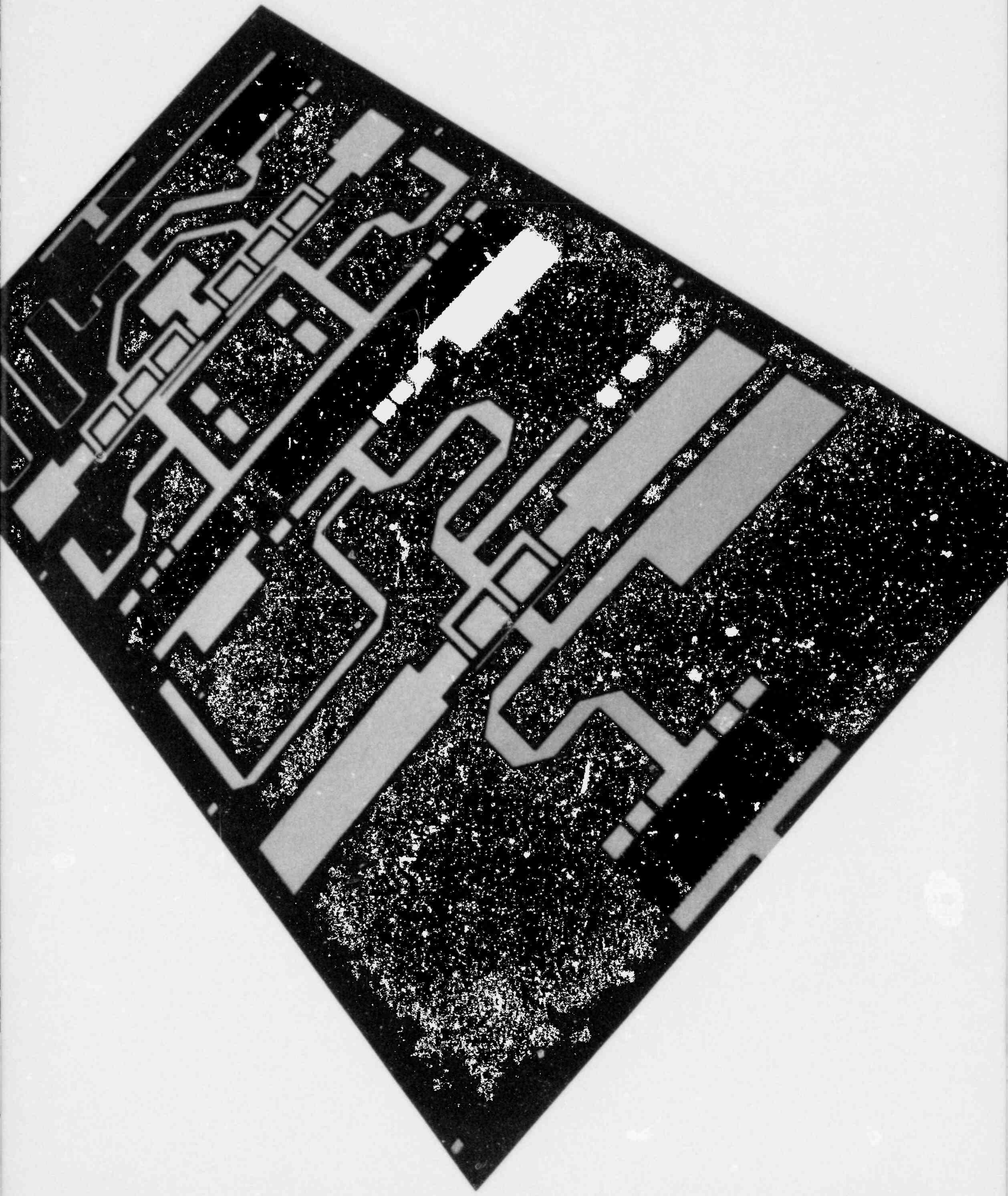
Westinghouse Annual Report 1980

Discovery 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

Chairman's Letter

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.

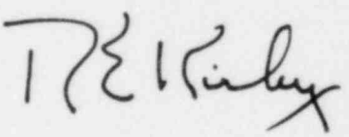
Special efforts were directed at strengthening the Corporation's technological resources by emphasizing innovation in product design, manufacturing processes and marketing approaches.

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.

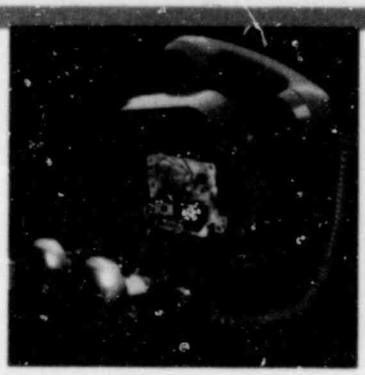
In summary, Westinghouse operations have been improved significantly over the past several years. Improvement in operating profit margins continues as a top-priority management concern. We expect to capitalize on the opportunities before us.

D D Danforth

Douglas D. Danforth
January 28, 1981

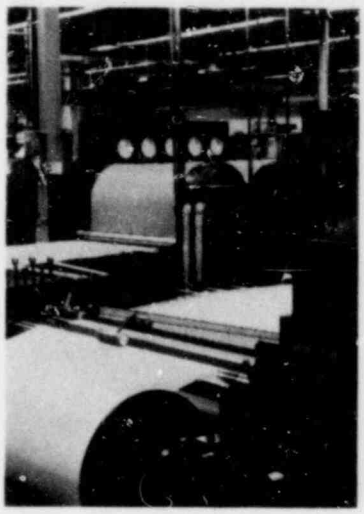
Members of the Westinghouse Management Committee: (Center) **R. E. Kirby,** chairman and chief executive officer; (clockwise from lower left) **John C. Marous, Jr.,** president, International; **Douglas D. Danforth,** vice chairman and chief operating officer; **Gordon C. Hurlbert,** president, Power 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.

Industry Products Company



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 south-eastern 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.

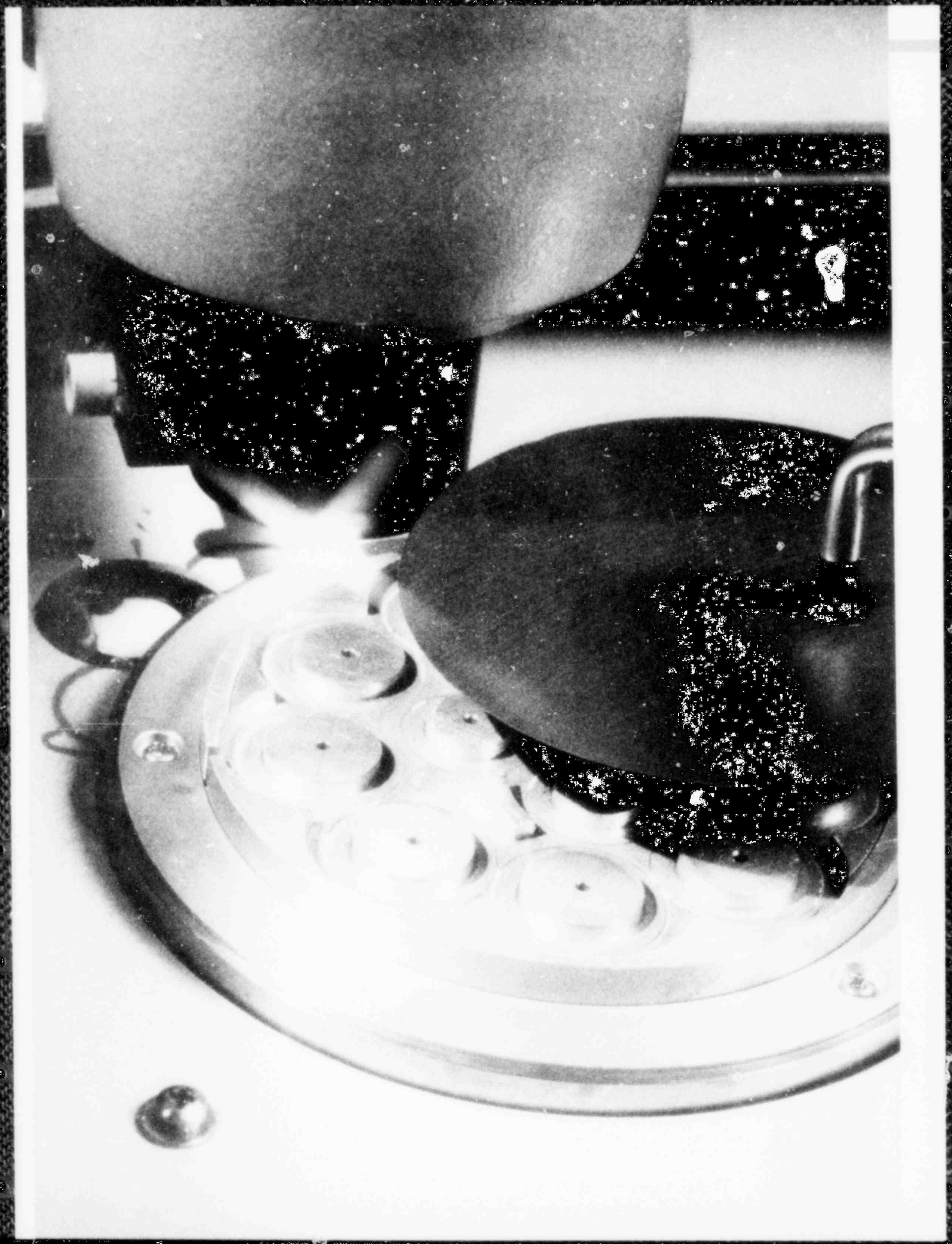
The group has three business units – electronic components, industrial control and electronic systems – plus a solid-state resource organization which provides engineering, manufacturing and logistic support. In 1980, manufacturing and service capacity were increased by 25 percent in the Industrial Control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

Power Systems Company

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

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.

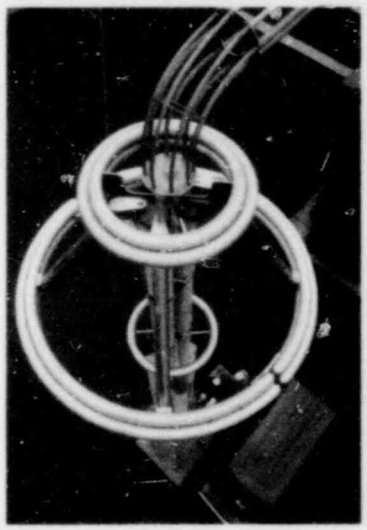
Westinghouse introduced a Technical Support Center, a system capable of assessing nuclear power plant operations to meet the need for clearer presentation of data to utility operating and technical support personnel.

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.

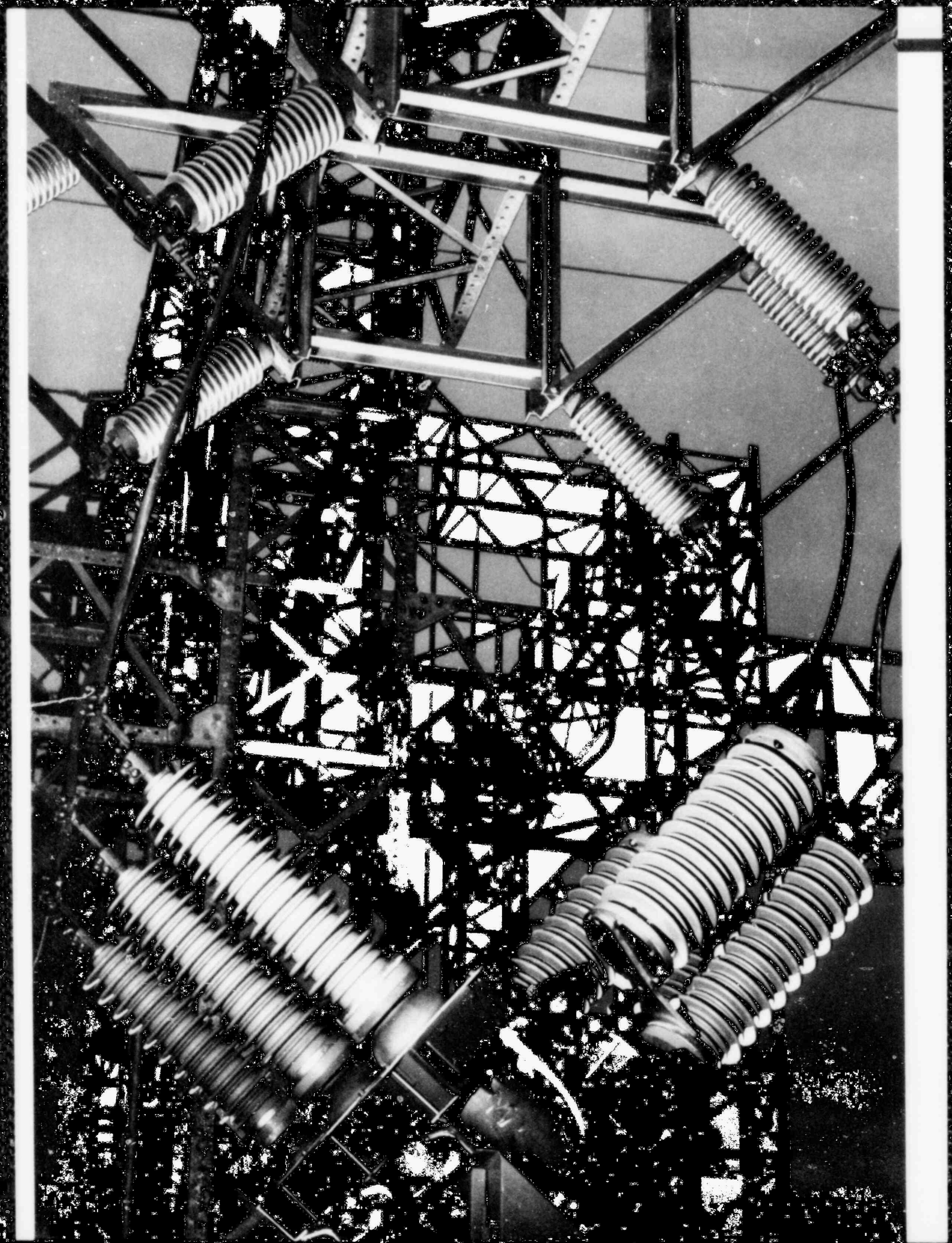
In the United States, two Westinghouse nuclear plants went into operation in 1980. Nuclear fuel fabrication orders provide a basis for good loadings of fuel fabrication plants well into the future. However, no new orders were placed for nuclear plants in the U.S.

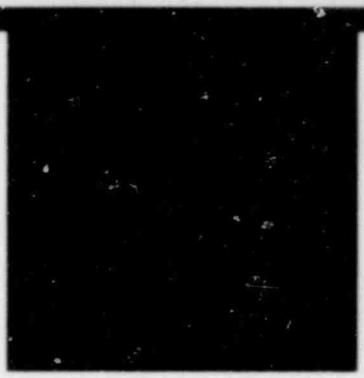
Westinghouse maintains a diverse portfolio of energy technologies, a number of which are administered by the Advanced Power Systems Divisions, including the liquid metal fast breeder reactor, fusion, solar photovoltaics, fuel cells and advanced batteries. The Corporation is committed to developing broad 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 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.



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 a 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.

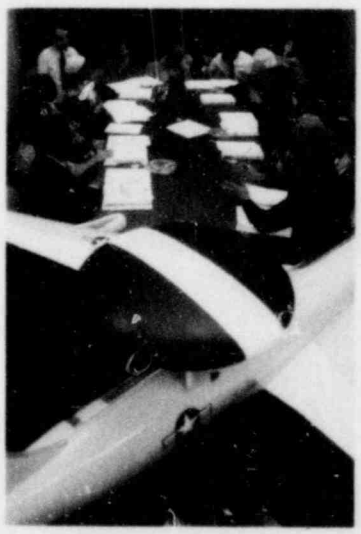
To meet the growing defense-related markets and to improve its competitive position, the Company embarked on a $100 million five-year expansion and modernization program at its Defense Center near Baltimore. The capital spending plan is aimed at maintaining a strong position in research and development,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


All Gates

International

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 electrification 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.

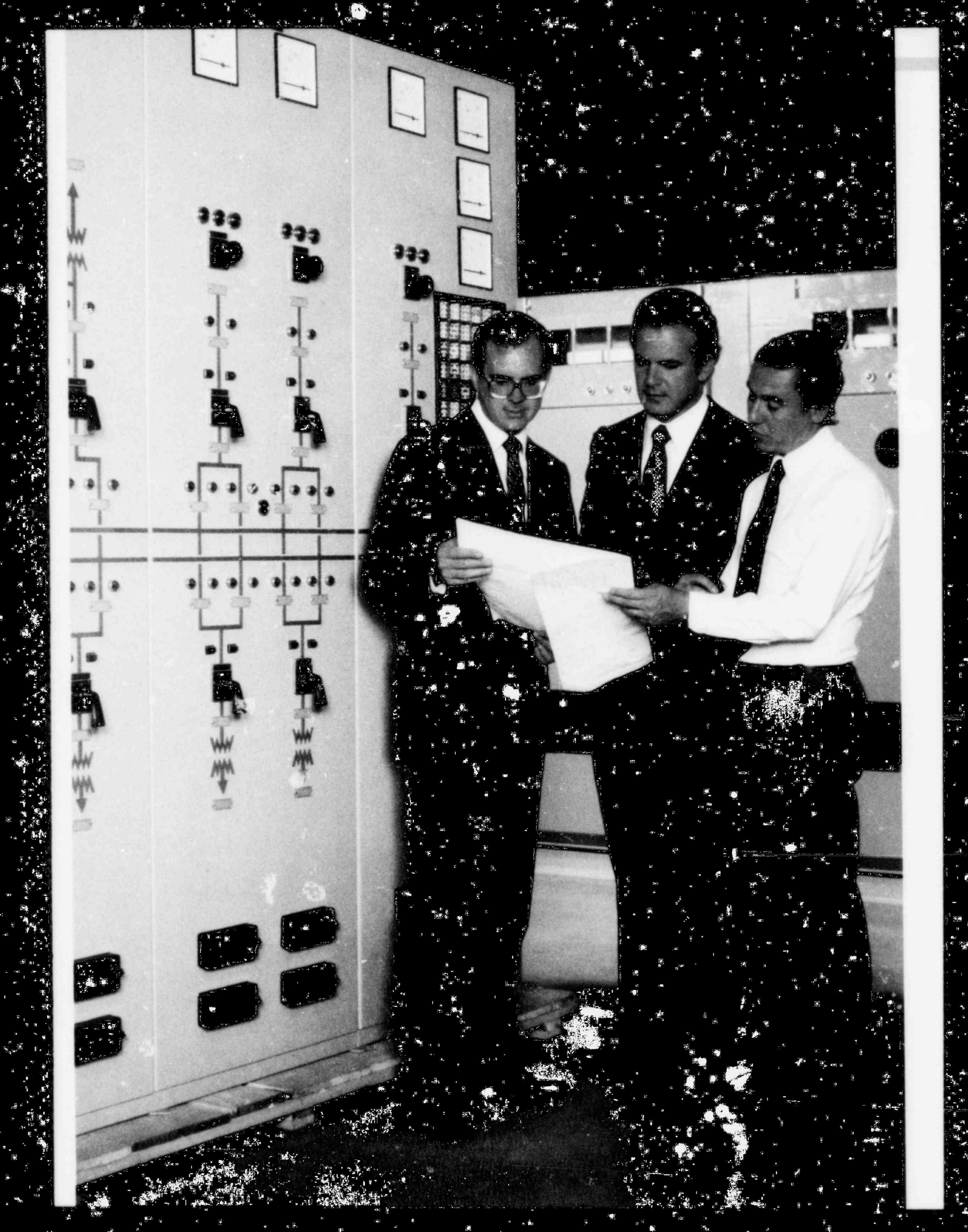
Another example of the successful involvement in markets requiring a high degree of technical leadership was a contract to supply China Steel Company of Taiwan with electric drive and automatic control equipment. This application of microprocessor-based drives represents leading-edge technology and will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

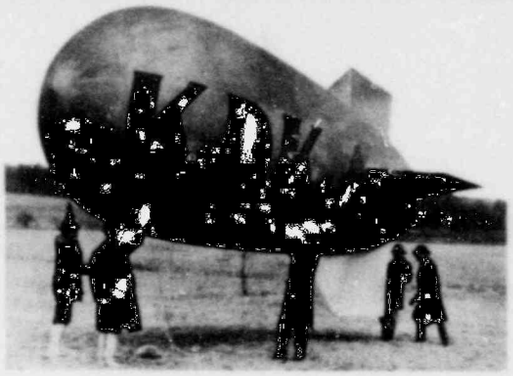
Typifying the strategy to achieve greater participation in the expanding service and repair markets was the joint venture with China Industrial Service Company of Taiwan.

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.

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.

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 excellent 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.

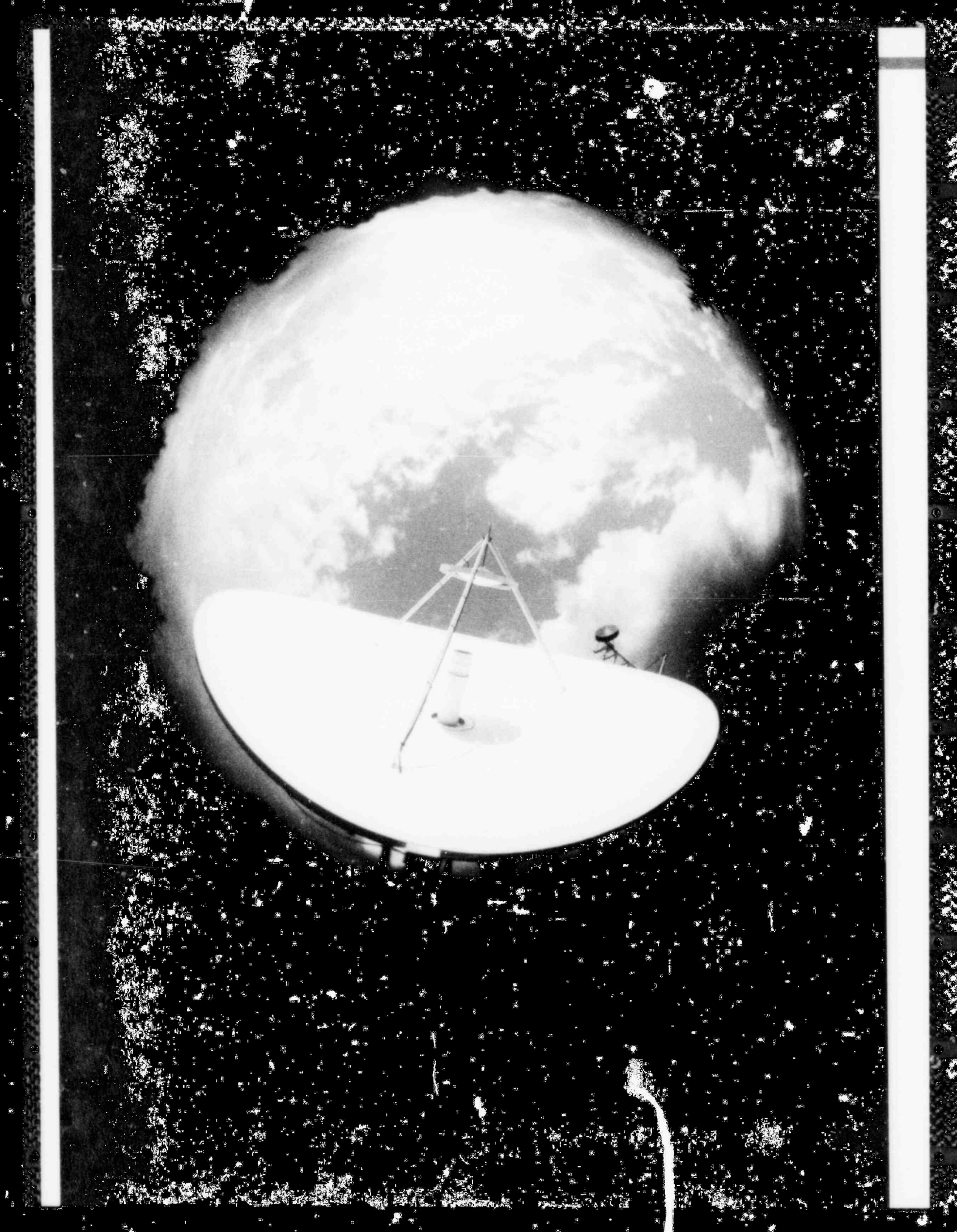
In 1980, Group W Productions formed a cable program production unit and launched several successful programs.

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.

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.



Westinghouse Credit Corporation

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.

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 $59.9	—	(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.

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	1,092.3
Costs of uncompleted contracts in excess of related billings	254.0	258.7
Income taxes refundable	33.9	145.2
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	$ 109.1
Accounts payable	470.9	559.8
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	824.0
Total current liabilities	3,263.0	3,379.4
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.

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 statements.

Notes

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.

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 in 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)	(29.9)
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 $29.5 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

6 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.

Notes

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 security investments	250.0	323.9
Investments	$704.0	$712.8

8 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 8⅝ 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	3½%	1981	—	$ 15.0
Debentures	5⅜%	1992	$110.9	111.4
Debentures	8⅝%	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 88,674,610 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, 3,665,559 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 1,487,294 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

By 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.

Notes

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 defendant 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	1,562.3
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.

Notes

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 – $155 million, $84 million and $65 million, Public Systems – $122 million, $58 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 employes 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

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	$ 3.10	$ 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	$ 460.0	$ 420.0	$ 382.0	$ 354.0	$ 364.0
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	160,945

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	Common Stock Prices 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	19½
September 30	2,074.8	97.2	91.3	1.06	91.3	1.06	.35	27¾	22¾
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	19⅜
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	185.0	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	29⅜	20⅛	16⅜	18⅛	17⅜
	in constant dollars	29⅜	22⅞	21	24⅝	25½
Net assets at year-end	— as reported	$2,529.9	$2,250.0	$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.

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Vice Chairman and Chief Operating Officer

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Electronics and Control
Douglas D. Stark
Executive Vice President
Components and Materials
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Executive Vice President
Industry Equipment
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Distribution Products Division
Thomas P. Costello
Vice President
Motor Divisions
Philip F. Dietz
Vice President
Lamp Divisions
Glen E. Nietfeld
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Pittsburgh, Pa.
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School of Public Health
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Washington, D.C.
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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

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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
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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