting purposes, Westinghouse has four operating segments—Industry Products, Power Systems, Public Systems and Westinghouse Broadcasting. Data with respect to financial information by geographic areas and financial and other information by segments is incorporated herein by reference to Note 14 to the financial statements of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

*Industry Products Company*

The Industry Products Company supplies a variety of products and services to a broad range of customers in the capital goods, industrial, construction and consumer markets. These products range from standard electric motors to sophisticated control systems for such industries as steel, petrochemical, mining, textile, pulp and paper. Industry Products is subject to a high degree of competition with respect to all of its products and services by both large and small competitors and is also subject to the influence of general economic conditions. It competes on the basis of price, service, warranties and product performance.

The Electronics & Control Group manufactures and markets power semiconductors, electronic tubes, solid state controllers and electro-mechanical logic sensing devices and major controllers. It also manufactures process equipment and systems for automating production machinery, including combustion control systems, process computers and computer packages, induction heating, welding equipment, energy management systems, electrified drive systems and inverters and converters. In addition to original equipment manufacturers, major customer industries for the group are metals, chemicals, petroleum, mining, paper, textile, rubber, durable goods, transportation, electrical contractors and electric utilities.

The Industry Equipment Group manufactures and markets motors ranging from fractional horsepower sizes applied to consumer and commercial products to the largest sizes used in steel mills and mining excavation equipment. It also supplies industrial and construction markets with various electrical distribution and control products, including molded case circuit breakers, bus duct, panelboards, switchboards, high-voltage bus and power centers, transfer switches, residential load-centers and specialty transformers.

The products of the Components & Materials Group are indoor and outdoor lighting fixtures, numerous types of consumer, industrial and commercial lamps, commercial lighting, over-the-road refrigeration equipment, micarta laminates, magnet wire and industrial plastics. These products are provided to more than 50 end-use markets, such as, consumers, builders, architects, contractors, developers, engineers, electrical distributors, government agencies and original equipment manufacturers.

Industry Products also operates a nationwide distribution business through Westinghouse Electric Supply Company. This business unit distributes Westinghouse electrical products as well as products not manufactured by Westinghouse, such as, conduit and cable. Its customers are primarily in the construction, industrial and electric utility markets. Industry Products also distributes its products through some 700 independent distributors. Industry Products also has an industry services unit to provide project management, installation, start-up, maintenance, service and repair of electrical and mechanical apparatus.

*Power Systems Company*

The Power Systems Company designs, develops, manufactures, sells and installs nuclear energy systems, other electrical power generating apparatus, and transmission and distribution equipment for the electric utility industry, the construction industry, and large industrial customers who generate or distribute their own electricity. Power Systems also fabricates and sells nuclear fuel and conducts a service business which basically involves the maintenance and upgrading of existing equipment and systems, the sale of spare parts and the installation of power generation equipment. The service business, particularly the nuclear service business, has grown to become a significant part of the overall business of Power Systems. In addition, Power Systems is involved in the development of emerging energy technologies (much of which is supported by customer funding), mining and co-product extraction of uranium, and production of zirconium metal at a new plant which began operations in 1980.

Westinghouse has a number of domestic and foreign competitors as to its product lines sold to the domestic electric utility industry. Power Systems is a significant supplier to the domestic markets it serves. Positive factors of the Power Systems competitive position are technology, service and worldwide presence; a negative factor is increasing foreign competition. The principal methods of competition are technology, product performance and customer service.

The Nuclear Energy Systems Group is responsible for commercial nuclear energy activities and emerging energy technologies. Certain of the emerging technologies are discussed under Product Developments on page 6. It designs, manufactures and markets commercial nuclear pressurized water reactor systems and components (including steam generators, pressurizers, large pumps, tanks and valves, and control rod drives) and performs contract maintenance and service on nuclear plants for utilities. It also designs, fabricates and sells nuclear fuel assemblies. Products also manu-

factured by this Group include alloy tubing for nuclear plant steam generators and zirconium tubing for nuclear fuel rods.

The Power Generation Group designs, manufactures and sells equipment used to generate electric power and is involved in the development of synthetic fuels. This Group manufactures steam turbine-generator units rated more than 60 MW and combustion turbine-generators. It furnishes renewal and spare parts and, in addition to factory service, provides the field services required to install, maintain and repair power generation products and systems. The Group also manufactures moisture separator reheaters and reactor coolant pump motors for nuclear power plants and provides technology for water desalting evaporators.

The Transmission & Distribution Group designs, manufactures and sells transformers, meters, and switchgear apparatus and protective and control equipment for electrical transmission and distribution systems. Its transformer products include network and power center units and small substations, medium, instrument, dry-type and certain special transformers, large transformers above 120 Mva, pole-mounted, pad-mounted and underground units. The Group also makes metal-clad and metal enclosed switching and control equipment for generating plants, substations and in-plant distribution systems, network protectors, generator voltage regulators and other specialty devices, large and subtransmission breakers, gas-insulated substations and bus duct for use in transmission substations, lightning arresters, capacitors, reclosers, fuse cutouts and vacuum circuit breakers for distribution circuit protection. It also produces protective relays, switchboard meters and digital computer systems for power system operation and control. This Group also manufactures meters used for customer billing, load survey equipment and automatic metering equipment.

*Public Systems Company*

The Public Systems Company supplies a wide variety of products and services ranging from office furniture systems to sophisticated defense systems. Many of its products involve advanced technology, and a significant portion of its sales are to local, state and federal agencies and to foreign governments. In this regard, the largest single customer of Public Systems is the U.S. Government whose purchases for defense and other purposes, directly and through subcontractors, accounted for approximately 40 percent of Public Systems sales in 1980. In general, all such sales are subject to termination and renegotiation procedures prescribed by statute.

The Defense Group described below is subject to a high degree of competition for sales of defense products, primarily from large companies, on the basis of price, service, warranty and product performance. The business of the Defense Group is also influenced by changes in diplomatic and political postures of the U.S. Government. The other groups within Public Systems are subject to a high degree of competition on the same basis, i.e., price, service, warranty and product performance, from both large and small competitors and are also subject to general economic conditions.

The Defense Group provides research, development, production and support services for government agencies such as the U.S. Department of Defense, the National Aeronautics and Space Administration, the Federal Aviation Administration, as well as foreign governments and other prime contractors that service these agencies. The Group also manufactures selected products for commercial aircraft and instrumentation and control of nuclear reactors for both military ship propulsion and commercial power generation. The principal businesses of the Defense Group are airborne early warning and control equipment, ground electronic systems, space and information systems, integrated logistics support (both domestic and international), missile launching and handling, and marine heavy equipment.

The Construction Group manufactures and sells numerous products, systems and services to the construction market. Products and systems include elevators, escalators, automated people moving systems, train control and propulsion systems for mass transit vehicles, power and industrial fans, heating and cooling systems, and office furniture systems and components. In addition, this Group provides installation and maintenance services for many of these products.

The Learning & Leisure Group engages in soft drink bottling operations in California, Indiana, Puerto Rico, Arizona and Nevada. Also included within this Group are the Longines-Wittnauer Watch Company, a major manufacturer and distributor of watches and clocks, and Westinghouse Learning Corporation, which provides language learning systems and services worldwide, data processing products and services for use by educational, industrial and government customers, and manufactures and sells elementary grade level supplementary teaching materials.

The Community Development Group is engaged in land and community development and related activities in Florida and California.

*Broadcasting*

The principal business of Westinghouse Broadcasting Company, Inc. (Group W), a wholly owned subsidiary of Westinghouse, consists of television and radio broadcasting. It operates five VHF and one UHF television stations, seven AM and five FM radio stations, and has agreed to buy an additional FM station. Group W also engages in the cable television business and the video tape duplication and distribution business. In addition, it produces and sells television series and special shows through national syndication and sells broadcast time to radio and television advertisers through national sales organizations.

Group W has many competitors, both large and small, and competes principally on the basis of audience ratings, price and service. Since the beginning of 1980, the Federal Communications Commission (FCC) has adopted or proposed several rules which could ultimately affect Group W's free commercial television business. One such FCC rule provides for a further easing of the regulations applicable to cable television and the proposed rules would permit direct broadcast services from satellites, would add one or two VHF stations in three Group W markets (Pittsburgh, San Francisco and Charlotte) and would add potentially thousands of low power television stations throughout the United States. Further, cable television which now serves approximately 20% of U.S. television households has added program diversity possibilities beyond the standard television services formerly available over-the-air in individual communities. The Corporation believes, however, that the impact of these current or proposed technologies on the free commercial television business will not be significantly adverse during the next five years.

Westinghouse, Group W and a subsidiary of Group W entered into an Agreement and Plan of Merger with Teleprompter Corporation (Teleprompter) dated as of November 19, 1980 providing for the merger of Teleprompter with a subsidiary of Group W. Teleprompter is the largest operator of cable television (CATV) systems in the United States, owning or having substantial interests in approximately 112 cable systems, with approximately 1.3 million subscribers in 32 states. Teleprompter also owns Muzak (a music service operation), Filmation Associates (children's television program production) and a 50 percent interest in Showtime (a pay television service).

The merger agreement provides for payment to Teleprompter shareholders of $38 for each share of common stock purchased by Westinghouse. Based upon the approximately 17 million Teleprompter shares outstanding, the merger transaction has a total value of approximately $646 million. The proposed merger will be considered by the shareholders of Teleprompter on April 2, 1981. Completion of the transaction is subject to various conditions, including receipt of the necessary governmental approvals, particularly from the FCC. Processing of the applications for all of the FCC approvals continues, and the Corporation believes that the FCC will render a determination thereon during 1981. The terms of the Agreement and Plan of Merger provide for termination of the transaction prior to consummation under specified conditions.

The Group W subsidiary has, as a result of private negotiations and in contemplation of the merger, purchased from certain Teleprompter shareholders an aggregate of 4,756,725 shares of Teleprompter common stock at a purchase price of $38 per share. In addition, the subsidiary has purchased in the open market an aggregate of 303,300 shares of Teleprompter common stock at prices per share ranging from $33.50 to $34.25. As a result of these purchases, the Group W subsidiary owns an aggregate of 5,060,025 shares, representing approximately 29.7% of all outstanding shares of Tele-

prompter common stock, all of which have been placed into a voting trust to allay any concern that the acquisition of such shares could be deemed to constitute a transfer of control of Teleprompter.

On March 10, 1981, a purported class action was instituted in the New York State Supreme Court, New York County, against the Corporation, Teleprompter, Westinghouse Broadcasting Company, Inc. and various other defendants, including certain of the persons who sold Teleprompter common stock to the Corporation as described in the previous paragraph and all the directors of Teleprompter. The principal allegation is that the officers and directors of Teleprompter and their affiliates and related persons received special consideration from the Corporation which resulted in their not acting in the best interests of the other stockholders of Teleprompter. The Corporation and its defendant subsidiaries are alleged to have aided and abetted the alleged breach of duty by the Teleprompter officers and directors. The complaint alleges that, if the directors of Teleprompter had negotiated at arm's-length for the benefit of all the Teleprompter stockholders, such other stockholders would receive additional consideration amounting to approximately $4 to $12 per share of Teleprompter common stock, or $50 million and $150 million in the aggregate, depending upon when the merger is completed. The Corporation believes there is no merit to this action and will vigorously defend against it.

*Westinghouse Credit Corporation*

Westinghouse Credit Corporation (WCC), a wholly owned, non-consolidated subsidiary of Westinghouse, was originally established as a financing vehicle for the Westinghouse appliance business, a business that has since been sold. WCC is now an independent business unit, with financing of parent company products accounting for less than one percent of total outstanding receivables. WCC is actively involved in the consumer, industrial, business and real estate financing markets. It employes more than 1,200 people and provides financing services through 133 regional and local offices.

*Product Developments*

The Corporation engages in the development of new products, services and businesses under planned research programs. Some of the more significant development projects and concepts currently in progress are briefly described below.

The Corporation is currently under contract to design, build and operate the fast flux test facility in Richland, Washington. This facility is part of a major government-funded program to develop and test fuels, cladding materials and other components for use in fast breeder reactors. A major milestone was accomplished when this plant achieved initial full power operation in December 1980.

Work continues on the design and fabrication of major plant components for the Clinch River Breeder Reactor Project, the nation's first large-scale demonstration liquid metal fast breeder reactor plant. Required development and design is over three-fourths complete, and over $100 million worth of plant equipment has been completed and stored, pending resolution of the hold on licensing and construction activities imposed by the Carter administration. Westinghouse is lead reactor manufacturer for the project.

The Corporation continues to provide technical support to the Department of Energy on a waste isolation pilot plant for the disposal of radioactive waste generated under the nation's defense programs. A dry surface storage contract for spent light water reactor fuel assemblies is also being performed for the Department of Energy.

The Department of Energy continues to sponsor development of the Westinghouse single stage fluidized bed coal gasification process. This process gasifies all types and ranks of coal, including high sulphur, highly caking Eastern coals, with either air or oxygen as the oxidant to produce low or medium BTU product gas. The Westinghouse gasifier thus has application for electric power generation or for synthesis of gaseous or liquid fuel from coal.

Other research and development activities being pursued under government contracts include solar photovoltaic power generation, fuel cell electric power production and cogeneration, magnetohydrodynamics and nickel-iron batteries for electric vehicle and industrial application.

*Raw Materials*

The Corporation has experienced no significant difficulty with respect to sources and availability of raw materials essential to the business.

*Patents*

Westinghouse owns or is licensed under a large number of patents and patent applications in the United States and other countries which, taken together, are of material importance to its business. Such patent rights are, in the judgment of the Corporation, adequate for the conduct of its business. None of its important products, however, is covered by exclusive controlling patent rights so as to preclude the manufacture of competitive products by others.

*Backlog*

The backlog of firm orders of the Corporation was approximately $9.0 billion and $9.3 billion at the end of 1980 and 1979, excluding amounts associated with the uranium supply contract settlements. Of the year-end 1980 backlog $5.1 billion is expected to be liquidated after 1981. The Corporation, in addition to the reported backlog, provides certain non-Westinghouse products primarily for nuclear steam supply systems customers.

Power Systems backlog at the end of 1980 and 1979 was $6.0 billion and $6.4 billion. Backlog of $4.1 billion is expected to be liquidated from the current balance after 1981.

Industry Products backlog at year-end 1980 and 1979 was $788 million and $765 million. Orders of $174 million are expected to be liquidated from the 1980 backlog after 1981.

Public Systems year-end 1980 and 1979 backlogs were $2.2 billion and $2.1 billion. Of the 1980 backlog, $858 million is expected to be liquidated after 1981.

*Renegotiation*

Certain sales to the government and fees generated through government-owned Westinghouse-operated facilities are subject to procedures as prescribed by statute related to termination and renegotiation. Subsequent to the expiration of the Renegotiation Act on September 30, 1976, provisions of the Vinson-Trammell Act became applicable to sales made to the government of products for naval vessels and aircraft. It is not anticipated that renegotiation under the Vinson-Trammell Act will result in refunds by the Corporation.

*Environmental Matters*

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment or otherwise regulating the protection of the environment is not expected to have any material effect upon capital expenditures, earnings or competitive position of the Corporation and its subsidiaries. However, in view of the growing regulatory interest and activity with respect to environmental matters, there can be no assurance that the Corporation will not hereafter incur material costs and liabilities.

*Research and Development*

Data with respect to Westinghouse research and development is incorporated herein by reference to Note 14 to the financial statements of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

*Employe Relations*

During 1980 Westinghouse employed an average of 145,513 people, of whom 121,397 were in the United States.

Approximately 59,000 employes in the United States are represented for collective bargaining purposes by a total of 39 different local collective bargaining groups. A large majority of such employes is represented by local unions which are affiliated with and bargain in conjunction with, one of four

national unions, namely, the International Union of Electrical, Radio and Machine Workers, the United Electrical, Radio and Machine Workers of America, the International Brotherhood of Electrical Workers and the Federation of Westinghouse Independent Salaried Unions. During June to September of 1979 Westinghouse negotiated three year contracts with these unions. All four of these contracts will terminate in July 1982.

## ITEM 2. PROPERTIES.

Westinghouse domestic operations, comprising approximately 85% of total physical facilities, consist of 129 manufacturing plants located in 38 states and Puerto Rico. Manufacturing operations are also conducted in 20 foreign countries with some of the larger of these facilities located in Canada, Spain, Australia, Brazil, Venezuela and the United Kingdom.

The principal plant locations by city (in a number of cases including several different sites) are as follows:

| Plant Location | Segment | Principal Products |
|---|---|---|
| East Pittsburgh, PA | Power Systems | Large generators and switchgear apparatus |
| Lester, PA | Power Systems | Steam and combustion turbine apparatus |
| Buffalo, NY | Industry Products | Motors, gears and drive systems |
| Sharon, PA | Power Systems | Transformers |
| Baltimore, MD | Public Systems | Industrial-military electronic and underwater systems and equipment |
| Sunnyvale, CA | Public Systems | Marine and missile launching and handling equipment |
| Bloomfield, NJ | Industry Products | Lamps and lamp parts |
| Hamilton, Canada | Power Systems<br>Industry Products<br>Public Systems | Electrical apparatus |
| Madrid, Spain | Power Systems<br>Industry Products | Electrical apparatus |
| Puerto Rico<br>(32 subsidiaries at<br>18 locations) | Power Systems<br>Industry Products<br>Public Systems | Electrical devices |

The Corporation's physical properties are adequate and suitable for the conduct of its business and include no significant surplus or idle property.

During 1980 and 1979, Westinghouse invested approximately $446 million and $317 million in new and improved plant and equipment.

## ITEM 3. LEGAL PROCEEDINGS.

*Uranium Antitrust Litigation*

On October 15, 1976 the Corporation filed an antitrust action against 29 domestic and foreign uranium producers *sub nominee Westinghouse Electric Corporation v. Rio Algom, Limited, et al.* The complaint, which was filed in the United States District Court for the Northern District of Illinois, Eastern Division, alleges that the defendants entered into illegal combinations and conspiracies to restrain both the interstate and foreign commerce of the United States in uranium in violation of the Sherman Antitrust and Wilson Tariff Acts. The Corporation requests an injunction restraining defendants' unlawful acts, treble the damages caused to the Corporation, reasonable attorney fees and such other relief as the facts show appropriate. The Corporation has now resolved this litigation with all but five of the 29 defendants (see discussion below). The suit against the remaining defendants, i.e., Engelhard Minerals and Chemicals Corporation, The Anaconda Company, Phelps Dodge Corporation, Western Nuclear, Inc. and Queensland Mines Limited, is scheduled for trial in September 1981.

During 1980 and in early 1981, the Corporation settled with 19 of the defendants and voluntarily dismissed its claims against five others. The terms of the settlements reached so far call for payments to the Corporation of more than $100 million in cash plus certain uranium services on favorable terms. The Corporation also will have delivered on its behalf, or will be entitled to purchase at favorable prices and terms, about 23 million pounds of uranium. The settlement agreement with twelve of the defendants is contingent upon certain conditions being met over the next several months, and the aforesaid settlements include agreements in principle with two other defendants which are subject to definitive agreements and approval by the boards of directors of such defendants.

Additional information concerning the uranium antitrust litigation and related litigation is incorporated herein by reference to Note 13 to the financial statements of the Annual Report to Stockholders included in Exhibit 13 to this report.

*Securities Litigation*

There are three lawsuits pending in the United States District Court for the Eastern District of New York alleging securities law violations for failure of the Corporation to make proper disclosures. See the table below for a list of case information. These actions have been consolidated for pretrial purposes and are in the discovery stage. *Marx* is proceeding as a class action limited to issues of the Corporation's alleged failure to disclose properly material facts relating to its sale of uranium. *Bass* and *Lemberger* allege violations of the federal securities laws and the common law in connection with the Corporation's acquisition of Host Enterprises, Inc. in August 1972. These two suits allege failure to disclose properly material facts relating to various corporate operations and, in the case of *Bass*, the sale of uranium.

| | Court | Date Filed | Plaintiff | Relief Sought in Complaint |
|---|---|---|---|---|
| 1. | USDC, Southern District of New York | Dec. 19, 1975 | Marx (formerly styled Steinberg) | Unspecified amount of damages |
| 2. | USDC, Eastern District of New York | Mar. 22, 1976 | Lemberger, et al. | Unspecified amount of damages |
| 3. | USDC, Eastern District of New York | Apr. 6, 1978 | Bass | Unspecified amount of damages |

*Proceedings Relating to Environment*

A proceeding styled *The Indiana Environmental Management Board v. The City of Bloomington, Westinghouse Electric Corporation, and the Monroe County Landfill; Richard P. Neal, as Administrator of the Estate of Ray Neal, f/d/b/a Neal's Landfill and Neal's Dump,* is now pending as Cause No. N-11 before The Indiana Environmental Management Board, and a proceeding styled *The Indiana Environmental Management Board, Barry S. Brown, and Raymond J. Schneider v. Westinghouse Electric Corporation,* is now pending as Cause No. N-12 before the same Board. These administrative proceedings were commenced by a notice of hearing dated June 15, 1976, after Brown and Schneider had filed a notice of intention to file an action in the name of the State of Indiana. The proceedings, in substance, concern whether Westinghouse, the City of Bloomington, Indiana, and the landfills have violated, are violating, or are about to violate certain Indiana statutes and applicable regulations through the alleged discharge of polychlorinated biphenyls (PCB's) into the waters of the State of Indiana, into the atmosphere, and onto land in and around Monroe County, Indiana, and whether fines, penalties or corrective action should be ordered if violations are found. The City of Bloomington has informed Westinghouse that the City will seek indemnification and reimbursement from the Corporation for all losses, expenses, costs, and liability imposed upon or incurred by the City in connection with the above-mentioned administrative actions and in connection with cleaning, removing, and disposing of sludges and other waste materials allegedly containing unacceptable quantities of PCB's from the City's sewage system, one of its sewage treatment plants, and related facilities.

The United States Environmental Protection Agency (EPA) is investigating the possible contamination of the Corporation's Bloomington, Indiana, plant and landfills in the Bloomington area by waste from the Corporation's plant. By letters dated January 21, 1981, and February 24, 1981, EPA formally requested Westinghouse to eliminate an asserted threat of discharge of PCB's into two different waterways from Neal's Dump and Landfill (whose owners are unrelated to the Corporation), two of the sites being considered in the administrative proceedings described above. The Corporation has requested a meeting with EPA to discuss these letters.

In August 19[illegible] a Philadelphia city inspector filed a formal notice of violation that Westinghouse was storing[illegible]g or using PCB's without an appropriate license. The Corporation has appealed the notice [illegible]tion.

## ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated herein by reference to pages 13 and 14 of the Proxy Statement for the 1981 Annual Meeting of Stockholders dated March 6, 1981, included in Exhibit 23 to this report.

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# PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY MATTERS.

The principle markets for the Corporation's common stock are identified on page 1 of this report. The remaining information required by this item is incorporated herein by reference to the Quarterly Financial Information appearing on page 43 of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

## ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is incorporated herein by reference to page 43 of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is incorporated herein by reference to pages 41 and 42 of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is incorporated herein by reference to pages 25 through 45 of the 1980 Annual Report to Stockholders included in Exhibit 13 to this report.

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# PART III

## ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT.

The name, age, offices and positions held during the past five years of each of the Corporation's present executive officers are listed below. These officers are elected annually by the Board of Directors. There are no family relationships between any of the executive officers of the Corporation.

| Name, Office and Positions | Age at March 6, 1981 |
|---|---|
| Robert E. Kirby - Chairman and Chief Executive Officer | 62 |
| Douglas D. Danforth - Vice Chairman and Chief Operating Officer since July 1978; President, Industry Products Company prior thereto. | 58 |
| Edwin V. Clarke, Jr. - President, Industry Products Company since July 1978; Executive Vice President, Transmission and Distribution since August 1976; Executive Vice President, Components and Materials prior thereto. | 55 |
| Gordon C. Hurlbert - President, Power Systems Company | 56 |
| John C. Marous, Jr. - President, International since August 1979; Executive Vice President, Construction prior thereto. | 56 |
| Thomas J. Murrin - President, Public Systems Company | 51 |
| Leo W. Yochum - Senior Executive Vice President, Finance since July 1978; Vice President, Finance prior thereto. | 53 |
| John B. Ferguson - Vice President and Controller | 57 |
| D. C. Korb - Vice President and Treasurer since March 1979; Director of Corporate Finance prior thereto. | 50 |
| M. J. McDonough - Senior Executive Vice President, Corporate Resources since August 1976; Executive Vice President, Transmission and Distribution prior thereto. | 59 |
| Robert F. Pugliese - Vice President and General Counsel, Secretary since October 1976; Vice President and General Counsel from August 1976 to October 1976; Vice President and General Tax Counsel prior thereto. | 48 |

The information as to directors is incorporated herein by reference to pages 6 through 11 of the Proxy Statement for the 1981 Annual Meeting of Stockholders dated March 6, 1981 included in Exhibit 23 to this report.

## ITEM 10. MANAGEMENT REMUNERATION AND TRANSACTIONS.

The information required by this item is incorporated herein by reference to pages 16 through 24 of the Proxy Statement for the 1981 Annual Meeting of Stockholders dated March 6, 1981 included in Exhibit 23 to this report.

# PART IV

## ITEM 11. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

*Financial Statements*

The financial statements, together with the report of independent accountants dated January 28, 1981, appearing on pages 25 through 40 of the 1980 Annual Report to Stockholders, are incorporated by reference in this Form 10-K Annual Report. With the exception of this information and information incorporated in Part II, Items 5, 6, 7 and 8, the 1980 Annual Report to Stockholders is furnished for the information of the Commission and is not to be deemed filed as part of this report.

Included in Part II of this report:

Report of Independent Accountants
Consolidated Statement of Income and Retained Earnings for the three years ended December 31, 1980
Consolidated Balance Sheet at December 31, 1980 and 1979
Consolidated Statement of Changes in Financial Position for the three years ended December 31, 1980
Notes to Financial Statements

*Financial Statement Schedules*

Included in Part IV of this report:

| | |
|---|---|
| Schedule I | — Marketable Securities - Other Investments |
| Schedule III | — Investments in, Equity in Earnings of, and Dividends Received from Related Parties |
| Schedule V | — Property, Plant and Equipment |
| Schedule VI | — Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment |
| Schedule VIII | — Valuation and Qualifying Accounts |
| Schedule X | — Supplementary Income Statement Information |

All other schedules are omitted either because they are not applicable or because the required information is included in the financial statements or notes thereto.

Separate financial statements of the Corporation are omitted since the Corporation is primarily an operating company and minority equity interests and/or nonguaranteed long-term debt of subsidiaries are in amounts which together do not exceed 5 per cent of the total consolidated assets at December 31, 1980.

Financial statements and schedules relating to subsidiaries not consolidated, except Westinghouse Credit Corporation, have been omitted as permitted because, considered in the aggregate, these companies would not constitute a significant subsidiary. Required financial statements and schedules for Westinghouse Credit Corporation are incorporated by reference to its Form 10-K Annual Report for 1980 (Commission File No. 1-6638).

*Exhibits*

(3) Articles of Incorporation and By-laws
  (a) Articles of Incorporation
  (b) By-laws

(10) Material contracts
  (a) Bank Credit Agreement dated as of November 7, 1980, among Westinghouse, the Banks named in Section 2 thereof and Mellon Bank, N.A., as agent, is incorporated herein by reference to Exhibit 13 to Amendment No. 1 of Schedule 13D filed on November 26, 1980.

(b) Agreement and Plan of Merger dated as of November 19, 1980, among Westinghouse, Westinghouse Broadcasting Company, Inc., TC Acquisition, Inc. and Teleprompter Corporation is incorporated herein by reference to Exhibit 15 to Amendment No. 1 of Schedule 13D filed on November 26, 1980.

(c) The 1974 Stock Option Plan for Key Employes of Westinghouse Electric Corporation and its subsidiaries, as amended January 31, 1979, is incorporated herein by reference to Exhibit 1.2 to Amendment No. 5 to Registration Statement No. 2-53311.

(d) The 1979 Stock Option and Long-Term Incentive Plan, as amended, effective March 26, 1980, is incorporated herein by reference to Exhibit 1.2 to Amendment No. 1 to Registration Statement No. 2-64733.

(e) A description of the Executive Pension Program is incorporated herein by reference to page 19 of the Proxy Statement for the 1981 Annual Meeting of Stockholders dated March 6, 1981.

(f) A description of the Executive Insurance Plan providing for life insurance benefits for officers.

(g) An extract of the resolutions adopted by the committee of the Board of Directors of Westinghouse that administers Article XVI of the By-laws of Westinghouse with respect to the manner of payment of awards of incentive compensation for the year 1980.

(13) 1980 Annual Report to Stockholders
(22) Subsidiaries of the Registrant
(23) Proxy Statement for the 1981 Annual Meeting of Stockholders

*Reports on Form 8-K*

No reports on Form 8-K were filed during the fourth quarter of the year ended December 31, 1980.

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## SCHEDULE I - MARKETABLE SECURITIES - OTHER INVESTMENTS (in millions)

| | December 31, 1980 | |
|---|---|---|
| | Cost | Market Value |
| Marketable securities: | | |
| United States Government and its agencies | $ 22.5 | $ 20.8 |
| Certificates of deposit | 487.9 | 478.7 |
| Time deposits | 124.6 | 124.6 |
| Bankers acceptances | 46.8 | 46.4 |
| Commercial paper | 11.3 | 11.3 |
| Other | 49.2 | 48.7 |
| | $742.3 | $730.5 |
| Other security investments: | | |
| United States Government and its agencies | $112.6 | $ 94.6 |
| Certificates of deposit | 46.6 | 44.3 |
| State and municipal securities | 12.6 | 10.9 |
| Other | 78.2 | 133.5 |
| | $250.0 | $283.3 |

## SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM RELATED PARTIES (in millions)

| 1980 | Balance Beginning of Year | Equity Earnings | Other Additions[a] | Distribution of Earnings | Other Deductions[b] | Balance End of Year |
|---|---|---|---|---|---|---|
| Non-consolidated subsidiaries: | | | | | | |
| Securities: | | | | | | |
| Westinghouse Credit Corporation | $ 215.0 | $ 27.7 | — | — | $( 5.7) | $ 237.0 |
| Others | ( 12.2) | — | $14.1 | — | 5.5 | 7.4 |
| Indebtedness | 87.6 | — | -- | — | ( 17.6) | 70.0 |
| Affiliated companies | 98.5 | ( 3.7) | 62.5 | $(.5) | ( 17.2) | 139.6 |
| Other security investments[c] | 323.9 | — | 7.6 | — | ( 81.5) | 250.0 |
| | $ 712.8 | $ 24.0 | $84.2 | $(.5) | $(116.5) | $ 704.0 |
| 1979 | | | | | | |
| Non-consolidated subsidiaries: | | | | | | |
| Securities: | | | | | | |
| Westinghouse Credit Corporation | $ 199.9 | $ 24.1 | — | — | $( 9.0) | $ 215.0 |
| Others | ( 10.0) | ( 6.0) | — | — | 3.8 | ( 12.2) |
| Indebtedness | 159.2 | — | — | — | ( 71.6) | 87.6 |
| Affiliated companies | 114.8 | ( 2.4) | $ 4.8 | $(.7) | ( 18.0) | 98.5 |
| Other security investments[c] | 321.3 | — | 3.3 | — | ( .7) | 323.9 |
| | $ 785.2 | $ 15.7 | $ 8.1 | $(.7) | $( 95.5) | $ 712.8 |
| 1978 | | | | | | |
| Non-consolidated subsidiaries: | | | | | | |
| Securities: | | | | | | |
| Westinghouse Credit Corporation | $ 167.8 | $ 46.0 | $ 11.0 | — | $( 24.9) | $ 199.9 |
| Others | ( 5.2) | — | — | — | ( 4.8) | ( 10.0) |
| Indebtedness | 163.0 | — | 3.2 | — | ( 7.0) | 159.2 |
| Affiliated companies | 39.8 | (1.5) | 78.9 | $(.9) | ( 1.5) | 114.8 |
| Other security investments[c] | 193.9 | — | 131.1 | — | ( 3.7) | 321.3 |
| | $ 559.3 | $ 44.5 | $224.2 | $(.9) | $( 41.9) | $ 785.2 |

(a) Other additions represent new or increased investments in securities or indebtedness of subsidiaries and other companies.

(b) Other deductions include dispositions, reduction of indebtedness by non-consolidated subsidiaries, write-downs and reclassifications of certain investments and income tax effect on equity earnings.

(c) Dividends received from other security investments totaled $4.4 million in 1980, $3.4 million in 1979 and $4.0 million in 1978.

## SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT (in millions)

| | Land | Buildings and Structures | Leasehold Improvements(b) | Machinery and Equipment | Construction In Progress | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 1978 | $52.4 | $653.5 | $16.2 | $1,745.6 | $188.8 | $2,656.5 |
| Additions, at cost | 8.4 | 37.1 | 3.8 | 183.9 | 1.8 | 235.0 |
| Retirements or sales | ( 1.8) | ( 9.2) | ( .4) | ( 51.0) | — | ( 62.4) |
| Other changes (a) | - | ( .1) | ( 2.5) | ( 15.4) | ( 63.3) | ( 81.3) |
| Balance at December 31, 1978 | 59.0 | 681.3 | 17.1 | 1,863.1 | 127.3 | 2,747.8 |
| Additions, at cost | 4.7 | 37.1 | 4.6 | 218.9 | 51.7 | 317.0 |
| Retirements or sales | ( 1.1) | ( 7.8) | ( .4) | ( 62.5) | — | ( 71.8) |
| Other changes | 1.0 | ( 7.7) | ( 2.8) | 4.1 | — | ( 5.4) |
| Balance at December 31, 1979 | 63.6 | 702.9 | 18.5 | 2,023.6 | 179.0 | 2,987.6 |
| Additions, at cost | 10.2 | 74.8 | 6.0 | 327.6 | 27.4 | 446.0 |
| Retirements or sales | ( 2.4) | ( 7.3) | ( .4) | ( 76.6) | — | ( 86.7) |
| Other changes | .2 | 1.6 | ( 3.1) | 5.0 | .8 | 4.5 |
| Balance at December 31, 1980 | $71.6 | $772.0 | $21.0 | $2,279.6 | $207.2 | $3,351.4 |

(a) Included the write-down of certain assets to realizable value. See note 17 of the Annual Report to Stockholders which is incorporated herein by reference.

(b) Improvements to leased properties are written off over the terms of the lease by charge to operations and credit to the asset account.

## SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT (in millions)

| | Land | Buildings and Structures | Machinery and Equipment | Total |
|---|---|---|---|---|
| Balance at January 1, 1978 | $.1 | $287.6 | $1,015.7 | $1,303.4 |
| Additions charged to costs and expenses | .2 | 18.5 | 130.2 | 148.9 |
| Retirements or sales | — | ( 2.5) | ( 47.8) | ( 50.3) |
| Other changes (a) | — | ( 2.5) | 17.5 | 15.0 |
| Balance at December 31, 1978 | .3 | 301.1 | 1,115.6 | 1,417.0 |
| Additions charged to costs and expenses | .2 | 19.4 | 140.4 | 160.0 |
| Retirements or sales | — | ( 5.0) | ( 54.7) | ( 59.7) |
| Other changes (a) | — | ( 3.6) | 10.9 | 7.3 |
| Balance at December 31, 1979 | .5 | 311.9 | 1,212.2 | 1,524.6 |
| Additions charged to costs and expenses | .1 | 20.6 | 164.3 | 185.0 |
| Retirements or sales | — | ( 4.7) | ( 74.7) | ( 79.4) |
| Other changes (a) | ( .3) | ( 3.3) | 10.7 | 7.1 |
| Balance at December 31, 1980 | $.3 | $324.5 | $1,312.5 | $1,637.3 |

(a) Includes the proceeds from sales of fixed assets.

When property is retired or sold the original cost is charged to the group reserve account and the proceeds received are credited to the group reserve account. Gains or losses are recognized in current operations for the sale or retirement of land and buildings and for any significant property items retired due to casualty or disposition of an operating unit.

## SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS (in millions)

| Customer receivables — allowance for doubtful accounts | December 31 | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Balance at beginning of year | $31.4 | $26.5 | $27.2 |
| Charged to costs and expenses | 12.1 | 12.1 | 21.2 |
| Charged to the reserve | ( 12.1) | ( 13.6) | ( 24.3) |
| Charged to other accounts | 2.3 | 6.4 | 2.4 |
| Balance at end of year (a) | $33.7 | $31.4 | $26.5 |

(a) Of these amounts $7.6 million, $4.5 million and $1.4 million had been classified as non-current at December 31, 1980, 1979 and 1978.

## SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION (in millions)

| | Charged to Costs and Expenses | | |
|---|---|---|---|
| | 1980 | 1979 | 1978 |
| Taxes, other than income and payroll taxes | $118.5 | $103.8 | $ 88.5 |
| Maintenance and repairs | $152.0 | $126.7 | $130.7 |

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTINGHOUSE ELECTRIC CORPORATION

March 25, 1981

By /s/ JOHN B. FERGUSON
John B. Ferguson
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature and Title

Douglas D. Danforth, Director
Barbara Hackman Franklin, Director
R. Burt Gookin, Director
Donald F. Hornig, Director
Robert E. Kirby, Chairman and Chief Executive Officer (principal executive officer) and Director
John F. McGillicuddy, Director
David T. McLaughlin, Director
Roger Milliken, Director
Richard R. Pivirotto, Director
O. Pendleton Thomas, Director
Hays T. Watkins, Director
Leo W. Yochum, Senior Executive Vice President, Finance (principal financial officer)
John B. Ferguson, Vice President and Controller (principal accounting officer)

by /s/ JOHN B. FERGUSON
John B. Ferguson
Attorney-in-fact

March 25, 1981

Original powers of attorney authorizing Robert E. Kirby, Leo W. Yochum and John B. Ferguson to sign this report on behalf of directors and officers of the Corporation and a certified copy of a resolution of the Board of Directors of the Corporation authorizing each of said persons to sign on behalf of the Corporation have been filed with the Securities and Exchange Commission.

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the application of our report, dated January 28, 1981, which appears on page 25 of the 1980 Annual Report to Stockholders of Westinghouse Electric Corporation, to the Financial Statement Schedules listed in the index on page 14 when these schedules are read in conjunction with the financial statements in such 1980 Annual Report to Stockholders; our report and the financial statements have been incorporated by reference in this Annual Report on Form 10-K. The examinations referred to in our report included an examination of the Financial Statement Schedules.

We also consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Forms S-8 (Nos. 2-53311 and 2-64733) of Westinghouse Electric Corporation of our report referred to in the preceding paragraph.

600 Grant Street
Pittsburgh, Pennsylvania 15219
March 25, 1981

PRICE WATERHOUSE & CO.

EXHIBIT D

# Notice of Annual Meeting of Stockholders and Proxy Statement

## April 29, 1981

Westinghouse Electric Corporation

**Contents**



**Ticket Information**

If you plan to attend the annual stockholders meeting on April 29, 1981 in Los Angeles, California at the Century Plaza Hotel, please check the box provided on the accompanying proxy card and a ticket will be sent to you to expedite your admission.

**Westinghouse Electric Corporation**

**Fellow Stockholders:**

Next month our 1981 Annual Meeting of Stockholders will be held at the Century Plaza Hotel located in Los Angeles, California. We hope that you will be able to attend the meeting to hear management's report to stockholders.

If you plan to attend, please check the appropriate box provided on the accompanying proxy card and a ticket will be sent to you to expedite admission to the meeting. In any event, whether or not you will be able to attend, I urge you to return your signed proxy card in the enclosed envelope to assure that your shares will be voted at the meeting.

In keeping with our policy, a summary of the meeting and the actions taken will be mailed to all stockholders.

Sincerely yours,

Robert E. Kirby
Chairman

March 6, 1981



**Westinghouse Electric Corporation**

**Notice of Annual Meeting**

The Annual Meeting of Stockholders of Westinghouse Electric Corporation will be held in Los Angeles, California, at the Century Plaza Hotel on Wednesday, April 29, 1981 at 10:30 a.m. for the following purposes: (1) to elect directors, (2) to elect independent accountants, (3) to act on a proposed amendment to the Restated Articles of the Corporation providing that there shall be no cumulative voting in the election of directors, (4) to consider and take action upon three resolutions which are set forth under the heading "Stockholder Proposals" in the accompanying proxy statement, if any such resolutions shall be brought before the meeting and (5) to transact such other business as may properly come before the meeting.

The Board of Directors has fixed February 9, 1981 as the record date for the determination of the stockholders entitled to vote at the annual meeting. Only holders of common stock of record on that date will be entitled to vote at the meeting.

Holders of the 3.80 percent cumulative preferred stock, series B, will not be entitled to vote at the meeting.

*Please sign and return the enclosed proxy card promptly. Your cooperation will be appreciated since a majority of the common stock must be represented, either in person or by proxy, to constitute a quorum for the conduct of business.*

By Order of the Board of Directors

Robert F. Pugliese
Vice President and General Counsel, Secretary

Pittsburgh, Pennsylvania
March 6, 1981

**Proxy Statement**
**Annual Meeting of Stockholders**
**April 29, 1981**

The principal executive offices of Westinghouse Electric Corporation are in the Westinghouse Building, Gateway Center, Pittsburgh, Pennsylvania 15222. This proxy statement and the proxy card were sent to stockholders on or about March 6, 1981.

Only the holders of common stock of record on February 9, 1981 are entitled to vote at the meeting. On that date 85,029,426 shares of common stock were outstanding, each of which entitles the holder to one vote, except as stated below under "Election of Directors," on each matter to come before the meeting.



## I. Election of Directors
(Item 1 on proxy card)

Under the by-laws of the Corporation, the Board of Directors has determined that the board shall consist of 12 members and be divided into four classes. Customarily, all members of one class are elected for a term of four years at each annual meeting. This year, however, stockholders will elect three directors for a term of one year due to a recently adopted revision to the by-laws providing for the annual election of all directors, commencing with next year's annual meeting. Thus, the Board of Directors proposes that Ms. Franklin and Messrs. McGillicuddy and Pivirotto be elected to hold office for a term of one year until the next annual meeting of stockholders and until the election and qualification of their successors.

Holders of common stock may cumulate their votes for directors. That is, each holder may, in person or by proxy, cast all of the votes to which such holder is entitled (determined by multiplying the number of shares by the number of directors to be elected) for one candidate or may distribute the votes among any two or more candidates in any such election.

The persons named in the enclosed proxy card (Messrs. Kirby, Pugliese and Yochum) have advised that, unless a contrary direction is indicated on the proxy card, they intend to vote for the election of the three directors proposed by the Board of Directors and that they may cumulate the votes solicited hereunder. They have also advised that in the event any of the three shall not be available for election, they will vote for the election of such substitute nominee or nominees as the Board of Directors may propose for such term or terms.

### *Information Concerning Directors*

The names of the nominees, the names of the other directors and brief statements setting forth their present principal occupations and other biographical information are on pages 6 through 11.

## *Directors Proposed by the Board of Directors for Election*

**Barbara Hackman Franklin**
University of Pennsylvania
Philadelphia, PA
Age – 40.

*To be elected for a term of one year*

A graduate of Pennsylvania State University and the Harvard Business School, Ms. Franklin is a senior fellow at the University of Pennsylvania's Wharton School. Formerly senior commissioner of the U. S. Consumer Product Safety Commission, she was twice elected the Commission's vice chairman. Ms. Franklin entered public service in 1971 as a presidential assistant in the White House. Earlier, Ms. Franklin was assistant vice president of Citibank and, prior to that, she was an executive with The Singer Company. First elected to the Westinghouse board in 1980, Ms. Franklin is a director of the Aetna Life & Casualty Company, The Dow Chemical Company, the National Central Financial Corporation and the American Institute of Certified Public Accountants. She is also a trustee of Pennsylvania State University.

**John F. McGillicuddy**
Chairman of the Board,
President and Chief
Executive Officer
Manufacturers Hanover
Corporation and Manufacturers
Hanover Trust Company
New York, NY
Age – 50.

*To be elected for a term of one year*

A graduate of Princeton University and the Harvard Law School, Mr. McGillicuddy is chairman of the board, president and chief executive officer of Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company. Elected vice chairman of the board and a director in 1970, he served as president of Manufacturers Hanover from February, 1971 until April, 1979 at which time he was elected to his present position. He is also chairman of the board of Manufacturers Hanover Ltd., of London and serves on the boards of AMF Incorporated, Cities Service Company, The Continental Corporation, Dart & Kraft, Inc. and The Sperry and Hutchinson Company. He is a member of the Association of Reserve City Bankers and is active in civic, educational and charitable organizations. Mr. McGillicuddy became a member of the Westinghouse board in 1974 and was reelected in 1977.



## *Directors Proposed by the Board of Directors for Election*

**Richard R. Pivirotto**
Chairman (Retired)
Associated Dry Goods
Corporation
New York, NY
Age – 50.

*To be elected for a term of one year*

A graduate of Princeton University, Mr. Pivirotto also received an MBA from the Harvard Business School. Following graduation from Harvard, Mr. Pivirotto joined the Joseph Horne Company in Pittsburgh, now a member store in the Associated Dry Goods chain. He served as president of Horne's from 1961 to 1970, vice chairman of Associated Dry Goods from 1970 to May, 1972 and president from May, 1972 to February, 1976 at which time he was elected chairman. He served in that capacity until his retirement in February, 1981. Mr. Pivirotto continues to serve on the board of Associated Dry Goods as well as the boards of Chemical New York Corporation and Chemical Bank, General American Investors Company, Inc., Gillette Co., New York Life Insurance Company, and is a trustee of The Bowery Savings Bank and a charter trustee of Princeton University. First elected to the Westinghouse board in 1973, Mr. Pivirotto was reelected in 1977.

## *Directors With Continuing Terms*

**Robert E. Kirby**
Chairman and Chief
Executive Officer
Westinghouse Electric
Corporation
Pittsburgh, PA
Age – 62.

A chemical engineering graduate of Pennsylvania State University with an MBA from the Harvard Business School, Mr. Kirby joined Westinghouse in 1946. He moved from the Electronics Division at Baltimore, where he was general manager, to corporate headquarters as vice president, engineering in 1963 and was appointed industrial group vice president in 1964. He was elected an executive vice president and a member of the board of directors in 1966. In 1969 he became president of the Industry and Defense Company. Mr. Kirby was elected vice chairman-operations in 1974 and chairman in January, 1975. He was last reelected to the board in 1979. Mr. Kirby also serves as vice chairman of the board of trustees of the University of Pittsburgh and chairman of the President's Commission on Executive Exchange.

## *Directors With Continuing Terms*

**Douglas D. Danforth**
Vice Chairman and
Chief Operating Officer
Westinghouse Electric
Corporation
Pittsburgh, PA
Age – 58.

A mechanical engineering graduate of Syracuse University, Mr. Danforth joined Westinghouse in 1955 as executive vice president and general manager of Industria Electrica de Mexico. He was transferred to corporate headquarters in 1961, as assistant to the vice president of manufacturing and was elected a vice president in 1962. In 1963, he was appointed executive in charge of the industrial group and the following year became vice president and general manager of the consumer group. He served as president of the Industry Products Company from 1974 until June, 1978 when he was elected vice chairman and chief operating officer and a member of the board of directors. He was reelected to the board in 1979. Mr. Danforth is a director of the Pittsburgh National Corporation and Pittsburgh National Bank, a member of the board of trustees of Syracuse University as well as that of Carnegie-Mellon University and a trustee of Allegheny Health, Education and Research Corporation.

**R. Burt Gookin**
Vice Chairman and
Chief Executive Officer
(Retired)
H. J. Heinz Company
Pittsburgh, PA
Age – 66.

A graduate of Northwestern University and the Harvard Business School, Mr. Gookin joined H. J. Heinz Company in 1945 as an executive accountant and was appointed controller in 1951. In 1959 he was elected vice president-finance and a director. He served as executive vice president in charge of U.S. operations from 1964 to 1966, and as chief executive officer from 1966 until his retirement in 1979. He is a director of BankAmerica Corporation, H. J. Heinz Company, PPG Industries, Inc. and the Pittsburgh branch of the Federal Reserve Bank of Cleveland. Mr. Gookin was first elected to the Westinghouse board in 1971 and last reelected in 1979.



## *Directors With Continuing Terms*

**Dr. Donald F. Hornig**
Harvard University
Boston, MA
Age – 60.

Distinguished educator, scientist and scholar, Dr. Hornig is professor of chemistry in public health and director, interdisciplinary programs in health, at Harvard University. From 1964 to 1969 he served as special assistant for science and technology to President Johnson and director of the Office of Science and Technology, having previously served as a member of the President's Science Advisory Committee under Presidents Eisenhower and Kennedy. From January, 1969 until June, 1970 he was a vice president and director of the Eastman Kodak Company, leaving to become president of Brown University where he remained until 1976. Dr. Hornig is a graduate of Harvard University where he received a BS in chemistry in 1940 and a PhD in 1943. He is the author of numerous scientific articles and was elected to the National Academy of Sciences in 1957. He is also a director of the Upjohn Company. First elected to the Westinghouse board in 1972, he was last reelected in 1980.

**David T. McLaughlin**
Chairman and Chief
Executive Officer
The Toro Company
Minneapolis, MN
Age – 48.

A 1954 graduate of Dartmouth College, Mr. McLaughlin earned an MBA from Dartmouth College's Amos Tuck School of Business Administration the following year. Commencing in 1957, he served in a number of executive positions with Champion Papers, Inc., then joined The Toro Company as president in 1970. He assumed the additional role of chief executive officer of Toro in 1973 and was named chairman of the board in 1977. Mr. McLaughlin was first elected to the Westinghouse board in 1979 and is also a director of The Chase Manhattan Corporation and Chase Manhattan Bank, N.A., Dayton Hudson Corporation, the Outdoor Power Equipment Institute and the U.S. Chamber of Commerce. In addition, he is chairman of the board of trustees of Dartmouth College and is active in civic and educational organizations.

## *Directors With Continuing Terms*

**Roger Milliken**
President
Milliken & Company
Spartanburg, SC
Age – 65.

A graduate of Yale University, Mr. Milliken is a long-time executive in the textile industry. He began his career with Mercantile Stores, joined Milliken & Company (then Deering Milliken) in 1939 and was elected its president in 1947. He is a director of Citicorp, W. R. Grace & Co., Mercantile Stores Company, Inc., the American Textile Manufacturers Institute, Inc., and is a member of The Business Council. He is also a member of the board of trustees of Wofford College and the South Carolina Foundation of Independent Colleges and serves as chairman of the Institute of Textile Technology and the Greenville/Spartanburg Airport Commission. First elected to the Westinghouse board in 1962, he was last reelected in 1979.

**Hobart Taylor, Jr.**
Of Counsel, Jones, Day, Reavis & Pogue, Attorneys
Washington, DC
Age – 60.

A graduate of Prairie View (Texas) State College, Mr. Taylor also holds an MA from Howard University and a law degree from the University of Michigan. He served as a director of the Export-Import Bank from 1965 to 1968 after serving as executive vice chairman of the President s Committee on Equal Employment Opportunity from 1962 to 1963, and as associate counsel to the President of the United States from 1963 to 1965. He is a director of the Aetna Life & Casualty Company, Burroughs Corporation, Eastern Airlines, Inc., the Great Atlantic & Pacific Tea Company and Standard Oil Company of Ohio. He first became a member of the Westinghouse board in 1971 and was last reelected in 1980.



## *Directors With Continuing Terms*

**O. Pendleton Thomas**
Chairman and President
PenVest, Inc.
Houston, TX
Age – 66.

A graduate of East Texas State University, Mr. Thomas also received an MBA from the University of Texas. He joined Sinclair Oil Corporation in 1945 and, after serving in a number of executive positions, became chief executive officer in 1968. Following the merger of Sinclair Oil with Atlantic Richfield Company in 1969, he was a director and chairman of the executive committee of Atlantic Richfield until 1971. Mr. Thomas joined The BFGoodrich Company in 1971 as vice chairman of the board and chief executive officer and in 1972 he was elected chairman. He served in that capacity until his retirement in July, 1979. In January, 1981, he was elected chairman and president of PenVest, Inc., a financial services company. Elected to the Westinghouse board in 1979, Mr. Thomas is also a director of Armco, Inc., The BFGoodrich Company, First City National Bank of Houston, Superior Oil Company, and a trustee of Mutual Life Insurance Company of New York.

**Hays T. Watkins**
President
CSX Corporation
Richmond, VA
Age – 55.

A graduate of Western Kentucky University with an MBA from Northwestern University, Mr. Watkins is president of CSX Corporation. CSX is the parent company of Family Lines Rail System, Chessie System Railroads, Florida Publishing Company, The Greenbrier resort hotel, Aviation Enterprises, Inc., and coal-land, real estate and oil and gas enterprises. Mr. Watkins started his railroad career with C&O in 1949. In 1964, following the affiliation of C&O and B&O, he was elected vice president-finance for both railroads. He became president and chief executive officer of both companies in 1971 and was elected chairman of Chessie System in 1973. After the merger of Chessie System and Seaboard Coastline Industries, Inc in 1980, Mr. Watkins was elected to his present position. He is a director of Black & Decker Manufacturing Co., a trustee of Johns Hopkins University and Baldwin-Wallace College, a member of the Financial Accounting Standards Advisory Council and is active in civic and charitable organizations. First elected to the Westinghouse board in 1979, Mr. Watkins was reelected in 1980.

### *Board Committees*

Westinghouse has standing Executive, Audit Review and Management Compensation Policy Committees, which are provided for in the by-laws. The following table identifies the current members of each committee and states the number of meetings held by each committee during 1980.

| Director | Executive Committee | Audit Review Committee | Management Compensation Policy Committee |
|---|---|---|---|
| R. B. Gookin | X | | X |
| D. F. Hornig | | X | |
| R. E. Kirby | X | | |
| J. F. McGillicuddy | X | X | |
| D. T. McLaughlin | X | | |
| R. Milliken | X | | X |
| R. R. Pivirotto | | X | X |
| H. Taylor, Jr. | X | X | |
| O. P Thomas | | | X |
| No. Members | 6 | 4 | 4 |
| No. Meetings | 2 | 5 | 5 |

The functions of the Executive Committee are to advise and consult with the chairman, to assume and exercise the authority of the board in special situations and to evaluate and recommend nominees for directors for consideration by the board. The Executive Committee will consider possible nominees submitted by stockholders. Any stockholder desiring to recommend a candidate for director for nomination by the Executive Committee should furnish the chairman or secretary with a resume of the experience and qualifications of the proposed nominee and a written statement signed by the proposed nominee consenting to be nominated by the Executive Committee and to serve if elected. To be considered for next year's annual meeting of stockholders, such nominations must be received at the principal executive offices of Westinghouse on or before December 1, 1981. Mr. Kirby is chairman of the Executive Committee.

The functions of the Audit Review Committee include recommendation of the selection, retention and termination of the Corporation's independent auditors; review of the professional services, proposed fees and independence of such auditors; review, in consultation with the independent and internal auditors, of the annual audit plans, the adequacy of internal control systems, compliance with statutory record keeping and internal accounting control system requirements and of the annual report of audit; review, with management and the independent auditors, of the Corporation's annual financial report to stockholders; receipt of reports with respect to the legal affairs of the Corporation, significant events or conditions, compliance with corporate policy respecting use and disposition of assets, government investigations, pending or threatened litigation and other loss contingencies the public disclosure or financial statement notation of which may be legally required; and exercise of general oversight respecting pension and employe benefit plans and programs. Mr. McGillicuddy is chairman of the Audit Review Committee.

The functions of the Management Compensation Policy Committee include study, analyses and recommendations to the board concerning specific and general matters of management compensation; periodic review of management compensation policies and practices; recommendations to the board respecting incentive compensation awards and officer salary adjustments; and administration of stock option, stock appreciation rights and performance share plans. Mr. Gookin is chairman of the Management Compensation Policy Committee.

### *Director and Officer Stock Ownership*

The following table sets forth the number of shares of Westinghouse common stock beneficially owned by each director and by all directors and officers as a group on January 5, 1981 (except as noted). On that date, no named director beneficially owned more than 0.11% of the outstanding Westinghouse common stock and all directors and officers as a group owned less than 0.9% of the common stock. According to information furnished by the respective directors and officers, except for 100 shares of the common stock of Westinghouse Canada Inc. owned by one officer (which constitutes less than 0.1% of the outstanding amount of such common stock), no

equity securities of the Corporation or its subsidiaries, other than directors' qualifying shares, were beneficially owned, directly or indirectly, by them on January 5, 1981.

| Name | Amount and Nature of Beneficial Ownership |
|---|---|
| D. D. Danforth | 43,422 shares(1) |
| B. H. Franklin | 100 shares |
| R. B. Gookin | 200 shares |
| D. F. Hornig | 100 shares |
| R. E. Kirby | 102,038 shares(2) |
| J. F. McGillicuddy | 1,000 shares |
| D. T. McLaughlin | 200 shares |
| R. Milliken | 280 shares(3) |
| R. R. Pivirotto | 100 shares |
| H. Taylor, Jr. | 1,200 shares |
| O. P. Thomas | 1,000 shares |
| H. T. Watkins | 500 shares |
| All Directors and Officers as a Group | 724,964 shares(4) |

(1) Includes 40,200 shares not owned by Mr. Danforth on January 5, 1981, but with respect to which Mr. Danforth had the right to acquire beneficial ownership within 60 calendar days after such date through the exercise of options received under the Corporation's 1974 and 1979 stock option plans.

(2) Includes (i) 5000 shares held by Mr. Kirby as a trustee and (ii) 60,750 shares not owned by Mr. Kirby on January 5, 1981, but with respect to which Mr. Kirby had the right to acquire beneficial ownership within 60 calendar days after such date through the exercise of options received under the Corporation's 1974 and 1979 stock option plans.

(3) Includes 80 shares with respect to which Mr. Milliken shares voting and investment power.

(4) Includes (i) 5,080 shares held as trustees, (ii) 10,966 shares with respect to which directors and officers have shared voting and investment power and (iii) 600,850 shares not owned by directors and officers on January 5, 1981, but with respect to which such directors and officers had the right to acquire beneficial ownership within 60 calendar days after such date through the exercise of options received under the Corporation's 1974 and 1979 stock option plans.



***Other Director Information***

On December 13, 1978, a derivative suit was filed in the Supreme Court of the State of New York against the Corporation and certain current and former directors, seeking an unspecified amount of damages and alleging that the named directors violated their fiduciary obligations by permitting the Corporation to make illegal payments and to file false statements with the federal authorities. Only two current directors have been served, both of whom reside in New York and are candidates for reelection.

On April 25, 1979, the Westinghouse board of directors established a Special Investigation Committee of the board. The committee, composed of Messrs. McLaughlin and Thomas (each of whom was elected to the board after the occurrence of the events covered by the derivative action), was empowered with the authority of the full board to investigate the matters referred to in the action and to determine the best course of action for Westinghouse with respect to the suit. On November 29, 1979, the committee in the exercise of its business judgment decided that it would not be in the best interests of Westinghouse for the lawsuit to continue and directed Westinghouse's counsel to seek dismissal of the action. On February 22, 1980, Westinghouse's counsel moved to dismiss the action based upon the committee's decision and direction.

On May 20, 1980, the Court issued a memorandum opinion granting the motion of Westinghouse, in which the served defendant directors joined, and on June 20, 1980 the Court entered an order dismissing the complaint. The plaintiff has since filed a notice of appeal.

In accordance with Article XVIII of its by-laws, Westinghouse intends to indemnify the director defendants against reasonable expenses paid or incurred by them in connection with the aforementioned suit. In addition, Westinghouse maintains policies of insurance under which its directors are insured, subject to specified exclusions and deductible and maximum amounts

against loss arising from any civil claim or claims which may be made against any director by reason of any breach of duty, neglect, error, misstatement, misleading statement, omission or other act done or wrongfully attempted in his capacity as a director.

### *Management Remuneration*

| Name of individual or number of persons in group | Capacities in which served | Cash and cash-equivalent forms of remuneration | | | Contingent (unrealized) remuneration(5) |
|---|---|---|---|---|---|
| | | Salaries, fees and directors' fees(1) | 1980 Incentive compensation | | |
| | | | Current(2) | Deferred(3) | Securities or property, insurance benefits or reimbursement, personal benefits(4) | |
| R. E. Kirby | Chairman | $ 383,328 | $ 145,000 | $ 145,000 | $ 3,258 | — |
| D. D. Danforth | Vice Chairman | 289,992 | 115,000 | 115,000 | 4,643 | — |
| G. C. Hurlbert | President, Power Systems Company | 236,241 | 90,000 | 90,000 | 7,036 | — |
| T. J. Murrin | President, Public Systems Company | 231,249 | 90,000 | 90,000 | 2,828 | — |
| E. V. Clarke, Jr. | President, Industry Products Company | 198,990 | 90,000 | 90,000 | 5,344 | — |
| 74 Directors and Officers as a Group(6), (7) | | 7,694,616 | 2,017,900 | 1,886,600 | 194,434 | — |

The above table sets forth information concerning the remuneration of (i) each of the five most highly compensated directors or executive officers of the Corporation whose total remuneration exceeds $50,000 and (ii) all directors and officers of the Corporation as a group for services in all capacities to the Corporation and its subsidiaries during 1980.

### *Notes to Remuneration Table*

(1) Includes all cash remuneration distributed or accrued for services performed in 1980 in the form of salaries, fees and directors' fees, except incentive compensation paid under Article XVI of the by-laws. No commissions were paid to officers or directors in 1980.

(2) This column includes the current portion of the incentive compensation award under Article XVI of the by-laws for services performed in 1980, which was paid in cash in February, 1981.

(3) The amounts shown in this column are the deferred portions of the incentive compensation under Article XVI of the by-laws for services performed in 1980. Under the plan the recipient of an incentive compensation award of $2000 or more may elect to defer up to 50% of the award. The entire deferred award vests at the time it is granted. The deferred amount is treated as if it were invested in putative convertible debentures with a fixed interest rate equal to the seven-year U. S. Treasury Bond rate in effect the week prior to the grant of the award. Each debenture is deemed to have a face value of $100 and is deemed to be convertible into shares of Westinghouse common stock at a conversion rate determined by dividing $100 by the mean of the high and low prices of Westinghouse common stock as reported by the composite tape of the New York Stock Exchange on the day preceding the granting of the award. In each January in which a deferred installment is to be paid, the employe to whom such installment is due shall receive the greater value of (i) the cash amount equal to the face value of such debentures due for such installment, plus cash equal to accrued interest on such installment or (ii) the number of shares of Westinghouse common stock to which the de-

bentures due for such installment are convertible at the above conversion rate, plus cash equal to accrued interest on such installment.

(4) The amounts shown in this column do not include amounts reflective of the occasional use for personal purposes of certain property which is owned and maintained by the Corporation for business purposes. Such use involves no incremental cost to the Corporation and the value of such personal use is insignificant when compared to overall remuneration.

(5) No individual named above or included in the group has received any form of contingent remuneration required to be reported in this column. For information concerning stock appreciation rights and performance shares, see pages 20 through 22.

(6) Directors who are not employes of the Corporation are paid an annual fee of $16,000, plus $600 for each board or board committee meeting attended. In 1980, there were 10 meetings of the board (see page 12 for information regarding board committees). In addition, each non-employe director who is a member of the Executive Committee receives an annual fee of $2,000 and each non-employe director who is a chairman of a standing committee (Audit Review Committee and Management Compensation Policy Committee) receives an annual fee of $1,000. In 1980, the board also approved the payment of an additional fee of $10,000 each to Messrs. McLaughlin and Thomas for extraordinary services over an extended period of time in connection with litigation involving the Corporation. Directors who are employes of the Corporation receive no additional remuneration for their services as directors.

(7) Remuneration figures do not include amounts for portions of the period during which such persons were not directors or officers of the Corporation.



**Pension Benefits**

All of the individuals named in the foregoing remuneration table are participants in the Westinghouse Pension Plan, which is a defined benefit plan. The plan is designed to provide retirement income related to an employe's salary and years of active service. The cost of the plan is paid by both Westinghouse and employe contributions. All Westinghouse contributions are actuarially determined. As of December 31, 1980, the individuals named in the remuneration table had the following credited years of service under the plan: Mr. Kirby 34 years; Mr. Danforth 25 years; Mr. Hurlbert 34 years; Mr. Murrin 29 years; and Mr. Clarke 29 years. In addition to the benefits provided by the Westinghouse Pension Plan, the Corporation has followed a policy of making supplemental pension payments to a group of executives which includes Messrs. Kirby, Danforth, Hurlbert, Murrin and Clarke. Upon retirement under that policy, such individuals who have 20 or more years of credited service at the time of retirement are entitled to receive supplemental payments which, when added to their pensions under the Westinghouse Pension Plan, result in their receiving a total annual pension equal to 1.35% for each year of service multiplied by the sum of the average of the five highest annual salaries and five highest annual incentive awards in the last ten years of employment (subject to an overall minimum total annual pension equal to 40% of such sum for an employe with 25 or more years of credited service). Prior to 1980, such sum included only one-half of the average of the five highest annual incentive awards during the period. In the event of retirement prior to age 60 the total annual pension will be reduced by an amount equal to the reduction in the benefits payable under the Westinghouse Pension Plan.

The following table indicates, for purposes of illustration, the approximate amounts of annual retirement income that would be payable at the

present time under various assumptions as to salary and years of service to employes in higher salary classifications who participate in the Westinghouse Pension Plan and are eligible for supplemental payments and who participate continuously in the contributory portions of the Westinghouse Pension Plan while eligible. The amounts presented in the table are based upon straight life annuity amounts and are not subject to any deduction for Social Security benefits or other offset amounts.

| Five year average compensation including incentive award | Estimated annual pension for specified years of credited service | | | |
|---|---|---|---|---|
| | 20 | 25 | 30 | 35 |
| $ 50,000 | $ 13,500 | $ 20,000 | $ 20,250 | $ 23,625 |
| 75,000 | 20,250 | 30,000 | 30,375 | 35,438 |
| 100,000 | 27,000 | 40,000 | 40,500 | 47,250 |
| 150,000 | 40,500 | 60,000 | 60,750 | 70,875 |
| 200,000 | 54,000 | 80,000 | 81,000 | 94,500 |
| 250,000 | 67,500 | 100,000 | 101,250 | 118,125 |
| 300,000 | 81,000 | 120,000 | 121,500 | 141,750 |
| 350,000 | 94,500 | 140,000 | 141,750 | 165,375 |
| 400,000 | 108,000 | 160,000 | 162,000 | 189,000 |
| 450,000 | 121,500 | 180,000 | 182,250 | 212,625 |
| 500,000 | 135,000 | 200,000 | 202,500 | 236,250 |
| 550,000 | 148,500 | 220,000 | 222,750 | 259,875 |
| 600,000 | 162,000 | 240,000 | 243,000 | 283,500 |

### *Stock Options and Tandem Rights*

The 1979 Stock Option and Long-Term Incentive Plan provides for the granting of stock options which may be in tandem with stock appreciation rights. Options granted under the plan are for a term of 10 years from the date of grant, or such other term as may be determined by a committee of the Board of Directors that administers the plan. Under the stock option agreement between the optionee and the Corporation, an option is exercisable in whole or in part after the commencement of the second year of its term and until the option terminates. Stock appreciation rights (SAR's) entitle the holder thereof, upon the exercise of such rights, to surrender the related option, or any portion thereof, and to receive an amount equal to the excess of the fair market value (subject to any limitations imposed by the board committee that administers the plan) on the date of such exercise, of the common stock covered by such option or portion thereof over the option price of such common stock.



During the period January 1, 1980 through December 31, 1980, no stock options or SAR's were granted to any officer or director of the Corporation. With respect to the net value of shares (spread between market price and option price) or cash realized in 1980 upon the exercise of options or rights granted under either the 1974 Stock Option Plan or the 1979 Stock Option and Long-Term Incentive Plan, Mr. Hurlbert realized $154,313, and all persons who were directors or officers on December 31, 1980 realized, as a group, $326,516.

At December 31, 1980, the following held stock options in tandem with SAR's with a potential (unrealized) value (spread between market price and option price) as follows: Mr. Kirby, 60,750 shares under option with an unrealized value of $757,125; Mr. Danforth, 40,200 shares under option with an unrealized value of $419,900; Mr. Hurlbert, 22,500 shares under option with an unrealized value of $203,750; Mr. Murrin, 36,000 shares under option with an unrealized value of $389,000; Mr. Clarke, 25,000 shares under option with an unrealized value of $254,100; and all persons who were directors or officers on December 31, 1980, as a group, 600,850 shares under option with an unrealized value of $6,350,225. The potential (unrealized) value of the outstanding options is based on the mean of the high and low prices of Westinghouse common stock as reported by the composite tape of the New York Stock Exchange on December 31, 1980.

### *Performance Shares*

The 1979 Stock Option and Long-Term Incentive Plan also provides for the granting of performance shares. Subject to the terms and conditions of the plan, a committee consisting of not less than four members of the Board of Directors who are not employes of the Corporation may grant performance shares in the form of putative stock or in the form of stock restricted as to transfer and issued subject to forfeiture in the event that the conditions prescribed by the committee are not fulfilled. The committee establishes

superior and satisfactory performance targets to be achieved within the performance period, using such measures of the performance of the Corporation as it may select, including cumulative earnings per share and return on investment. The performance period is four calendar years, beginning on the first day of the calendar year in which the performance shares are granted. The earning of the full performance share grant is contingent upon meeting the superior performance targets. Failure to meet satisfactory performance targets will earn no related performance shares. Further, performance shares and any related dividends held in escrow by the Corporation shall be paid only when, if and to the extent that the committee determines to make such payment.

During the period January 1, 1980 through December 31, 1980 no performance shares were granted or earned by any director or officer of the Corporation. At December 31, 1980, the following held performance shares, based upon grants made in prior years, with a potential (unrealized) value, including dividends, as follows: Mr. Kirby, 7,800 shares with an unrealized value of $236,808; Mr. Danforth, 6,500 shares with an unrealized value of $197,340; Mr. Hurlbert, 5,400 shares with an unrealized value of $163,944; Mr. Murrin, 5,400 shares with an unrealized value of $163,944; Mr. Clarke, 5,400 shares with an unrealized value of $163,944; and all persons who were directors or officers on December 31, 1980, 73,350 shares with an unrealized value of $2,226,906.

***Transactions Involving Directors***

During 1980, Pittsburgh National Bank (of which Mr. Danforth is a director) was paid an aggregate of approximately $2,409,000 in interest and fees incident to borrowings by Westinghouse and its subsidiaries. In addition, Westinghouse Credit Corporation, a wholly-owned subsidiary of the Corporation, was indebted to Pittsburgh National in the amount of $28,075,000 at December 31, 1980 under two separate loan agreements.



During 1980, Manufacturers Hanover Trust Company (of which Mr. McGillicuddy is an officer) was paid an aggregate of approximately $2,922,000 in interest and fees incident to borrowings by Westinghouse and its subsidiaries. In addition, approximately $48,000 was paid to Manufacturers Hanover by the Corporation and its subsidiaries for investment management services for a portion of the assets of the pension plans. Also in 1980, Westinghouse entered into a credit agreement with six banks, including Manufacturers Hanover, which commits the banks to lend amounts up to $500 million to the Corporation. In addition, Westinghouse Credit Corporation was indebted to Manufacturers Hanover in the amount of $19,825,000 at December 31, 1980 under a variable amount loan agreement.

During 1980, Westinghouse made sales totalling approximately $95,000 to, and purchases totalling approximately $47,000 from, Milliken & Company (of which Mr. Milliken is an officer) and its affiliated companies.

Mr. Taylor is of counsel to the law firm of Jones, Day, Reavis & Pogue which Westinghouse has retained in the past and proposes to retain during the current fiscal year.

During 1980, Westinghouse made sales totalling approximately $1,102,000 to CSX Corporation (of which Mr. Watkins is an officer) and its affiliated companies.

All transactions described in this section were in the ordinary course of business and at normal commercial prices and terms.

***Transactions Involving Pension Trusts***

Westinghouse and its subsidiaries lease real properties under leases entered into prior to the effective date of the Employee Retirement Income Security Act (ERISA) from the trustees of pension trusts used to fund benefits under pension plans of Westinghouse and its subsidiaries. In compliance with a statutory exemption under

ERISA, Westinghouse in 1980 purchased 15 of these leased properties for approximately $5,660,000. During the same period, Westinghouse also paid approximately $194,000 in rentals to the trustees in accordance with the terms of the lease agreements.

**II. Election of Independent Accountants**
(Item 2 on proxy card)

Independent accountants are to be elected to examine and express an opinion as to the fairness of the presentation to the stockholders of the financial statements for 1981. The persons named in the enclosed proxy card (Messrs. Kirby, Pugliese and Yochum) have advised that they intend to vote for the reelection of Price Waterhouse & Co. (Price Waterhouse), independent accountants, unless a contrary direction is indicated on the proxy card.

***Services of Independent Accountants***

During the year ended December 31, 1980, Price Waterhouse was engaged as the principal independent accountant for the Corporation. Audit services performed by Price Waterhouse included the examination of the consolidated financial statements for the year ended December 31, 1980, limited review of the quarterly financial information, review of various filings with the Securities and Exchange Commission, examinations of separate financial statements of domestic and foreign subsidiaries, examinations of the separate financial statements of the Corporation's domestic employe benefit plans, review of the costs of uranium contract litigation settlements, review of certain expenditures made in connection with joint ventures and acquisitions and review of other specific transactions.

Price Waterhouse also performed non-audit services for which their fee represented 41 percent of the aggregate fees for audit services. Non-audit services provided in which the fee exceeded 3 percent of audit service fees were preparation of U.S. personal income tax returns for employes who are citizens of the United States working abroad (26 percent) and foreign tax advice and assistance including preparation and review of income tax returns for subsidiaries located outside the United States (11 percent). Other non-audit services provided include tax consultation on state and federal income tax matters, litigation support, assistance in systems documentation and feasibility studies related to computerized systems.

The scope of the services to be provided by Price Waterhouse, including their examination of the Corporation's consolidated financial statements, review of various filings with the Securities and Exchange Commission, examinations of the separate financial statements of certain domestic and foreign subsidiaries and preparation of U.S. personal income tax returns for employes who are citizens of the United States working abroad was reviewed with the Audit Review Committee before the services were rendered. Other services were approved by officers or other management of the Corporation or its subsidiaries prior to being rendered. Ultimately, the Audit Review Committee reviewed and approved the 1980 services and fee structure of Price Waterhouse and believes that these arrangements did not affect the independence of Price Waterhouse.

***Other Independent Accountant Information***

Beginning in December 1975, a number of purported class actions were filed against Westinghouse and Price Waterhouse seeking an unspecified amount of damages and alleging that Westinghouse had issued financial statements, upon which Price Waterhouse rendered opinions, that were materially false and misleading under the securities laws because they failed to make timely disclosure of the fact that Westinghouse had entered into long-term contracts to supply uranium at fixed prices. In 1978, the U. S. District Court for the Eastern District of New York ruled that only one of these actions could proceed as a class action. The remaining purported class actions were dismissed, and the plaintiffs in three of these actions have intervened in the action in which a class was certified.

The Board of Directors has considered this litigation and, after such consideration, remains satisfied with the professional competence of Price Waterhouse and recommends that the firm be reelected Westinghouse's independent accountants. Representatives of Price Waterhouse will be present at the 1981 annual meeting and will have an opportunity to make a statement if they desire to do so, and they will also respond to any appropriate questions.

### III. Proposed Amendment to Articles Providing That There Shall Be No Cumulative Voting in the Election of Directors

(Item 3 on proxy card)

On December 3, 1980, the Board of Directors proposed an amendment to the Restated Articles of the Corporation (Articles) and directed that such proposed amendment be submitted to the vote of the stockholders at the annual meeting to be held April 29, 1981. The proposed amendment would add a new Paragraph (6) to Subdivision (D) of Article Sixth of the Restated Articles of the Corporation, which section, as amended, would provide that each stockholder entitled to vote in the election of directors shall have the right to cast one vote for each share of stock standing in his name on the books of the Corporation for each of such number of candidates as there are directors to be elected at the meeting, and would further provide that no stockholder shall have any right to cumulate his votes and cast them for one candidate or distribute them among two or more candidates. The inclusion of such a provision in the Articles is permissible under the Pennsylvania Business Corporation Law.

If the Articles are amended as proposed by the Board of Directors, a new Paragraph (6) to Subdivision (D) would be added to Article Sixth, which section would read, in its entirety, as follows:

> (6) In each election of directors every shareholder entitled to vote shall have the right to cast one vote for each share of stock standing in his name on the books of the Corporation for each of such number of candidates as there are directors to be elected, but no shareholder shall have any right to cumulate his votes and cast them for one candidate or distribute them among two or more candidates.

In addition, the proposed amendment would also delete the phrase ", and except as otherwise provided by law" from Paragraph (4) to Subdivision (D) of Article Sixth. Paragraph (4) provides, in pertinent part, that, "except as otherwise provided by law, each holder of record of shares of any class of the Corporation shall be entitled to one vote, on each matter submitted to a vote at a meeting of shareholders . . . ." The phrase to be deleted presently permits cumulative voting in the election of directors.

For the proposed amendment to be adopted, it is necessary that a majority of the outstanding shares of common stock be voted in favor of it.

The Corporation has been advised by its general counsel that the holders of 3.80% cumulative preferred stock, series B, do not have the right to vote on the proposed amendment, but that they have the rights of dissenting stockholders described below. Accordingly, the notice of meeting and this proxy statement, but not a form of proxy, are being sent to the holders of such stock.

Adoption of the amendment will permit the board to eliminate the presently existing cumulative voting rights. Cumulative voting has never been an important factor in the election of the Corporation's directors. Without cumulative voting rights, the vote of holders of a simple majority of the shares voting at a meeting at which a quorum is present would be required to elect a director. Such a simple majority would be sufficient to elect all the directors standing for election at that meeting. Holders of the remaining shares voting at such meeting would be unable to elect any directors.

The amendment has been proposed on the premise that each director should represent the stockholders as a whole and not a segment thereof which might be the result if a director were elected by cumulative voting. The amendment accompanies a by-law revision recently adopted by the board which provides for the annual election of all directors beginning with the 1982 annual meeting of stockholders. Thus, if this amendment is adopted stockholders voting at next year's annual meeting will elect all directors for a term of one year, without cumulative voting. If the proposed amendment is not adopted, the board may take action to continue the classified board.

The proposed amendment to eliminate cumulative voting will become effective upon approval by the required vote of stockholders of the Corporation and the filing of appropriate Articles of Amendment with the Department of State of the Commonwealth of Pennsylvania, which filing is expected to be made on or before May 20, 1981. As permitted by Pennsylvania law, the Board of Directors, in proposing the amendment, reserved the right, at any time prior to the filing of Articles of Amendment with the Department of State, to terminate the proposal notwithstanding the adoption of the amendment by the stockholders.

**Rights of Dissenting Stockholders**

Pursuant to the Pennsylvania Business Corporation Law (the Law), any holder of common or preferred stock of the Corporation who shall object to the amendment and comply with the specific provisions set forth in the Law is entitled to the rights and remedies of a dissenting stockholder therein provided. If the stockholder complies with these provisions, the Corporation shall pay to such stockholder the fair value of his shares as of the day prior to the date on which the vote was taken, without regard to any depreciation or appreciation thereof in consequence of the adoption of the proposed amendment, upon surrender of the certificate or certificates representing his shares.



The rights and remedies of a stockholder who shall object to the proposed amendment, and the provisions of the Law with which he must comply, are those set forth in Section 515. Under the provisions of that section, a stockholder who wishes to receive payment of the fair value of his shares shall file with the Corporation, prior to the commencement of voting by the stockholders on the proposed amendment, a written objection to the amendment (a proxy or vote against the amendment will not constitute such a written objection), shall not vote in favor of the amendment and within twenty days after the vote approving the proposed amendment is taken (on or before May 19, 1981 if the vote is taken on April 29, as proposed) shall make written demand on the Corporation for the payment of the fair value of his shares. Within 20 days after such demand is made, such stockholder must submit each of his stock certificates to the Corporation for notation thereon that such demand has been made. Within 30 days after the proposed amendment becomes effective, the Corporation will give written notice to each dissenting stockholder who has complied with the foregoing requirements and will make a written offer to such stockholder to pay a specified price as the fair value for his shares. The Law further provides that unless a stockholder files a written objection and makes the necessary demand within the twenty day period described above, he shall be conclusively presumed to have consented to the proposed amendment and shall be bound by the terms thereof.

For further details as to the rights and remedies of dissenting stockholders, reference is made to the provisions of Sections 810 and 515 of the Law, and the foregoing summary is qualified in its entirety by reference to the text of those sections included herein as Exhibit A.

All correspondence concerning the rights of dissenting stockholders should be directed to: Stockholder Records, Westinghouse Electric Corporation, Box 8815, Pittsburgh, PA 15221.

## IV. Stockholder Proposals

**Proposal A** (Item 4 on proxy card)
Westinghouse has been advised by the following individuals that one or more of them will propose the resolution indicated below at the meeting: Messrs. Lewis D. Gilbert, the owner of 112 shares of common stock, and John J. Gilbert, the owner of 126 shares of common stock, who state that they represent an additional family interest of 212 shares of common stock and whose address is 1165 Park Avenue, New York, NY 10028; Mrs. Wilma Soss, the owner of 50 shares of common stock and whose address is P.O. Box 190, Grand Central Station, New York, NY 10017; Mr. Albert K. Kurtz, the owner of 140 shares of common stock and whose address is 1810 Ivy Lane, Winter Park, FL 32789; and Mr. William Frisher, the owner of 15 shares of common stock, whose address is 24 Upton Avenue, Staten Island, NY 10304.

"**RESOLVED**: That the stockholders of Westinghouse Electric Corporation, assembled in annual meeting in person and by proxy, hereby request that the Board of Directors take the steps necessary to restore limited pre-emptive rights to the shareholders."

The statement of Mrs. Soss and Messrs. Kurtz, Frisher and Lewis and John Gilbert, in support of their resolution is as follows.

"Last year 9,780 owners of 4,252,995 shares voted in favor of our similar resolution. The vote against included the unmarked proxies.

"There has been increasing concern over institutional ownership of stock in American Corporations.

"We believe restoration of the pre-emptive right will do much to restore the balance and thus possibly increase the number of shareholders, which has been diminishing according to stock exchange statistics.



"By not giving pre-emptive rights, underwriters arrange the new equity financing which goes mostly to institutions.

"If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it."

**The Board of Directors' Recommendation:**

A proposal identical to this one was rejected by 92.4% of the votes cast at last year's annual meeting.

The doctrine of preemptive rights was developed to protect the proportionate equity ownership and control of stockholders in corporations having a comparatively small number of stockholders. In a corporation such as Westinghouse, whose shares are widely held and publicly traded, such protection is not generally viewed as important by stockholders. For example, Westinghouse has over 175 thousand stockholders of record and no single stockholder is known to beneficially own as much as one percent of the common stock. Stockholders of publicly held corporations who are interested in maintaining their proportionate equity ownership in such corporations after the public offering of shares are able to do so by means of purchases on the open market or through underwriters.

The Board of Directors believes that the existence of preemptive rights will only serve to increase the expense, time and administrative burden for any public offering of its stock or securities convertible into stock. Without preemptive rights, the Corporation has greater flexibility in obtaining funds promptly and effectively under the most favorable terms available.

**Your Directors recommend a vote AGAINST the proposed resolution.**

**Proposal B** (Item 5 on proxy card)

Westinghouse has been advised that Mrs. Evelyn Y. Davis, the holder of 20 shares of common

stock and whose address is 1127 Connecticut Avenue N.W., Washington, DC 20036, will propose the following resolution at the meeting:

"**RESOLVED**: That the stockholders of Westinghouse assembled in annual meeting in person and by proxy hereby recommend that the Corporation affirm its political non-partisanship. To this end the following practices are to be avoided:

"(a) The handing of contribution cards of a single political party to an employe by a supervisor.

"(b) Requesting an employe to send a political contribution to an individual in the Corporation for a subsequent delivery as part of a group of contributions to a political party or fund raising committee.

"(c) Requesting an employe to issue personal checks blank as to payee for subsequent forwarding to a political party, committee or candidate.

"(d) Using supervisory meetings to announce that contribution cards of one party are available and that anyone desiring cards of a different party will be supplied one on request to his supervisor.

"(e) Placing a preponderance of contribution cards of one party at mail station locations."

The statement of Mrs. Davis in support of the foregoing resolution is as follows:

"The Corporation must deal with a great number of governmental units, commissions and agencies. It should maintain scrupulous political neutrality to avoid embarrassing entanglements detrimental to its business. Above all, it must avoid the appearance of coercion in encouraging its employes to make political contributions against their personal inclinations. The Troy (Ohio) News has condemned partisan solicitation for political purposes by managers in a local company (not Westinghouse)."

"Last year the owners of 4,440,509 shares, representing over 8% of the shares voted FOR this resolution."



"If you AGREE, please mark your proxy FOR this resolution, otherwise it is automatically cast against."

**The Board of Directors' Recommendation:**

A proposal identical to this one was rejected by 92% of the votes cast at last year's annual meeting.

The restrictions proposed concern personal political contributions by employes. They do not relate to the use of Westinghouse's funds for political contributions. Federal and state laws regulate the political activities of corporations, and Westinghouse complies with these laws. Accordingly, Westinghouse maintains a nonpartisan position with respect to contributions to political parties and candidates and does not make such contributions. Thus, there is no need for Westinghouse to affirm its political nonpartisanship, as this proposal provides.

The Federal Election Campaign Act of 1971, as amended, and the applicable state laws regulate the conduct of a corporation as it relates to political contributions by its employes. Because Westinghouse complies with these laws, the restrictions set forth in this proposal are unnecessary. Additionally, because the laws in this field change frequently, such restrictions are undesirable in that they might at some point become inconsistent with federal or state laws and unduly restrict management's ability to react to the circumstances and legal environment then present.

Westinghouse believes that lawful political participation by its employes on their own behalf is desirable as an expression of their citizenship responsibility. Consistent with this idea and the law, Westinghouse has established a voluntary contributions program for its employes, the Westinghouse Employes Political Participation Program. Under this program a separate segregated fund composed of voluntary employe contributions has been created. A nonpartisan committee of employes determines the candidates or committees to receive financial assistance from the fund.

**Your Directors recommend a vote AGAINST the proposed resolution.**

**Proposal C** (Item 6 on proxy card)

Westinghouse has been advised by the following organizations that one or more of them will propose the resolution indicated below at the meeting: Church Women United, the owner of 201 shares of common stock and whose address is 475 Riverside Drive, New York, NY 10115; the General Assembly Mission Council which states that it represents 29,500 shares of common stock owned by The United Presbyterian Church in the U.S.A. and whose address is 475 Riverside Drive, New York, NY 10027; and the Sisters of Charity of Nazareth which states that it represents 32 shares of common stock owned by The Nazareth Literary and Benevolent institution, Inc. and whose address is Nazareth, KY 40048.

"WHEREAS Westinghouse has been attempting to obtain a license for the export of nuclear reactor components to the Philippines since 1976 for the construction of a reactor at Napot Point on the Bataan Peninsula;

"WHEREAS there has been growing international and local opposition to the licensing of the projected 620 MWE reactor due to the proximity of its building site to five volcanos and a geological fault;

"WHEREAS the International Atomic Energy Association in 1978 concluded that the eruption of Mt. Natib, the closest volcano (5.6 miles away), was a "credible possibility," noting that:

'the Napot Site is unique to the nuclear industry (due to) the risk associated with the eruption of nearby volcanos . . . The (IAEA) mission team deems that the hazards associated with such an eruption . . should be taken into account,'

"WHEREAS the site's distance from the geological fault line is 12 miles, while the entire Philippines is part of the "Pacific Fire Belt," a factor which prevents the construction of safe and permanent



storage facilities for radioactive waste anywhere on the Islands;

"WHEREAS the reactor's cost has increased from $644 million to more than $1.4 billion over a 4-year period marked by extensive public hearings before the U.S. Nuclear Regulatory Commission, two halts ordered by Philippine President Marcos, and repeated announcements of additional safety features and pledges of the reactor's safety;

"THEREFORE BE IT RESOLVED that shareholders request the Board of Directors to:

1. authorize a thorough re-examination of the site and reactor design by an independent scientific body or panel not bound to government or industry;

2. request the Philippine authorities to join with Westinghouse in establishing a moratorium on the construction of the Napot Point reactor and on the export of its components until above study is completed."

The statement of Church Women United, the General Assembly Mission Council, and the Sisters of Charity of Nazareth, in support of their resolution is as follows:

"Given the unusual health and safety factors that surround the construction and siting of the Napot Point reactor, concerns that are underlined by the lack of an assured waste storage site, we believe that it is unadvisable for Westinghouse to proceed with a licensing and export process that raises questions of basic product safety. Escalating nuclear reactor costs have also led to a virtual halt in orders for new reactors in the United States, suggesting a reassessment not only of construction costs, but of the costs for fuel, decommissioning, fuel storage, and possible accidents.

"The thorough re-evaluation of the Napot Point reactor that we request is supported by the Philippine National Research Council among

other local groups, which suggests that the proposed panel review the seismic and volcanic factors mentioned above, the adequacy of the reactor's basic design, plans for radioactive waste disposal, and any contingency evacuation and clean-up plans in the event of a nuclear mishap. Previous site explorations have been limited in scope and export hearings excluded health and safety issues within the Philippines itself; the need is for a thorough, credible and public examination of the potential risks at stake.

"We ask you to vote for this resolution."

**The Board of Directors' Recommendation:**

The Philippine Government first began studying the feasibility of building a nuclear power plant as early as 1960. Since that time, numerous studies have been undertaken by teams of professionals to evaluate the environmental, safety and site considerations associated with building such a power plant as well as its design. In addition to the detailed studies performed by the National Power Corporation of the Philippines and its contractors and consultants, other studies, each of which focused on various aspects of the project, were conducted by such agencies as the United States Nuclear Regulatory Commission, the International Atomic Energy Agency and a special commission appointed by the President of the Philippines.

Westinghouse is convinced that the study requested by this proposal would add nothing new to the already assembled data and information, but would, in fact, further delay the completion of a needed energy source for the Philippines. Moreover, further delay would greatly increase the cost to the Philippine people due to interest expense and increased construction costs together with escalating prices for alternate fuels which the Philippines must import.

In a broader sense, the proposal and its supporting statement are concerned with the public acceptance of nuclear energy, both at home and abroad. Complex issues of public policy and



international relations lie at the heart of this subject. Westinghouse believes that forums other than the proxy statement and annual meeting are more appropriate for the consideration of such issues and points of view. With respect to the plant in question, Westinghouse reiterates that the proper authorities in the Philippines have considered its site and design and have approved its construction. Further, the United States Nuclear Regulatory Commission has granted Westinghouse an export license for the reactor and components. Although the grant of the export license is presently under review by the U.S. Court of Appeals for the District of Columbia Circuit, the Court has refused to stay shipment by Westinghouse.

Finally, Westinghouse is of the opinion that the costs associated with the preparation of such a study would constitute a poor use of corporate resources and, based on the foregoing, believes that the proposed resolution is not in the best interest of the Corporation or its stockholders.

**Your Directors recommend a vote AGAINST the proposed resolution.**

In order to be adopted, the foregoing stockholder proposals must be approved by vote of the majority of shares represented in person or by proxy at the annual meeting of stockholders and entitled to vote at that meeting.

**Date for Receipt of Stockholder Proposals**

To be considered for inclusion in the proxy materials relating to the 1982 Annual Meeting of Stockholders, stockholder proposals must be received at the principal executive offices of Westinghouse on or before December 8, 1981.

**Solicitation of Proxies**

The solicitation of proxies in the enclosed form is made on behalf of the Board of Directors of the Corporation. Solicitation by the Corporation will be by mail, except for any incidental personal solicitation made by directors and regular officers

and employes of Westinghouse. The cost of solicitation, including the cost of any such personal solicitation, will be borne by the Corporation. Westinghouse may request persons, such as brokers, nominees and fiduciaries, holding stock in their names to forward proxy materials to the beneficial owners and it will reimburse such persons for their reasonable expenses incurred in doing so. In addition, Westinghouse has retained Morrow & Co., 345 Hudson Street, New York, NY 10014, for a fee of $13,000 plus out of pocket expenses, to assist in providing proxy materials to brokers, nominees, fiduciaries and individuals, other than officers of the Corporation, holding sizable amounts of stock and in soliciting proxies from them.

A stockholder giving a proxy has the power to revoke the proxy by notice to the secretary or an assistant secretary of the Corporation. All proxies not revoked will be voted.

As of the time of preparation of this proxy statement, the management knows of no matter, other than those described in the foregoing paragraphs, which will be presented at the meeting. However, if any other matters properly come before the meeting or any adjournment thereof, the person or persons voting the proxies will vote them in accordance with their best judgment.

March 6, 1981

**Exhibit A**

With respect to the statutes contained in this Exhibit A, the term "shareholder" means a registered owner of shares in a business corporation.

### § 810. Rights of Dissenting Shareholders Upon Certain Amendments

If any amendment to the articles shall (1) cancel or otherwise affect the right of holders of the shares of any class outstanding on or before January 1, 1969, to receive dividends which have accrued but have not been declared, or (2) eliminate cumulative voting for directors of a business



corporation, the holder of any outstanding shares the accrued dividends or cumulative voting rights of which are so cancelled, affected or eliminated, who shall object to such amendment and comply with section 515 of this act, shall be entitled to the rights and remedies of dissenting shareholders therein provided. There shall be included in or enclosed with the notice of a meeting of shareholders called to consider an amendment to which this section applies a copy of this section and of section 515 of this act.

### § 515. Rights of Dissenting Shareholders

A. If any shareholder of a business corporation objects to any proposed plan of action of such corporation authorized under any section of this act, and such section provides that such shareholders shall be entitled to the rights and remedies of dissenting shareholders, such shareholders shall be entitled to the following rights and remedies.

B. If any shareholder of a business corporation shall file with such corporation, prior to the commencement of the voting by shareholders upon the plan at the meeting of shareholders at which a plan is submitted to a vote, a written objection to such plan, and shall not vote in favor thereof, and such shareholder, within twenty days after the date on which the vote approving the plan was taken, shall also make written demand on the corporation, or the surviving or new corporation resulting from the plan, for the payment of the fair value of his shares, such corporation shall pay to such shareholder the fair value of his shares as of the day prior to the date on which the vote was taken without regard to any depreciation or appreciation thereof in consequence of the plan upon surrender of the share certificate or certificates representing his shares. Neither a proxy nor a vote against the plan shall constitute such a written objection. The demand of the shareholders shall state the number and class and series, if any, of the shares owned by him with respect to which he dissents. A dissenting shareholder may dissent as to all or less than all of those shares registered in his name of which he is not the ben-

eficial owner, but there may not be dissent with respect to some but less than all shares of the same class or series owned by any given beneficial owner of shares whether or not the shares so owned by him are registered in his name. Unless a shareholder files such written objection and also makes such demand within the twenty-day period, he shall be conclusively presumed to have consented to the plan, and shall be bound by the terms thereof. Any shareholder making such demand shall thereafter be entitled only to payment as in this section provided and shall not be entitled to vote or to exercise any other rights of a shareholder as to the shares with respect to which he dissents.

C. No such demand may be withdrawn unless the corporation shall consent thereto. If, however, such demand shall be withdrawn upon consent, or if the proposed plan shall be abandoned or rescinded, or the shareholders shall revoke the authority to effect such plan, or if no demand or petition for the determination of fair value by a court shall have been made or filed within the time provided in this section, or if a court of competent jurisdiction shall determine that such shareholder is not entitled to the relief provided by this section, then the right of such shareholder to be paid the fair value of his shares shall cease and his status as a shareholder shall be restored retroactively without prejudice to any corporate proceedings which may have been taken during the interim.

D. Within thirty days after such plan became effective, the corporation or in the case of a merger or consolidation, the surviving or new corporation, domestic or foreign, shall give written notice thereof to each dissenting shareholder who has made demand as herein provided, and shall make a written offer to each such shareholder to pay for such shares at a specified price deemed by such corporation to be the fair value thereof. Such notice and offer shall be accompanied by a balance sheet of the corporation as of the latest available date and not more than twelve months prior to the making of such offer and a profit and loss statement of such corporation for the twelve



months' period ended on the date of such balance sheet.

E. If within sixty days after the date on which such plan became effective, the fair value of such shares is agreed upon between any such dissenting shareholder and the corporation, payment therefor shall be made within ninety days after the date on which such plan became effective, upon surrender of the certificate or certificates representing such shares. Upon payment of the agreed value, the dissenting shareholder shall cease to have any interest in such shares.

F. A dissenting shareholder who is unable to agree with the corporation on the fair value of his shares may demand proceedings to value his shares at any time after sixty days and within ninety days after the date on which the plan became effective. Within thirty days after receipt of any such written demand, the corporation shall, or at its election at any time after sixty days and within ninety days after the effective date the corporation may, file a petition in the court of common pleas in the county in this State where the registered office of the corporation is located, praying that the fair value of such shares be found and determined. If in the case of a merger or consolidation, the surviving or new corporation is a foreign corporation without a registered office in this State, such petition shall be filed in the county where the registered office of the domestic corporation was last located, which county shall be deemed to be the county where the cause of action arose and all process shall be served upon such foreign corporation as provided in section 1011 of this act. If the corporation has not instituted the proceeding as herein provided, any dissenting shareholder may do so in the name of the corporation at any time within thirty days after the expiration of such ninety day period. All dissenting shareholders wherever residing shall be made by the corporation parties to the proceeding as an action against their shares quasi in rem. A copy of the petition shall be served on each dissenting shareholder who is a resident of this State and shall be served person-

ally or by registered or certified mail on each dissenting shareholder who is a nonresident. The jurisdiction of the court shall be plenary and exclusive. All shareholders who are parties to the proceeding shall be entitled to judgment against the corporation for the amount of the fair value of their shares as of the day prior to the date on which the vote was taken without regard to any depreciation or appreciation thereof in consequence of the plan. The court may, if it so elects, appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers shall have such power and authority as shall be specified in the order of their appointment or an amendment thereof. The judgment shall be payable only upon and concurrently with the surrender to the corporation of the certificate or certificates representing such shares. Upon payment of the judgment, the dissenting shareholder shall cease to have any interest in such shares.

G. The judgment shall make due allowance for any distribution to the shareholders between the day before the date of the vote on the plan and the date of their demand for the fair value of their shares and for such interest as the court may find to be fair and equitable in all the circumstances.

H. The costs and expenses of any such proceeding shall be determined by the court and shall be assessed against the corporation, but all or any part of such costs and expenses may be apportioned and assessed as the court may deem equitable against any or all of the dissenting shareholders who are parties to the proceeding to whom the corporation shall have made an offer to pay for the shares if the court shall find that the action of such shareholders in failing to accept such offer was arbitrary or vexatious or not in good faith. Such expenses shall include reasonable compensation for and reasonable expenses of the appraisers but shall exclude the fees and expenses of counsel for and experts employed by any party, but if the fair value of the shares as determined materially exceeds the amount which the corporation offered to pay therefor, or if no offer was made, the court in its discretion may



award to any shareholder who is a party to the proceeding such sum as the court may determine to be reasonable compensation to any expert or experts employed by the shareholder in the proceeding.

I. Within twenty days after demanding payment for his shares, each shareholder demanding payment shall submit the certificate or certificates representing his shares to the corporation for notation thereon that such demand has been made. His failure to do so shall at the option of the corporation terminate his rights under this section unless a court of competent jurisdiction for good and sufficient cause shown shall otherwise direct. If shares represented by a certificate on which notation has been so made shall be transferred, each new certificate issued therefor shall bear similar notation, together with the name of the original dissenting holder of such shares and a transferee of such shares shall acquire by such transfer no rights in the corporation other than those which the original dissenting shareholder had after making demand for payment of the fair value thereof.

J. Shares acquired by a corporation, pursuant to payment of the agreed value therefor, or to payment of the judgment entered therefor as in this section provided, may be held and disposed of by such corporation as in the case of other treasury shares, except that in the case of a merger or consolidation they may be held and disposed of as the plan of merger or consolidation may otherwise provide.

K. Any shareholder, who desires to object to, or to dissent from, any proposed plan authorized under any section of this act, and where this act provides that shareholders so objecting or dissenting shall have the rights and remedies herein provided, shall be limited to the rights and remedies prescribed under this section, and the rights and remedies prescribed by this section shall be exclusive.

L. Except as otherwise provided in subsection M of this section or in the articles or in the resolution

of the board of directors submitting a proposed plan of action to the shareholders, this section shall not apply (1) to the shares of any class, which, at the record date fixed to determine the shareholders entitled to notice of and to vote at the meeting at which the plan is to be acted on, or on the date of such meeting, if no record date has been fixed, are either (i) listed on the New York Stock Exchange or the American Stock Exchange, or (ii) held of record by not less than two thousand five hundred shareholders; nor (2) to any of the shares of a corporation which is a party to a plan of merger if, pursuant to section 902.1 of this act, the plan does not require the approval of the shareholders of such corporation.

M. Clause (1) of subsection L of this section shall not apply to:

(1) An amendment to which section 810 of this act is applicable.

(2) Shares converted by a plan, if such shares are not converted solely into shares of the acquiring, surviving, new or other corporation or solely into such shares and cash in lieu of fractional shares; and

(3) Shares of any preferred or special class, unless the articles or the plan entitles all shareholders of such class to vote thereon and requires for the adoption of the plan the affirmative vote of shareholders of such class entitled to cast at least a majority of the votes which all shareholders of such class are entitled to cast thereon.

EXHIBIT E

**Statement of Income** (unaudited) — Westinghouse Electric Corporation

| (in millions) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1981 | 1980 | 1981 | 1980 |
| Sales and other revenues | $2,383.0 | $2,130.7 | $4,561.0 | $4,174.6 |
| Cost of sales and operating expenses | 2,226.1 | 1,990.3 | 4,275.3 | 3,898.8 |
| Operating profit | 156.9 | 140.4 | 285.7 | 275.8 |
| Other income | 18.4 | 22.4 | 81.0 | 39.8 |
| Interest expense | (25.0) | (14.7) | (47.2) | (27.4) |
| Income before income taxes and minority interest | 150.3 | 148.1 | 319.5 | 288.2 |
| Income taxes | (38.9) | (44.2) | (90.8) | (83.4) |
| Minority interest | .4 | .1 | 1.6 | (.2) |
| Net income | $ 111.8 | $ 104.0 | $ 230.3 | $ 204.6 |
| Average common shares outstanding | 85.8 | 85.3 | 85.8 | 85.3 |
| Net income per common share | $ 1.31 | $ 1.22 | $ 2.69 | $ 2.40 |

**Notes:**

The antitrust litigation described in Note 13 of the 1980 Annual Report was concluded in June 1981. The Corporation has now settled or otherwise resolved this litigation with all of the original 29 defendants. The terms of the settlements call for payments to the Corporation of up to approximately $150 million in cash plus certain uranium services on favorable terms. The Corporation also will have delivered on its behalf, or will be entitled to purchase at favorable prices and terms, about 23 million pounds of uranium.

Cash payments from the settlements received through June 30 were added to the Estimated Future Costs of Uranium Litigation. However, recognition of the benefits to the Corporation resulting from the settlements will not affect net income until an evaluation of such benefits and the remaining long-term obligations provided for in the previously established uranium accrual is completed and indicates an adjustment is appropriate. The evaluation will include, among other things, the impact on future operations of Wyoming Mineral Corporation resulting from reduced uranium requirements, the eventual resolution of the Corporation's stockholder actions, litigation with a utility involving the disposition of spent nuclear fuel, and the determination of any payments to which certain utilities may become entitled under sharing of antitrust proceeds clauses in uranium supply contract settlement agreements.

The Corporation recently entered into an agreement to settle, subject to court approval, the stockholder class action reported in Note 13 which alleged securities law violations for failure to make proper disclosures of the uranium issues. With this settlement, only one securities law action will remain, and the Corporation deems such action immaterial.





Extracted from the Second Quarter 1981 Report to the Stockholders of Westinghouse Electric Corporation

## Balance Sheet

Westinghouse Electric Corporation

| (in millions) | At June 30 1981 (unaudited) | At December 31 1980 |
|---|---|---|
| **Assets** | | |
| Cash and marketable securities | $ 638.3 | $ 853.3 |
| Customer receivables | 1,591.0 | 1,475.2 |
| Inventories | 1,341.1 | 1,267.1 |
| Other current assets | 624.4 | 522.6 |
| Total current assets | 4,194.8 | 4,118.2 |
| Investments | 905.5 | 704.0 |
| Plant and equipment | 1,784.5 | 1,714.1 |
| Other assets | 302.1 | 276.3 |
| Total assets | $7,186.9 | $6,812.6 |
| **Liabilities and Stockholders' Equity** | | |
| Short-term debt | $ 278.8 | $ 138.1 |
| Accounts payable | 400.7 | 470.9 |
| Billings on uncompleted contracts in excess of inventoried costs | 1,276.5 | 1,273.9 |
| Estimated future costs of uranium litigation | 121.9 | 81.3 |
| Other current liabilities | 1,434.1 | 1,298.8 |
| Total current liabilities | 3,512.0 | 3,263.0 |
| Estimated future costs of uranium litigation, non-current | 338.5 | 353.8 |
| Other liabilities | 363.6 | 339.2 |
| Debentures and other long-term debt | 302.3 | 326.7 |
| Common stockholders' equity | 2,670.5 | 2,529.9 |
| Total liabilities and stockholders' equity | $7,186.9 | $6,812.6 |

## Cash Dividends Paid in 1981

| Record Date | Date Paid | Amount Per Share Preferred | Amount Per Share Common |
|---|---|---|---|
| February 9 | March 1 | 95¢ | 45¢ |
| May 8 | June 1 | 95¢ | 45¢ |
| August 7 | September 1 | 95¢ | 45¢ |