1970 Annual Report

ITT

The problems we have now
Give us a lonely thought:
Will the future for our children
Be as bright
As today has been for us?
ITT is committed to helping make
Our world a still better place
To live in:
Serving people and nations
Everywhere.

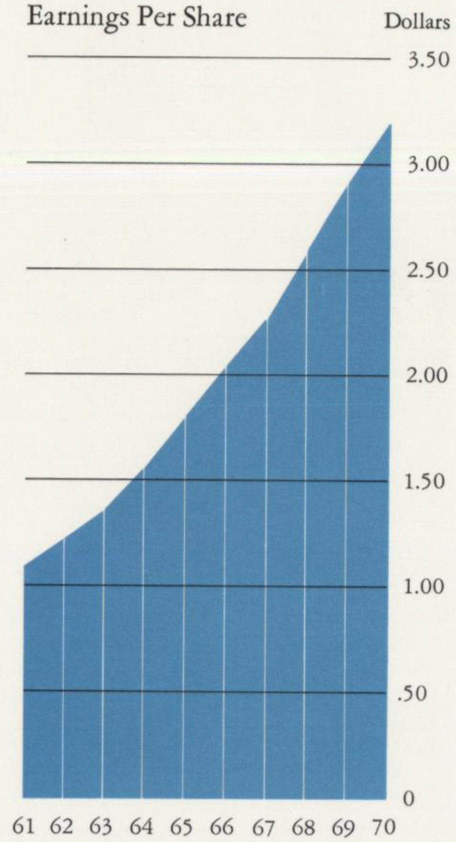
The cover symbolizes the dawning of a new decade for our Company. A decade during which, hopefully, we will be able to contribute substantially to solutions of major problems that confront mankind today.

ITT General Management Meeting Room, New York

Contents

Annual Meeting

The annual meeting of Stockholders will be held Wednesday, May 12, 1971 at 2 p.m. local time, in the Westgate Plaza Hotel, San Diego, California. Formal notice of the meeting, the proxy statement and proxy will be mailed on March 23, 1971, to each stockholder of record March 15, 1971.



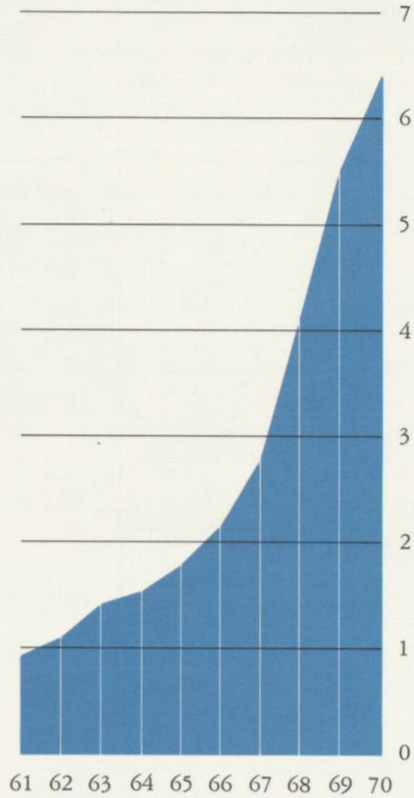
As reported in ITT Annual Reports.

Highlights

	1970	1969*
Sales and Revenues	$6,364,494,000	$5,671,421,000
Insurance Premiums Earned and Finance Income	$1,246,327,000	$1,056,363,000
Net Income	$ 353,307,000	$ 292,623,000
Per Common and Common Equivalent Share	$3.17	$2.65
Average Common and Common Equivalent Shares	111,003,000	109,434,000
Dividends per Share of Common Stock	$1.07½	$.97½
Stockholders' Equity	$2,823,628,000	$2,620,734,000
Gross Plant Additions	$ 615,205,000	$ 520,135,000
Provision for Depreciation	$ 210,477,000	$ 193,462,000
Orders on Hand (Manufacturing)	$2,160,000,000	$1,924,000,000
Number of Stockholders	239,000	213,000
Number of Employees	392,000	353,000

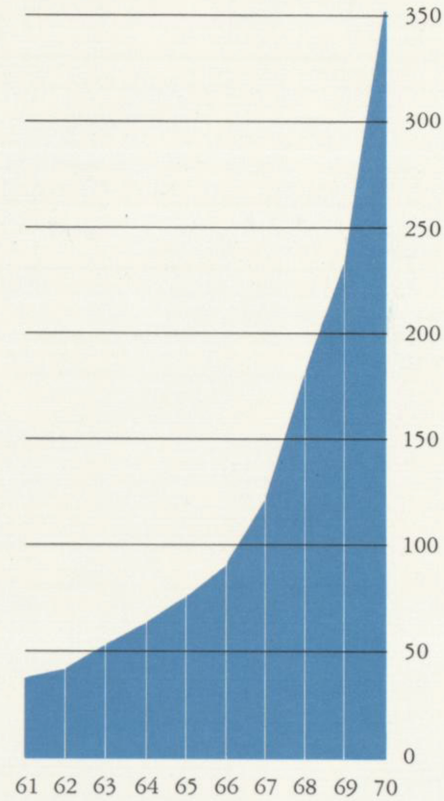
**Restated to include financial data relating to companies added through poolings of interests.*

Sales and Revenues $ Billions



As reported in ITT Annual Reports.

Net Income $ Millions

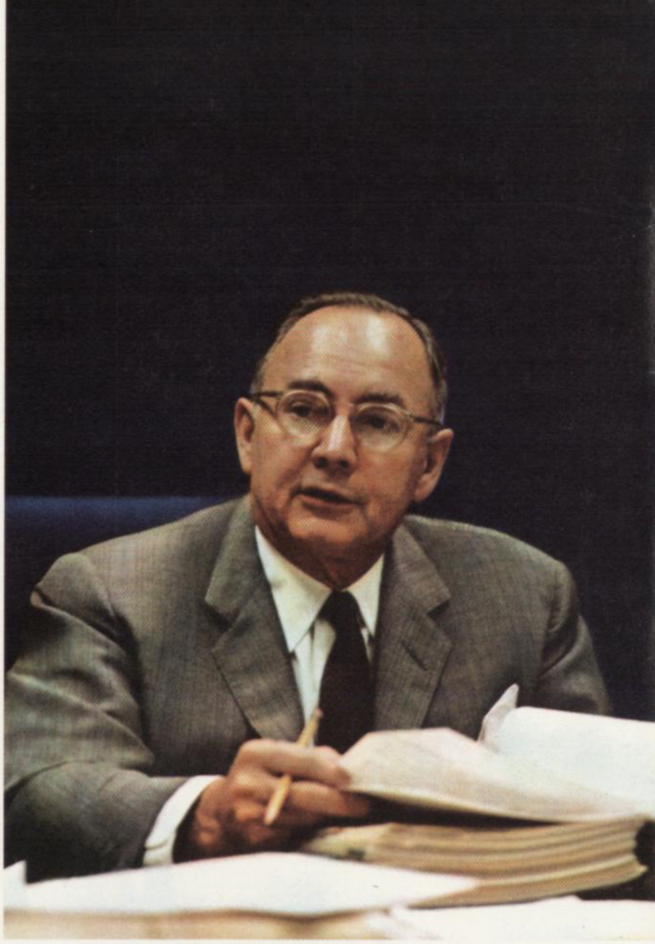


As reported in ITT Annual Reports.

Principal Product Groups

Dollar amounts in millions	Sales and Revenues				Net Income			
	1970		1969*		1970		1969*	
Manufacturing—								
Telecommunications Equipment	$1,244	19%	$1,017	18%	$ 52	15%	$ 49	17%
Industrial and Consumer Products	1,849	29	1,622	28	71	20	70	24
Natural Resources	287	5	273	5	30	8	26	9
Defense and Space Programs	316	5	289	5	8	2	2	1
	3,696	58	3,201	56	161	45	147	51
Consumer and Business Services—								
Food Processing and Services	1,241	19	1,181	21	30	8	27	9
Consumer Services	808	13	800	14	19	6	24	8
Business and Financial Services	386	6	259	5	21	6	15	5
Hartford Fire	—	—	—	—	88	25	50	17
	2,435	38	2,240	40	158	45	116	39
Utility Operations	233	4	230	4	34	10	30	10
Total	$6,364	100%	$5,671	100%	$353	100%	$293	100%

**Restated to include companies added through poolings of interests*



To
Our
Stockholders:

The year 1970 marked the 50th anniversary of the International Telephone and Telegraph Corporation.

It was a good year. In fact, as the most successful year in ITT's history, 1970 marked the start of a bright new decade for our Company.

Moreover, for the eleventh consecutive year, ITT achieved new record levels in consolidated sales and revenues, net income and earnings per share. This was accomplished despite the generally low levels of activities and profitability in many key segments of the United States economy.

Thus, it was a year in which our long-developing management in depth had an opportunity to display its capabilities and controls under adverse conditions. In my opinion, this is what enabled us to continue our performance.

In addition, our policy of diversified activities carried on in various important economies around the world helped make us resistant to the cyclical pressures of any given area. This strength reflects the basic management policy, made and implemented since 1959, to diversify selectively into new high-growth areas and to balance our geographical commitments for all markets.

This 50 years then rounds out our full emergence as a truly "international" company in investments and in worldwide markets and in methods of management—with new emphasis on our home operations in the United States.

During the year 1970, we continued to enlarge the scope of our rapidly growing service operations and also continued to expand our older basic line manufacturing facilities worldwide with record expenditures for new plant construction. We have thus continued to broaden our product base and our competitive position.

Financially for 1970, our consolidated sales and revenues reached $6.4 billion, an increase of 12% over 1969 restated sales and revenues of $5.7 billion.

Consolidated net income rose to $353 million, an increase of 21% over restated 1969 net income of $293 million.

Earnings per common share, after recognition of all common stock equivalents, were equal to $3.17, an increase of 20% over 1969 restated earnings per share of $2.65.

Stockholders' equity per common share rose to $18.08, an increase of 16% from 1969 restated equity per share of $15.61.

At the 1970 year-end we had completed a continuous record of *46 consecutive quarters* in which sales, net income and earnings per share have each increased over the corresponding period of the prior year.

In 1970, for the seventh consecutive year, the dividend on our common stock was increased, reaching a new annual rate of $1.15 per share, more than double the payment of 55 cents a share in 1964.

In June, a tender offer was made to the stockholders of the Hartford Fire Insurance Company. Subsequently, holders of more than 99% of the Hartford Fire common stock tendered their shares for ITT securities in one of the most fully accepted tender offers in American corporate history. Your management is convinced that the affiliation with Hartford Fire, the nation's sixth largest property and casualty insurance group, presents challenging opportunities for further strength through diversification for both companies. In its first year as part of the ITT corporate family, Hartford Fire set new records in premiums written, operating income and net income and added several new insurance programs.

Financial results for 1970 include net income of Hartford Fire, but in accordance with generally accepted accounting for financial companies, Hartford's premiums earned are excluded from ITT's consolidated sales and revenues. It should be noted that the rates of increase in our net income were attributable in part to the substantial gains in earnings achieved in 1970 by Hartford Fire. If Hartford Fire were excluded, ITT's earnings per share in 1970 would have shown a 10% increase over the comparable 1969 earnings per share.

Financial results also include Canteen Corporation, which is engaged in the vending and service of food to institutions, and Grinnell Corporation, manufacturer of power piping, pipe fittings, and automatic fire protection systems.

The affiliation of these three companies with the ITT System has been challenged by the U.S. Department of Justice. We are gratified to be able to report that our right to acquire Grinnell Corporation was upheld on December 31, 1970, by the U.S. District Court for Connecticut. The court found that "the government has not sustained its burden of establishing that ITT's acquisition of Grinnell may have the effect of substantially lessening competition." The government has filed a notice of appeal from the decision. The actions involving Canteen and Hartford are still before the courts.

The continuing progress of our planned diversification program was further highlighted in 1970 by the following developments:

- □ Earnings from U.S. and Canadian operations reached an all-time high and accounted for approximately 65% of total 1970 earnings. In 1969, domestic earnings were approximately 60%.
- □ Earnings from our manufacturing operations set new records in 1970, accounting for $161 million of consolidated earnings. For the first time they were below 50% of our worldwide consolidated earnings.
- □ Earnings from our consumer and business service areas, including utility operations, climbed to 55% of worldwide consolidated earnings. This compares with 49% of earnings generated in these areas in 1969.

In 1970, our telecommunications manufacturing operations established new peaks for both sales and earnings, producing $1.2 billion in sales and contributing $52 million to consolidated net income.

Our Industrial and Consumer Products groups, serving the automotive, construction, and process industries, reached a record level of $1.8 billion in sales in 1970, accounting for 29% of consolidated sales and 20% of net income.

Our Consumer Services group alone, which includes land development, housing, food, education, publishing, car rentals, hotels, and parking facilities, passed the $2 billion mark in sales in 1970. This total does not include Hartford Fire, nor our consumer loan, credit, and mutual fund management activities.

Natural Resources, whose products include chemical cellulose, paper pulp, lumber and silica products, established record sales levels in 1970 of nearly $300 million and contributed $30 million to consolidated net income for the year.

ITT's Defense-Space activities operated profitably during 1970, despite widespread governmental cutbacks which affected many programs in this field. We anticipate that ITT will continue to be engaged in this vital area in support of our government's defense needs.

Among major new developments during the year was the successful sale of $100 million of ITT 25-year debentures and $50 million of five-year notes to the public and institutional investors in September. Prior to this financing, both of the nation's major stock and bond rating agencies raised their ratings on our debt securities to "A." Such ratings serve as a guide to investors on the quality of securities.

Our performance has resulted in ITT continuing to be held in high regard by institutional investors. As evidence of this, banks and other fiduciaries as a group are the largest holders of ITT common stock, and at the end of 1970 held more than 45% of our outstanding common stock.

The 30 largest banks in the nation held 23 million shares of our common stock at year-end with ten of the major banks each holding more than one million shares of common and Series N Preferred stock.

Reflecting management's confidence that demand for ITT's products and services will accelerate in the years ahead, capital expenditures for expansion of plant and equipment rose to a record level of $615 million in 1970, compared with the previous record of $520 million in 1969. It is anticipated that plant expansion in 1971 will require a continuing of this upward trend and will rise approximately 10% above the 1970 level.

ITT's employees reached 392,000 worldwide. Importantly, international companies such as ITT will be of inestimable value in the period ahead when it will be increasingly necessary for the United States to improve its position substantially in the monetary affairs of the world. In this respect, such companies form a highly important resource of the nation and I feel should be supported as such.

Your Company was able to achieve its 1970 performance because we have continued to adhere to the basic fundamentals adopted when present management assumed responsibility eleven years ago. In the 1959 annual report we noted our commitment to build the long-term future of ITT but also our commitments to steady year-to-year growth.

Achievement of annual growth, as we said at that time, insures achievement of our long-term future. It has, and since 1959 we have operated on that principle. At that time we stated that our prime responsibility was that "Management *must* manage" and during the past eleven years, in furthering this policy, we have built a worldwide team of unusually qualified and committed professional managers.

Though relatively young, ITT has today a management of unequaled experience in operation under a philosophy of planned growth and achievement of near and future goals. Yet, the average ITT executive is only in his mid-forties and has been with the Company through more than 10 years of his experience.

Speaking of our 1970 operations, it has always been management's policy to maintain control over our costs of doing business. The year 1970 presented a hard test but our programmed cost controls met the challenge.

Notwithstanding the pressures of the 1970 year we also managed to remain responsive to our broad obligation to society at large through many programs involving social action, urban affairs, environmentalism, and consumerism. You will find more detail in our Annual Report on this important area of the Company's responsibility.

ITT's consistent objective to improve and expand its traditional product lines with its traditional customers and at the same time to move into new growth fields was continued in 1970. I am proud that in every instance this program and your management have brought competitive conditions and strengths to the industries we have entered.

In 1967 an agreement was entered into with the Chilean government providing for expansion of ITT's telephone operating subsidiary in that country. Under that agreement the Government and others may, over a period of years, obtain up to 49% of the common stock of the telephone operating subsidiary. The concession agreement provides that the government of Chile may purchase the entire system in 1980. We are holding discussions with the government of President Salvador Allende, which may wish to accelerate the schedule for transfer of ownership. Our discussions at this time are cordial and reflect a sincere interest on both sides in reaching equitable solutions.

Beyond the outstanding achievement of 1970 we see 1971 and the years ahead as times of wide social responsibilities, continued constructive performance through our experienced management direction, and continued profitable growth.

On behalf of the Board of Directors, I want to thank the men and women of the ITT System for their contributions to our growth in this, our 50th anniversary year—1970.

For the Board of Directors.

Chairman and President

March 10, 1971

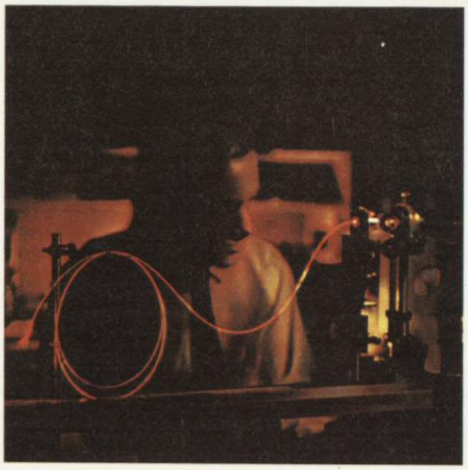
Directors	Richard E. Bennett	Executive Vice President, International Telephone and Telegraph Corporation
	Eugene R. Black*	Consultant
	Raymond L. Brittenham	Senior Vice President—Law and Counsel, International Telephone and Telegraph Corporation
	George R. Brown*	Oil and investments
	Pomeroy Day*	Chairman, Executive Committee, The Connecticut Bank and Trust Company
	Francis J. Dunleavy	Executive Vice President, International Telephone and Telegraph Corporation
	Russell F. Erickson	Chairman of the Board and Chief Executive Officer, ITT Rayonier Incorporated, an ITT subsidiary
	Alvin E. Friedman*	Partner, Kuhn, Loeb & Co., investment bankers
	Harold S. Geneen*	Chairman and President, International Telephone and Telegraph Corporation
	Arthur M. Hill*	Private investments, officer and director of various unlisted corporations and banks
	Charles T. Ireland, Jr.	Senior Vice President, International Telephone and Telegraph Corporation
	J. Patrick Lannan*	Financial consultant
	R. Newton Laughlin	Chairman of the Board, ITT Continental Baking Company, an ITT subsidiary
	John A. McCone*	Chairman of the Board, Hendy International Company, steamship operators
	Richard S. Perkins*	Retired Chairman of Executive Committee, First National City Bank, New York
	Hart Perry	Executive Vice President—Finance, International Telephone and Telegraph Corporation
	Warren Lee Pierson*	Chairman of the Board of Directors, All America Cables and Radio, Inc., an ITT subsidiary
	Felix G. Rohatyn*	Partner, Lazard Frères & Co., investment bankers
	Herbert P. Schoen	Executive Vice President, Hartford Fire Insurance Company, an ITT subsidiary
	Ted B. Westfall	Executive Vice President, International Telephone and Telegraph Corporation
	Harry V. Williams	Chairman of the Board and President, Hartford Fire Insurance Company, an ITT subsidiary

Officers	Harold S. Geneen†	Chairman and President
	Richard E. Bennett†	Executive Vice President
	Francis J. Dunleavy†	Executive Vice President
	James V. Lester†	Executive Vice President
	Hart Perry†	Executive Vice President—Finance
	Ted B. Westfall†	Executive Vice President
	Howard J. Aibel†	Senior Vice President and General Counsel
	Frank P. Barnes	Senior Vice President
	Raymond L. Brittenham†	Senior Vice President—Law and Counsel
	Henri G. Busignies	Senior Vice President and Chief Scientist
	Albert E. Cookson†	Senior Vice President
	Edward J. Gerrity, Jr.†	Senior Vice President
	John Hanway, II†	Senior Vice President
	Charles T. Ireland, Jr.	Senior Vice President
	Herbert C. Knortz†	Senior Vice President and Comptroller
	Stanley Luke	Senior Vice President
	Lyman C. Hamilton, Jr.	Vice President and Treasurer
	John J. Navin	Secretary

Vice Presidents	Richard G. Bateson	James A. Goodson	William R. Merriam	Robert H. Smith
	Robert E. Benson	Rex B. Grey	Howard C. Miller	John F. Stolle
	Michel C. Bergerac	John W. Guilfoyle	R. Edwin Moore	Robert J. Theis
	Robert E. Chasen	Richard Hodgson	W. Allen Moorhead	Nicholas Theofel
	Emil G. Chaves	Jean H. Keller	John P. Pfann	Howard W. Truss
	Howard T. Cohn	Robert L. Kirk	James A. Purdy	Maurice R. Valente
	Philip B. Crosby	John H. Kostmayer	Robert H. Savage	Edward R. Wallace
	Marvin Flaks	Frank J. McCabe	Edmund J. Schaffer	Fred E. Weldon
	Steward S. Flaschen	Corbin A. McNeill	Arthur J. Schmitt	Arthur T. Woerthwein
	J. Ronald Goode	James R. McNitt	John Seath	

**Member of Executive Committee*
†Member of Management Policy Committee


ITT



Telecommunication Equipment and Operations

Since its founding in 1920, ITT has been a world leader in telecommunications—the development, manufacture and operation of equipment and systems carrying the communications that draw men ever closer. In this traditional field of its worldwide activity, manufacturing sales in 1970 were $1.2 billion and contributed 15% of net income.

In the United States there are 56.4 telephones per hundred people. In Europe—the major ITT telephone market—the figure is 12.9, and in the rest of the world, 2.1. About 45% of the world's telephones are in the United States. During the 1960s the number of telephones outside the United States rose by 120% as compared with 60% inside.

ITT has been a prime participant in this rapid overseas growth, supplying a broad range of telephone and other communication equipment evolving from the continuing research and development programs of our telecommunication laboratories in the United States, England, France, Germany and Spain.

Thus, at the start of the decisive Seventies, your Company is in a highly favorable position to meet the predicted accelerating worldwide demand for communications.

New plants or major plant additions amounting to $165 million were completed during 1970 in 10 countries. Worldwide demand for our Pentaconta® crossbar switching equipment, now supplied to 80 countries, reached an all-time high.

In 1970, a milestone was reached when several of our companies began the manufacture of electronic switching equipment. This most advanced form of switching, the result of several years of research and development efforts in our European laboratories, uses stored-program digital computer techniques to control the switching systems and provide greater traffic-handling capability and flexibility. Orders for this ITT Metaconta electronic switching equipment have been won over keen international competition in nine countries on four continents.

We expect to place in service a 10,000-line electronic telephone exchange in Belgium in 1971. A somewhat similar system for telex transmission will be placed in operation in the Netherlands.

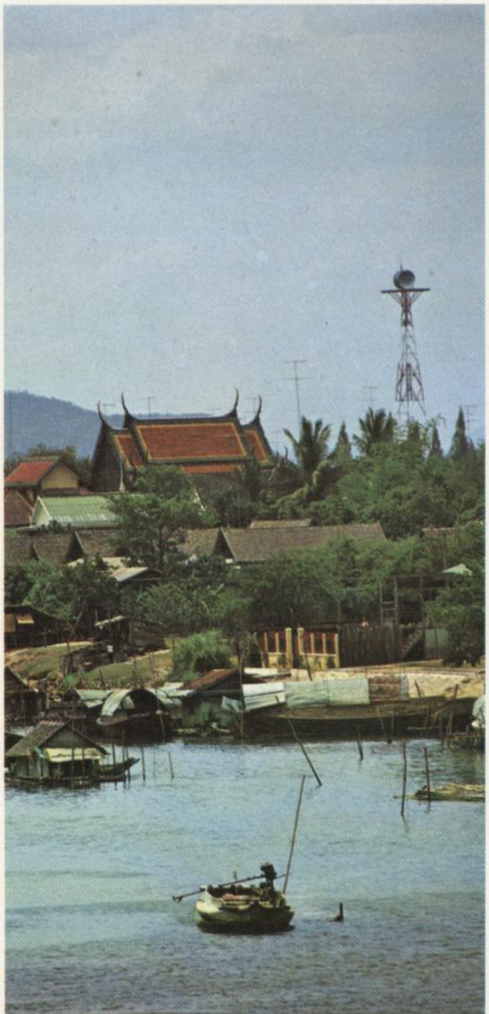
Above: ITT communication research uses lasers and optical waveguides to provide broader transmission bandwidths.

Left: ITT World Headquarters, now 10 years old, soars among skyscrapers of midtown New York.

Above: ITT crew samples ocean floor prior to laying of Africa-Portugal submarine telephone cable.

Below right: Lufthansa's Cologne headquarters relies on an ITT-made Herkomat III switchboard system.

Below: Typical relay station in 10,000-mile microwave network in Thailand built and installed by ITT.



Still another version of ITT electronic switching for long-distance communication is under trial at this time by the British Post Office. This system, based on time division derived from the ITT-invented pulse-code-modulation principle, holds great promise for application to future networks.

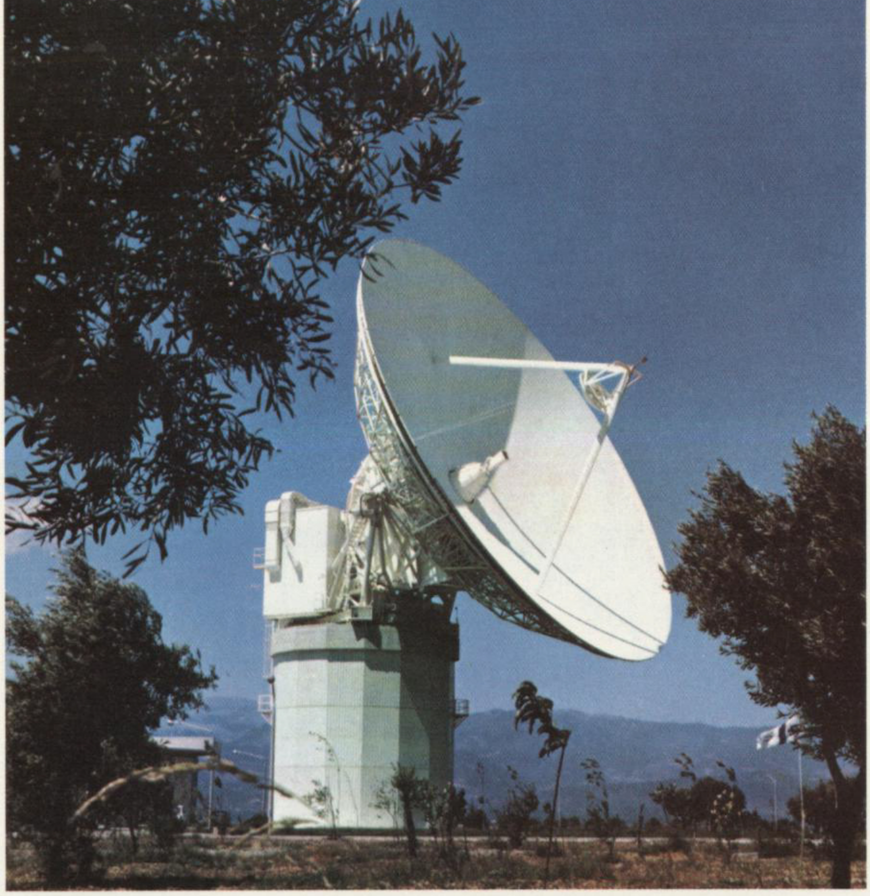
The rapid expansion of national telephone and telegraph systems is paralleled by an even faster growth of transoceanic communication using large-capacity telephone submarine cable and satellites. We have developed a submarine cable and repeater system which can carry 1,840 simultaneous telephone conversations at a cost per channel mile one-third that of current transatlantic cables. In 1970 we increased our existing British capabilities for manufacture of submarine cable systems and began construction of a plant in San Diego, California, marking our U.S. entry into this field.

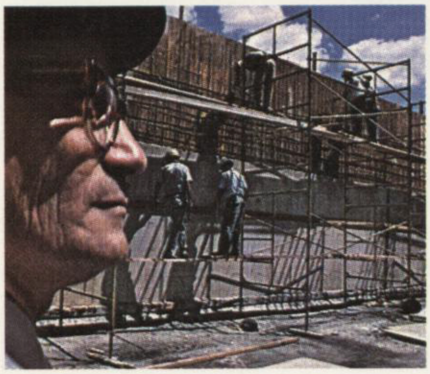
Significant 1970 export contracts included the award to our leading Spanish company of an order by Western Electric for pulp-insulated cables to be used in the U.S. network.

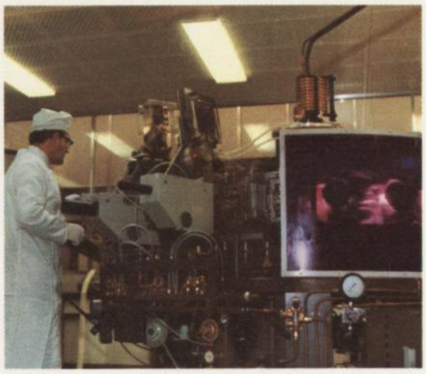
One of our French companies, which has 70% of its country's total telephone switching exports, won a government sponsored "export Oscar" in 1970. During the year, the company received the largest single telephone export order in French history, a switching order from Mexico. Major switching contracts awarded to our principal Italian company included an intercontinental exchange for Italcable, the Italian international carrier company.

Other significant orders include a contract for our Belgian company to supply microwave systems in Thailand; the supply to Mexico City by our British company of carrier equipment that increases the number of circuits between exchanges; and the

ITT Worldcom's new multimillion-dollar computerized international communications nerve center.







Top: Satellite communication earth station in Greece is one of four completed by ITT in 1970.

Above left: A new central office building under construction at Puerto Rico Telephone Company.

Above right: High-capacity machinery for assembly of reed relays, a key component of electronic switching, at ITT's principal Belgian company.

supply by our Telecommunications Division in the United States of microwave equipment for a Texas-to-New York pipeline.

ITT's European laboratories advanced the development of electronic telephone sets and high-speed teleprinters, as well as data transmission equipment. They also undertook development of electronic systems for scientific satellites, as well as advanced oceanographic projects, during 1970.

In the operations area, ITT World Communications Inc. again held its position as the major United States international telex carrier.

The new communications control center at the company's New York headquarters is the industry's most advanced, assuring the highest quality in international communications service.

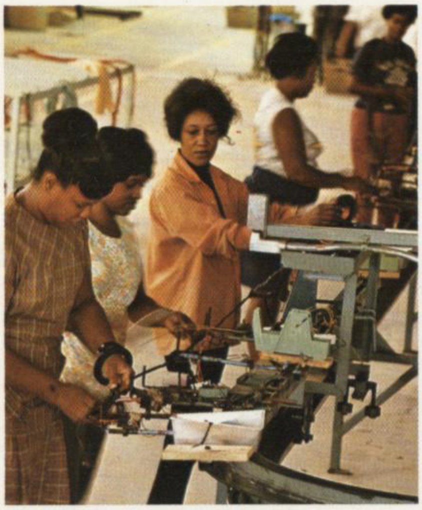
Our Puerto Rico telephone operating subsidiary installed its 300,000th telephone late in 1970, marking its explosive growth from 66,000 telephones in 1958. Plans call for the installation of 100,000 additional telephones by 1974.

Industrial and Consumer Products

ITT's worldwide manufacture of industrial and consumer products advanced as planned toward the goals of supplying systems and equipment for expanded existing markets and anticipated new markets. In addition, a new high of $1.8 billion was set in sales.

Our industrial products and components now serve the automotive, railroad, aviation, communication, electronics, lighting, building, chemical, and refining industries. Our consumer products include radio and television sets, phonographs, tape recorders, refrigerators, home freezers, and household appliances.

Diffusion furnaces help guarantee high quality of semiconductor devices produced at ITT's Intermetall in Germany.



ITT Thompson Industries'
new plant in Fayette, Mississippi
produces electric wiring
assemblies for automobiles.

The group's 1970 performance was notable for growth abroad as well as for the level maintained by our U.S. companies in spite of the general economic slowdown.

In the United States, ITT Nesbitt developed a new family of rooftop heating and air conditioning units, designed mainly for schools, factories, and office buildings, using a new type of gas-power heater and a high-efficiency filter system.

The progress of our Industrial Products Group–Europe was demonstrated by a rise in net income over 1969.

A major contributor to the record was our German company, Alfred Teves GmbH, manufacturer of disc brakes and hydraulic equipment for the automotive industry. During the year, Teves produced over 8 million disc brakes. The group also entered the automotive parts market, supplying oil seals and foam plastic parts to the Italian car industry.

Stenberg-Flygt AB, maker of industrial pumps, entered the pollution-control market for the paper industry with a highly efficient proprietary process that purifies and re-uses waste water.

It was an active year in Europe for electric and electronic components, owing to industrial expansion in France, Germany, Italy, and Scandinavia, and the launching of color TV in several countries.

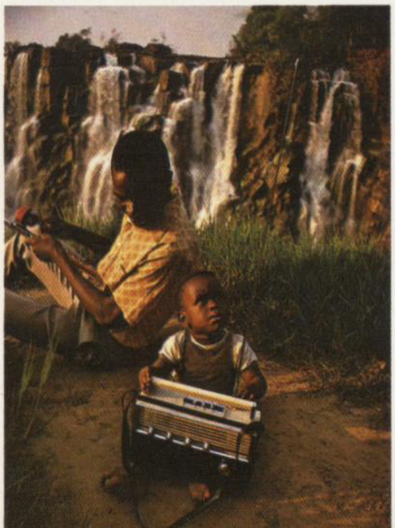
Two new components factories began operation, one near Naples and one near Nuremberg, making a total of 56 ITT components plants in 14 European countries. Development of new technologies for integrated circuits continued, and our semiconductor division in England increased its share of the United Kingdom market.

A new automated facility for manufacture of color TV picture tubes has made ITT's leading German company a key supplier of these tubes to Western Europe's TV makers.

ITT's standardized EUROSET TV receiver for color and black-and-white is now in production in Austria, France, and Germany. ITT Consumer Products–Europe tripled output and sales of color sets over 1969 as a result of management action in technical, production, and marketing areas. Despite heavy competition in Germany the group nearly doubled its share of that market.

The group also achieved new sales records in radio sets. It entered the French car radio field. Our Graetz line of radios from Germany was introduced into Belgium and Norway; and our British operation became a major producer for its home market.

ITT activities in Africa
include manufacture of consumer
radios such as Zambia-made set
shown here at Zambesi River.



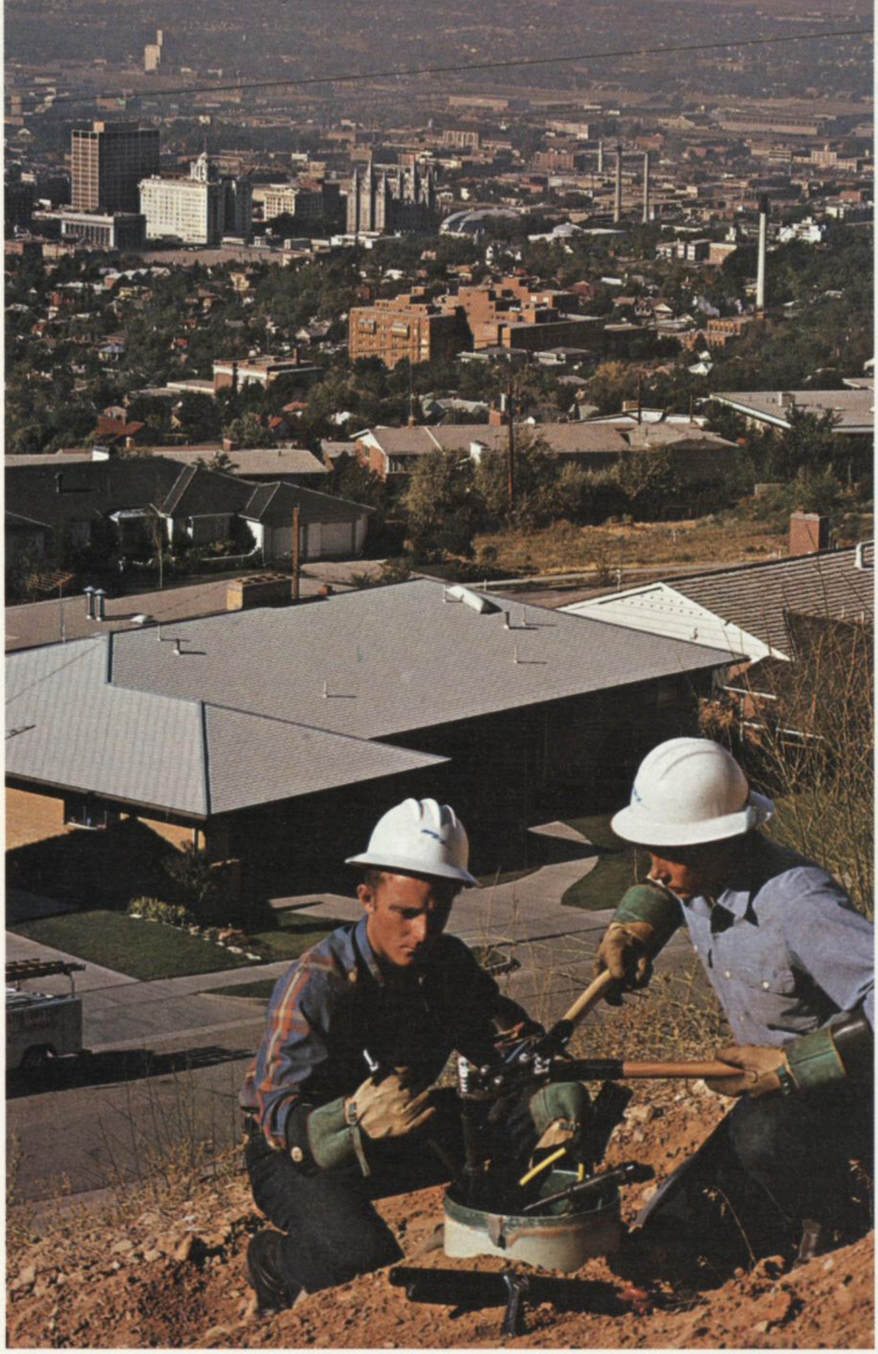
Consumer and Business Services

For the past 11 years ITT has outpaced the U.S. economy in rate of growth of its service industries.

ITT services increased from 39% of consolidated net income in 1969 to 45% in 1970. In no other field does the Corporation so clearly exemplify the truth of its slogan: Serving people and nations everywhere.

ITT Avis achieved a 10% increase in revenues and a 34% increase in profits over 1969. Its International Division alone before the end of 1971 will equal in assets, revenues, and profits the entire Avis operation as it was only six years ago, just before its merger into ITT. The company operates in 77 countries—20 more than a year ago. Avis serves more airports worldwide than any other car rental company—or any single airline.

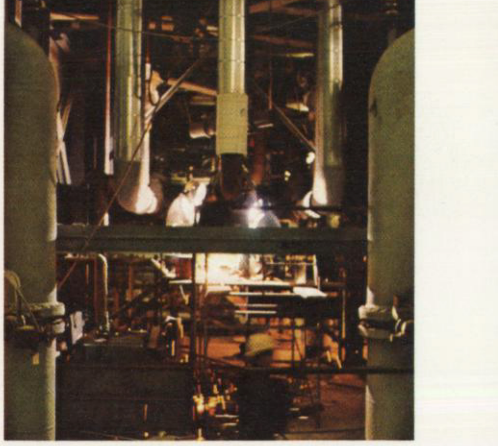
Substantial new business enabled Canteen Corporation to offset the effects of shutdowns in automotive plants using Canteen food and vending services. In the Chicago area Canteen has opened a new family-type restaurant. Also, ITT has added several new gourmet restaurants to its existing group. Canteen continues its fine food operations at New York's Metropolitan Opera and Lincoln Center for the Performing Arts, while operating concessions at Anaheim Stadium in California, Yankee Stadium in New York, and North Star Arena in Minnesota. Canteen has also been awarded the contract to provide all the food services at the new John F. Kennedy Center for the Performing Arts in Washington, D.C., due to open in the autumn of 1971.



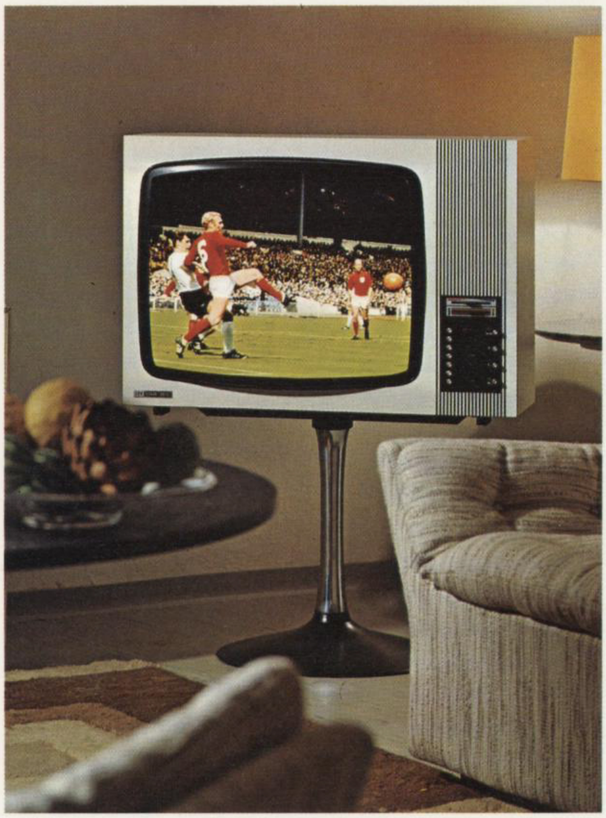
Above: ITT Grohe is a European leader in fashionable and functional plumbing fixtures.

Left: ITT Blackburn is an innovator in underground electrical-power connector equipment.

Below: More than 30,000,000 disc brakes known for reliability have been produced by ITT Teves.



Right: Power piping by Grinnell Corporation. Grinnell is also a leading name in sprinkler systems and pipe fittings, and at a new plant now produces plastic drain waste and vent fittings.

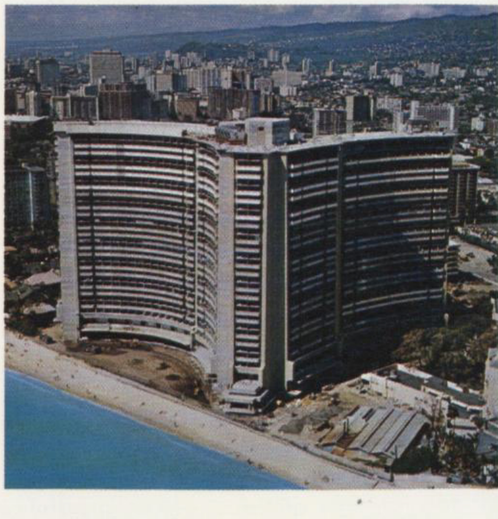


Above: ITT companies in three countries produce EUROSET color TV sets.

ITT Continental Baking's 1970 progress was highlighted by its new bread and cake bakery in East Brunswick, New Jersey, due to open early in 1971 to serve the Washington-Philadelphia-New York metropolitan corridor. Continental Baking research developed a new line of "engineered food" during 1970, embodying in highly palatable cakelike form the nutrients contained in a normal meal. These new products are expected to benefit school programs that provide breakfast for needy children. In addition, the Morton Frozen Foods Division has launched a program for supplying schools with pre-plated hot and cold lunches conforming to standards set by the U.S. Department of Agriculture. Continental also enriched all the products in its Hostess snack cake line to give them the same high level of nutrition as Wonder enriched products.

In line with the ITT program of broadening its activities in the food industry, a number of European

Below: Produced by ITT Continental Baking, Wonder means bread to millions of homes.



frozen food and snack companies entered the ITT System during 1970, as did the 101-year-old Gwaltney, Inc. of Virginia, producer of the nationally famous Gwaltney's genuine Smithfield ham.

ITT Levitt Inc. expanded its operations in 1970 with a new community at Ponce, Puerto Rico, and a mixed single-family and townhouse community, Mennecy, south of Paris. The company also entered the California market with single-family and apartment projects in Los Angeles and San Francisco, and through its new subsidiary, Levitt Multihousing Corporation, opened its first apartment complex near Washington, D.C. Apartment developments are now planned for 10 states.

In the United States, Levitt's homebuilding operations were affected in 1970 by the tight money situation and resulting high interest rates, which brought about a marked contraction in home buying. Its Building Systems subsidiary, however, launched a new approach to housing with an automated factory at Battle Creek, Michigan, to produce modular sections which are then assembled on site in different configurations and in minimum time. Levitt also made preparations to enter the mobile-modular housing field on the West Coast.

ITT Levitt Development Corporation's 100,000-acre recreation-oriented *Palm Coast,* in Florida, opened during 1970 to an enthusiastic reception and a brisk sales pace.

The sharp decline in U.S. hotel occupancy in 1970 affected our hotels and motor inns, even though Sheraton was able to maintain a slightly higher occupancy rate than the industry aver-

Opening in 1971, the new Sheraton-Waikiki, left, contrasts with the traditional elegance of the St. Regis-Sheraton, right, a New York landmark for 67 years.

Above: Student housing by ITT Levitt Inc. at Western Washington State College, Bellingham. The 132-unit project blends with its surroundings.

Left: ITT Avis is determined to become Number One in the car rental field.

Below: Rooftop Cafe La Tour in Chicago is operated by Canteen Corporation.

age. Sheraton opened 34 new properties or additions in seven countries, with some 5,900 rooms, bringing the number of hotels and motor inns in operation worldwide under the Sheraton name to 201, with 55,000 guest rooms in 17 nations.

Construction progressed on major convention hotels in Honolulu, Toronto, Buenos Aires and San Diego, and plans were announced for new downtown hotels in Paris and Hartford. A new Sheraton opened in Stockholm, and a 476-room Sheraton will open in Copenhagen in April 1971. Sheraton's reservation telephone number, 800-325-3535, continued to grow in popularity and customer usage.

During 1970, ITT continued its growing involvement in parking, building maintenance, and ground transportation throughout the United States, and late in the year entered the European market. Our APCOA activities are now augmented by those of ITT Service Industries Corporation.

ITT publishing activities, centering on Howard W. Sams & Co., Inc. and its subsidiary Bobbs-Merrill Company, Inc., also had a successful year in spite of widespread retrenchment in the industry.

Our extensive activities in direct education were broadened in 1970 with the addition of a major French business school complex, Pigier. The first unit of ITT Educational Services Inc. outside the United States, Pigier trains 50,000 typists, secretaries and accountants yearly.

In the growing field of data processing services, ITT Data Services successfully introduced its U.S. consumer finance package and connected over 1,000 customer offices during 1970. In Europe the company's time-sharing service was introduced in Sweden and enjoyed continued growth in the United Kingdom. In Brazil a major center was opened in São Paulo in addition to the existing center in Rio de Janeiro. Through its involvement in computer-based data processing ITT is helping to define the future and form of world industry.

Our diversified financial services companies continued their rapid growth during 1970. The more than 20 operating units provide a broad spectrum of financial services throughout North America and Europe. In consumer and industrial finance, ITT Aetna, ITT Thorp, and Industrial Credit Company expanded their operations into several new cities. ITT Hamilton Life now has more than $1.25 billion of life insurance in force. ITT Midwestern Life and ITT Life of New York achieved impressive growth in life, credit, and health insurance. In Canada, ITT now markets life insurance through Abbey Life of Canada, and fire and casualty insurance through the Monitor Group.

1970 was a difficult year for the mutual fund industry, but an upturn was clearly evident by year-end. ITT's Hamilton Management Corporation introduced the Hamilton Income Fund, Inc. during the year.

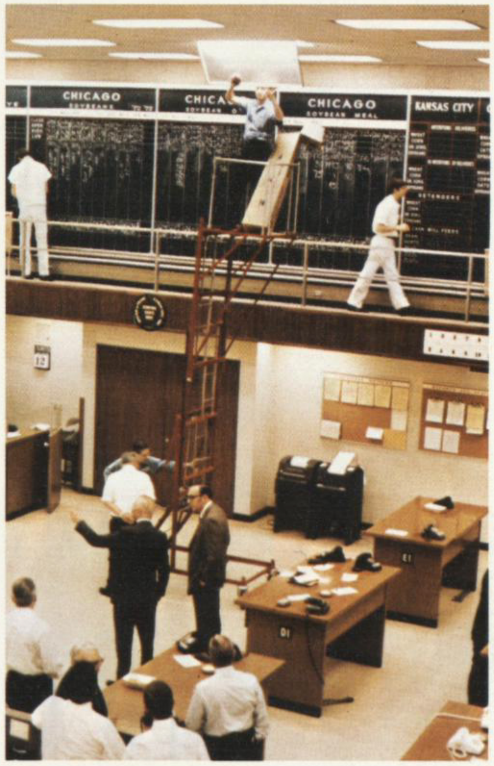
Overseas, ITT expanded its insurance and related financial services operations in Great Britain, Germany, Italy, and the Netherlands. Late in 1970, ITT acquired the remaining 50% of Abbey International Corporation, which pioneered the development of equity- and property-linked life insurance products in several countries.

THE HARTFORD

The outstanding development in ITT's insurance activities during 1970 was the completion of the affiliation with Hartford Fire Insurance Company.

Hartford Fire Insurance Company and its subsidiary companies—collectively known as The Hartford—achieved record results.

Net operating income for The Hartford reached a new peak of $54 million, a 31.5% increase over the



Business as usual at the Kansas City Board of Trade while ITT Service Industries Corporation personnel perform maintenance functions.

The Ham Shop in Williamsburg, Virginia, a modern shop in a 17th-century setting, specializes in ITT Gwaltney meat products.

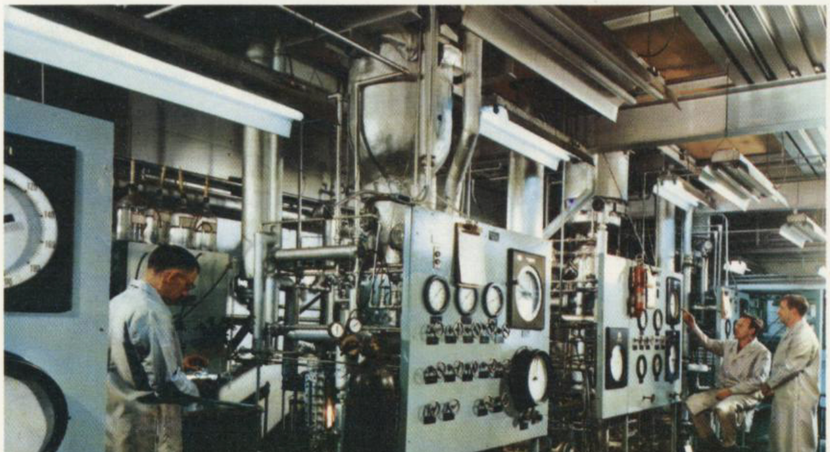
$41.1 million reported for 1969. Written premiums for property and liability operations reached an all-time high of $1.2 billion, up 20.5%, and investment income rose 13.8% to a record $74.9 million.

The Hartford's Special Accounts Insurance Department strengthened its financial services offerings with new loss control support and tailored claims handling for major commercial customers.

Mass merchandising programs under which agents provide personal lines of insurance at reduced cost to employee groups were arranged with more than 70 associations and organizations, including labor unions in 11 states.

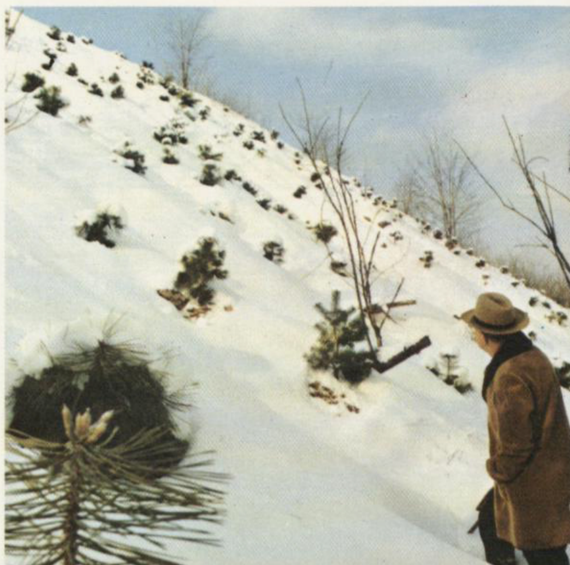
Another 1970 development was the addition of a general agency life insurance sales force. This is expected to be an important addition to the existing independent agency network.

An underwriting innovation of national interest was an unprecedented medical malpractice insurance program designed for the more than 9,000 doctors of the medical associations of Southern California.



New ITT Rayonier pulp-production process under final testing in U.S. Northwest is most versatile of its type.

Above: Helicopter lowers antipollution "digester cap" into place on gas recovery tower at an ITT Rayonier mill in Hoquiam, Washington.



Left: Company official inspects thriving seedlings of ITT's Pennsylvania Glass Sand Corporation reclamation project in West Virginia.

Recognizing the severity of the automobile safety crisis, The Hartford is exploring the full range of related problems, including driving habits, automobile design, highway construction, law enforcement and traffic control. The company is a leading proponent of "no-fault" auto insurance reform. This concept would provide a more equitable, prompt and economical system for compensating automobile accident victims without regard to blame for the accident.

The Hartford is also engaged in the strong industry effort to extend the "open competition" rating philosophy which enables insurers to set adequate rates in response to the economic forces of the marketplace and to make coverage more widely available.

The nation's first Zero Defects quality-control program for an insurance company was launched by The Hartford in 1970 in its 55 major offices and for all 15,000 employees.

Natural Resources

The companies comprising our Natural Resources Group not only maintained their record of enlightened use of the land and its materials, but also set in motion plans designed both to increase production and to improve the environment. The group includes ITT Rayonier Incorporated, Pennsylvania Glass Sand Corporation, and Southern Wood Piedmont Company. Each company reached new highs in sales and earnings.

Rayonier produces chemical cellulose, a highly purified form of wood pulp used as a basic material in many everyday products, such as rayon, acetate, tire cord, cellophane, photographic film, sponges, and plastics. It also provides other types of wood pulps and lumber, as well as new wood derivatives called silvichemicals.

Rayonier is vitally concerned with the problem of controlling pollution resulting from the use and disposal of water. The company is currently involved with federal and state agencies in establishing continuing control programs.

A major development in 1970 was Rayonier's commitment to build a 175,000-ton-per-year chemical cellulose production addition to its present mill in Jesup, Georgia. Scheduled to be in operation by late 1972, the new unit will be equipped with the most advanced air and water protection equipment and will require a total investment of $86 million. On completion, the company's combined Jesup facilities will constitute the safest and most versatile chemical cellulose manufacturing complex in existence.

Pennsylvania Glass Sand Corporation manufactures a complete range of silica and clay products for the oil and foundry industries and for makers of flat glass, fiber glass, glass containers, ceramics, oil-absorbent compounds, and household cleaners. In its development programs the company emphasizes non-metallic new products and processes.

Southern Wood Piedmont Company, formerly Southern Wood Preserving Company, increased its production of railroad ties, utility poles, and treated lumber that is fire and weather resistant.

Defense Space

ITT strengthened its long-maintained role in defense electronics and space technology as a contributor to research and development programs, a producer of equipment and systems, and a provider of critical services.

Through Federal Electric Corporation we supported the Apollo missions with technical services at Cape Kennedy and operation of tracking ships at sea, and received a U.S. Army contract to operate, maintain and train South Vietnamese to take over a major integrated communication system in South Vietnam.

In 1970 ITT Arctic Services, Inc. continued to operate and maintain the Distant Early Warning (DEW) Line, the Ballistic Missile Early Warning System (BMEWS), and the White Alice communication system.

ITT's French laboratory company completed the development of the RATAC ground surveillance radar system, being produced under multi-million-dollar contracts for the defense forces of France, Germany and the United States by the ITT radar suppliers in those countries. ITT Gilfillan Inc. received further orders for its sea- and land-based air surveillance radars being produced for the U.S. Navy and Marine Corps, respectively.

ITT subsidiaries in France and Germany have started development, under their governments' joint sponsorship, of a next-generation airborne microminiature TACAN set scheduled to be operational through the 1970s.

Our Aerospace/Optical Division strengthened its position in development and production of satellite navigation systems for marine applications. ITT Electron Tube Division has developed a high-power light source which uses xenon gas and closely approximates the quality of sunlight. Originally for tactical illumination, it is now being applied to non-military uses. The division's Fort Wayne operation began deliveries on a large order for new-generation VHF/UHF communication equipment for the U.S. Air Force and the Federal Aviation Agency.

ITT Avionics, among many activities, developed and produced intricate countermeasure systems for the defense of naval vessels and aircraft.

ITT Defense Communications Division was commended by the Department of Defense for its 100% compliance with delivery deadlines on advanced tactical radio communication sets. It also received a major contract from the U.S. Navy for development of shipboard receiving stations for satellite communications.

ITT Space Communications Inc. completed four satellite-communication earth stations during 1970—in Colombia, Greece, Spain, and Guam—and an additional station will be erected in the Democratic Republic of the Congo. Our principal German company placed in operation the first of 13 earth stations being built by ITT as prime contractor for the NATO Phase II program.

Social/Environmental Relations

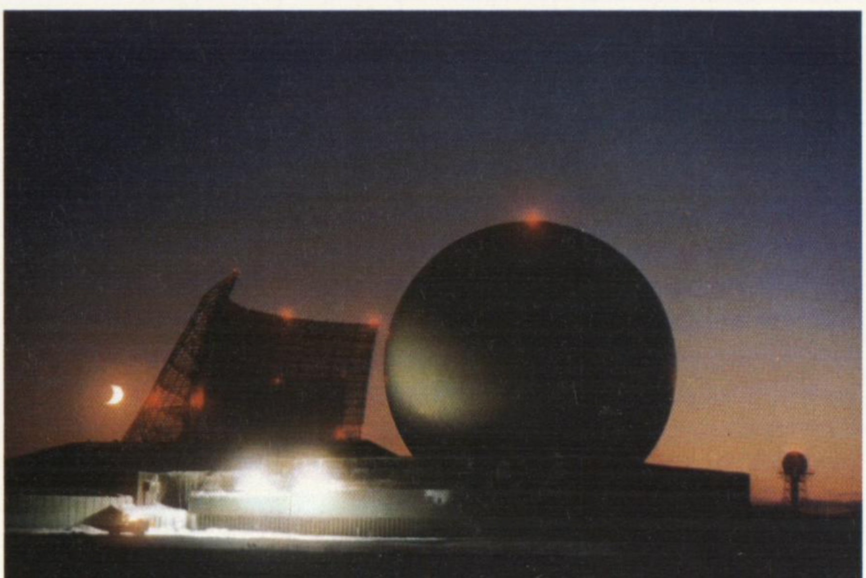
The year 1970 brought a spreading awareness of the social/environmental responsibility of all segments of society, including business. ITT has been a pioneer in recognizing and fulfilling this responsibility, as indicated last year in our 50th annual report. During 1970, the Company moved ahead in efforts to build a better world society. Its activities to this end, too numerous to list, include the following recent and current programs.

We provided equal employment opportunity and the upgrading of skills of minority group members by hiring nearly 4,000 workers under the National Alliance of Businessmen's JOBS program. This is about four times the national average.

ITT Chairman and President Harold S. Geneen is now serving his third year as chairman of NAB's Region II,

Left: ITT's Federal Electric Corporation operates data acquisition and display facilities at space and missile test center in California.

Right: Clear, Alaska site of Ballistic Missile Early Warning System (BMEWS). The System is operated and maintained by ITT Arctic Services, Inc.



which covers New York, New Jersey, Puerto Rico and the Virgin Islands. He is also a member of NAB's board.

Many members of minority groups have difficulty in obtaining venture capital from conventional sources.

To assist in solving this social problem, ITT has invested in a MESBIC (Minority Enterprise Small Business Investment Company) under a U.S. Department of Commerce program. Rutgers University Graduate School of Business Administration runs the project with the help of ITT executives.

ITT sponsored 47 drug education seminars during 1970 to alert communities to the drug problem, its patterns, symptoms, facilities for treatment, and methods of curbing drug abuse. Fifty similar seminars are planned for this year.

In Hawaii, ITT Worldcom turned over a building, rent-free for a year, to the newly-formed Kailua Drug Clinic, just ouside Honolulu.

Responding to needs of the people affected by the 1970 Peruvian earthquake, Sheraton airlifted five tons of blankets together with 32 tons of clothing and bedding collected from Sheraton employees, guests and other ITT units throughout the United States.

ITT's involvement in mankind's social, economic and cultural well-being deepened during 1970.

Above: An ITT grant to the Brooklyn Academy of Music helped make possible the first U.S. appearance, early in 1971, of Maurice Béjart's Brussels-based Ballet of the 20th Century.

Right: A New Jersey clothing business testifies to the success of ITT's participation in the U.S. Commerce Department's MESBIC program fostering minority enterprise.

Facing page: The Hartford Insurance Group assisted a women's civic organization in setting up three new day care centers in Hartford's inner city.

Hartford Life has pledged $2 million under the life insurance industry's urban renewal program.

A grant by ITT to the Brooklyn Academy of Music helped finance the American debut of Maurice Béjart's Ballet of the 20th Century from Brussels. The grant not only helped defray general expenses but enabled the Academy to offer student tickets at greatly reduced rates in recognition of Béjart's appeal to young people.

In Washington state, ITT Rayonier continues to allow public use of almost all of its 350,000 acres of land for hunting and recreation and provides, as well, camping areas with cooking facilities. Over 50,000 people used these lands in a one-year period.

ITT's many people-oriented programs include a growing number in the ecological area of prevention, abatement, and control of pollution.

Rayonier's research unit, made up of oceanographers, marine biologists, and air pollution scientists, devotes full time to solving and preventing environmental problems associated with company operations.

To date, Rayonier has invested over $25 million in air and water protection alone—$22 million for water and $3 million for air.

Pennsylvania Glass Sand Corporation has vast land reclamation projects in Virginia and Florida. Its reclamation in Maryland brought it a conservation program-of-the-year award.

ITT's sense of social responsibility extends to its overseas operations.

At Meaux in France, the ITT components plant was the first in the country to design its assembly line and factory to facilitate employment of the physically handicapped. The company is also active in organizing sports events for the handicapped.

Standard Elektrik Lorenz is the first West German company to set up a medical fund to afford employees free medical examinations for early detection of cancer and other diseases.

Financial Statements

Financial Summary

Sales and Revenues

Worldwide sales and revenues totaled $6.4 billion, an increase of 12% over the $5.7 billion in 1969, after restatement for companies acquired in "poolings of interests" transactions. Net sales and revenues in the United States and Canada amounted to $3.7 billion, or 58% of the total worldwide sales and revenues. Sales and revenues do not include premiums earned by insurance subsidiaries nor income of the finance companies, primarily from United States and Canadian sources, which aggregated $1.2 billion in 1970, an increase of 18% over the preceding year.

Net Income

Consolidated net income amounted to $353 million in 1970, an increase of 21% over the net income of $293 million in 1969, after restatement to reflect "poolings of interests" transactions.

On a per share basis, earnings for the year 1970, after recognition of all common stock equivalents, were equal to $3.17 per share compared with restated earnings of $2.65 per share for 1969, an increase of 20%. The rates of increase reflected above were highlighted by the significant improvement in earnings of Hartford Fire Insurance Company in 1970. Earnings per share if Hartford had been excluded would have reflected a 10% improvement over the preceding year.

Capital Expenditures

The corporate program for the improvement and expansion of plant and facilities involved capital expenditures of $615 million. Of this total, consumer and business services utilized $241 million, manufacturing facilities used $268 million, and the utility operations required $106 million. During 1970, depreciation amounted to $210 million as compared with $193 million in the prior year.

Stockholders' Equity

After restatement for "poolings of interests" transactions, stockholders' equity increased to $2.8 billion at the close of 1970 from $2.6 billion at December 31, 1969. The return on stockholders' average equity was 13.0% in 1970 as compared with 11.6% in 1969.

New Financing

In 1970, the Corporation, together with its wholly-owned subsidiary International Standard Electric Corporation, increased their domestic credit lines with forty-one banks from $209 million to $313 million with interest at the banks' prime rate. $300 million represented three-year revolving credit lines and at year-end $30 million of borrowings was outstanding.

International Standard Electric Corporation also had available $140 million in confirmed three-to-five-year credit lines abroad and at year-end was borrowing $30 million under these facilities.

In October the Corporation sold $100 million of its 8.90% debentures due 1995 and $50 million of its 8.30% notes due 1975.

Long-term financing by domestic subsidiaries included a public offering of $40 million 25 year debentures by ITT Continental Baking Company, and the placement with institutional investors of $10 million each by ITT Aetna Corporation and ITT Thorp Corporation. Abroad, International Standard Electric Corporation sold a $30 million 15 year debenture issue, and a 15 year 60 million Swiss Francs issue, equivalent to approximately $14 million.

In the first quarter of 1971 International Standard Electric Corporation sold in the European market $25 million of its 8¼% sinking fund debentures due 1986. Other issues planned for early 1971 include a public offering of convertible preferred stock of the Corporation, a public offering of $35 million of debentures by Puerto Rico Telephone Company and the placement with institutional investors of long-term debt issues consisting of $25 million each for ITT Aetna Corporation and ITT Credit Corporation, and $20 million for ITT Thorp Corporation.

Accounting Policies

It is the Corporation's policy to employ generally accepted accounting principles on a consistent basis so as to present fairly its financial position and results of operations. A continuing program for disclosure of significant accounting approaches is being carried on by the Corporation. Several of the more important of these policies are described below:

Depreciation: The Corporation claims the maximum allowable depreciation deduction for tax purposes, using accelerated techniques as allowed in its various statutory environments. It thus minimizes the use of corporate funds for tax payments. However, for financial reporting purposes, depreciation is reflected on a straight-line basis in order to distribute costs evenly over the useful economic lives of the assets involved. Appropriate adjustment for the deferred tax effects of the indicated timing differences is recorded currently.

Capitalized Interest: It is the Corporation's policy to capitalize interest on funds associated with major project expenditures covering acquisition of land for development, activation of telecommunication systems, construction of buildings and installation of production equipment. Capitalization of interest ceases when construction is completed and the property is committed to productive use. The capitalized costs are written off over the useful lives of the assets to which they relate.

Research and Development: Significant costs are incurred each year in connection with research and development programs that are expected to contribute substantial profits to the operations of future years. Because of uncertainties involved in measuring the future benefits to be derived, the Corporation makes no deferral of such expenditures but charges current income with all costs of research and development activities incurred during the period.

Dividends on Common Stock

For the seventh consecutive year, the Board of Directors voted, in the last quarter of 1970, to increase the dividend on the Common Stock. Such dividend was increased from $1.05 per share to $1.15 per share.

Manpower

World-wide manpower increased from the preceding year by 4% (as restated) to 392,000 employees at December 31, 1970. This compares favorably with the 13% increase in sales and revenues and premium income, and is attributable to corporate emphasis on improvement of employee productivity.

Consolidated Balance Sheets

December 31, 1970 and 1969
Thousands of Dollars

Assets

	1970	1969
CURRENT ASSETS		
Cash	$ 275,678	$ 292,946
Accounts and notes receivable	1,053,441	852,314
Inventories	1,259,686	1,060,633
Other current assets	213,372	163,711
	2,802,177	2,369,604
INVESTMENTS, DEFERRED RECEIVABLES AND OTHER ASSETS		
Hartford Fire Insurance Company* (Page 37)	533,782	485,404
Finance subsidiaries (Page 35)	263,677	199,450
Other investments, at cost	119,859	154,183
Accounts receivable due subsequent to one year	125,299	99,696
Other assets	150,357	224,503
	1,192,974	1,163,236
PLANT, PROPERTY AND EQUIPMENT, at cost	4,163,522	3,546,032
Less—Accumulated depreciation	1,461,662	1,309,813
	2,701,860	2,236,219
	$6,697,011	$5,769,059

Liabilities and Stockholders' Equity

	1970	1969
CURRENT LIABILITIES		
Loans and current maturities of long-term debt	$ 858,608	$ 667,301
Accounts payable and accrued liabilities	858,985	732,632
Accrued taxes	159,063	168,849
	1,876,656	1,568,782
RESERVES AND DEFERRED LIABILITIES	273,218	261,825
DEFERRED INCOME TAXES	151,403	83,336
LONG-TERM DEBT (Page 31)	1,458,806	1,150,837
MINORITY EQUITY IN SUBSIDIARIES CONSOLIDATED	113,300	83,545
	3,873,383	3,148,325
STOCKHOLDERS' EQUITY		
Cumulative Preferred Stock (Page 31)	567,706	572,942
Common Stock		
Authorized 150,000,000 shares, $1 par value		
Outstanding 67,819,988 and 66,902,135 shares	67,820	66,902
Capital Surplus	444,530	436,445
Retained Earnings	1,743,572	1,544,445
	2,823,628	2,620,734
	$6,697,011	$5,769,059

**99.8% of Stockholders' Equity.*

The accompanying notes to financial statements are an integral part of the above statements.

Consolidated Income

Years ended December 31, 1970 and 1969
Thousands of Dollars

	1970	1969
SALES AND REVENUES		
Manufacturing	$3,696,229	$3,200,562
Consumer and business services	2,435,090	2,240,467
Telecommunication utilities	233,175	230,392
	6,364,494	5,671,421
COSTS AND EXPENSES (including depreciation of $210,477 and $193,462)		
Cost of sales and operating expenses—		
Manufacturing	2,858,272	2,477,405
Consumer and business services	1,864,028	1,725,111
Telecommunication utilities	133,964	131,217
Selling and general expenses	944,794	862,605
	5,801,058	5,196,338
	563,436	475,083
Equity in net earnings—		
Hartford Fire Insurance Company (Page 37)	87,684	50,074
Finance subsidiaries (Page 35)	20,832	15,224
INCOME FROM OPERATIONS	671,952	540,381
Dividends, interest and other income	53,192	52,945
Interest and other financial charges	(157,347)	(113,304)
	567,797	480,022
INCOME TAXES AND MINORITY EQUITY		
U.S. and foreign income taxes	(195,569)	(174,062)
Minority common stockholders' equity in net income	(18,921)	(13,337)
NET INCOME	$ 353,307	$ 292,623
EARNINGS PER SHARE		
Net income per common and common equivalent share	$3.17	$2.65
Net income on a fully diluted basis	$3.09	$2.58

The accompanying notes to financial statements are an integral part of the above statements.

Consolidated Retained Earnings

Years ended December 31, 1970 and 1969
Thousands of Dollars

	1970	1969
BALANCE—Beginning of year, as previously reported		$ 955,437
Add—Restatement for companies added through poolings of interests in 1970		427,577
BALANCE—Beginning of year, as restated	$1,544,445	1,383,014
Add (Deduct)—		
Net income	353,307	292,623
Dividends of the Corporation—		
Preferred stock	(66,701)	(31,434)
Common stock—$1.07½ and $.97½ per share	(71,427)	(60,838)
Dividends of companies prior to poolings of interests—		
Hartford Fire Insurance Company	(15,351)	(30,280)
Other companies	(701)	(8,640)
BALANCE—End of year	$1,743,572	$1,544,445

Consolidated Capital Stock and Capital Surplus

Year ended December 31, 1970
Thousands of Dollars

	Capital Stock				
	Cumulative Preferred		Common		Capital Surplus
	Shares	Amount	Shares	Amount	
BALANCE—Beginning of year, as previously reported	9,732,825	$489,211	65,371,218	$65,371	$436,221
Add—Restatement for companies added through poolings of interests in 1970	22,387,933	83,731	1,530,917	1,531	224
BALANCE—Beginning of year, as restated	32,120,758	572,942	66,902,135	66,902	436,445
Add (Deduct)—					
Issues under employees' stock option and purchase plans	39,470	1,848	106,487	107	1,844
Conversions of debt and preferred stock	(365,148)	(7,809)	780,181	780	15,963
Issues for net assets of companies acquired	10,974	830	31,185	31	2,327
Redemptions through retirement fund	(2,000)	(200)	—	—	—
Expenses in connection with the issuance of capital stock	—	—	—	—	(12,049)
Transactions of companies prior to poolings of interests	1,729	95	—	—	—
BALANCE—End of year	31,805,783	$567,706	67,819,988	$67,820	$444,530

The accompanying notes to financial statements are an integral part of the above statements.

Long-Term Debt

December 31, 1970
Thousands of Dollars

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION—		
8.90% Sinking Fund Debentures, due 1980-95		$ 100,000
8.30% Promissory Notes, due 1975		50,000
4⅞% Promissory Notes, due 1971-84		45,000
4.90% Sinking Fund Debentures, due 1971-87		35,002
5¼% Promissory Notes, due 1971-76		11,250
5% Installment Notes, due 1971-72		6,700
4% Convertible Subordinated Notes, due 1985		5,000
Other		14,045
		266,997
SUBSIDIARIES CONSOLIDATED—		
Payable in—U.S. Dollars—6.6%*	$931,122	
German Deutschemarks—7.3%*	100,152	
English Pounds—6.9%*	97,888	
Swiss Francs—5.0%*	51,621	
Other currencies	96,904	1,277,687
		1,544,684
Less—Amounts due within one year (included in current liabilities on balance sheet)		85,878
Total		$1,458,806

**Average interest rates.*

Cumulative Preferred Stock

December 31, 1970
Thousands of Dollars

Authorized 50,000,000 shares, without par value, outstanding in series (liquidation preference $100 per share, except for the $2.25 Convertible Series N which is $34 per share, aggregating $1,763,645):

Issue	Shares	Stated Value
Non Convertible (indicating current redemption price per share):		
$5.25 Series ($104.50)	35,000	$ 3,500
$5.25 Series B ($104.50)	26,002	2,600
$5.50 Series L ($105.00)	128,000	12,800
$6.00 Series M ($105.00)	39,134	3,913
Convertible (indicating shares of common stock into which each share is convertible):		
$4.00 Convertible Series (3.40)	5,180	518
$4.00 Convertible Series B (3.40)	28,064	2,806
$4.00 Convertible Series C (3.37)	54,418	5,442
$4.00 Convertible Series D (3.33)	162,046	16,205
$4.00 Convertible Series E (3.08)	179,464	17,946
$4.00 Convertible Series F (2.86)	125,924	12,592
$4.00 Convertible Series H (1.82)	566,221	56,622
$4.50 Convertible Series I (1.64)	2,149,153	42,035
$4.00 Convertible Series J (1.63)	999,900	99,990
$4.00 Convertible Series K (1.56)	5,838,594	222,336
$2.25 Convertible Series N (1.25)	21,468,683	68,401
Total	31,805,783	$567,706

The accompanying notes to financial statements are an integral part of the above statements.

Notes to Financial Statements

Principles of Consolidation

The consolidated financial statements include the accounts of all significant majority-owned subsidiaries except Hartford Fire Insurance Company and the finance subsidiaries. The investments in Hartford and the finance subsidiaries are carried at amounts equivalent to the Corporation's equity in their underlying net assets. Consolidated financial statements for Hartford and combined financial statements for the finance subsidiaries are shown on pages 37 and 35, respectively.

The consolidated financial statements include retroactively the accounts of, or the equity in, and shares issued in exchange for, companies added through poolings of interests during 1970, including 99.8% interest in Hartford acquired in June, 1970 through the issuance of 21,735,702 shares of Cumulative Preferred Stock, $2.25 Convertible Series N. The Corporation's equity in the net earnings of Hartford for the six months ended June 30, 1970 was $31,169,000.

Restatements for poolings of interests have increased sales and revenues, and net income for 1969 from amounts previously reported by $196,678,000 and $58,589,000, respectively, including $50,074,000 of net income attributable to Hartford.

Approximately 65% of consolidated net income for 1970 represents earnings of United States and Canadian operations. A general grouping of net assets as of December 31, 1970 by principal operations and location is shown on page 34.

Foreign Exchange

Procedures followed in translating accounts of foreign subsidiaries into terms of U.S. dollars are consistent with those of preceding years. Net assets are translated, generally, at the applicable rates of exchange in effect at the year-end except for property and investment accounts which are translated at historic rates of exchange. Income accounts are translated, generally, at the average rates of exchange prevailing during the year, except for provisions for depreciation which are translated on the basis of the U.S. dollar equivalents of the related net asset accounts. Foreign exchange gains or losses, including those arising from translation of net assets at year-end, are included in consolidated net income, except for the extraordinary loss in 1969 on the devaluation of the French Franc, amounting to $2,317,000 which was charged to the reserve for foreign operations.

Inventories

Inventories are stated, generally, at the lower of cost (first-in, first-out) or market. Inventories include substantial amounts of costs accumulated under firm electronic equipment orders and defense contracts, less applicable progress payments. Inventories also include $201,450,000 and $168,029,000 at December 31, 1970 and 1969, respectively, of land and houses under development.

Capital Stock

At December 31, 1970, a total of 137,039 shares of the authorized and unissued Cumulative Preferred Stock and 3,152,466 shares of Common Stock are reserved for conversion or exchange of $186,229,000 principal amount of debt of the Corporation and its subsidiaries. In addition, 43,892,551 shares of Common Stock are reserved for conversion of outstanding shares of Cumulative Preferred Stock and 478,541 shares of Common Stock are reserved for conversion of shares of Cumulative Preferred Stock which could be issued upon conversion or exchange of debt securities, acquisition of minority shares of a subsidiary or exercise of substitute stock options.

A maximum of 857,502 shares of Common Stock are reserved for conversion of shares of preferred stock of subsidiaries.

Under terms of the agreements covering the acquisition of certain subsidiaries, a maximum of 192,514 shares of Common Stock and 41,634 shares of Cumulative Preferred Stock are reserved for possible future issuance.

A maximum of 274,954 shares of Common Stock and 5,847 shares of Cumulative Preferred Stock are reserved for issuance in connection with outstanding warrants.

Stock Options and Incentive Purchase Plan

Under the Corporation's several Stock Option Incentive Plans, shares of Common Stock have been made available for options to employees of the Corporation and its subsidiaries. Awards made after June 1970 may include stock options which can be exercised either as qualified or as unqualified options at the determination of the recipient. Qualified options are exercisable over a five-year period from date of grant, and unqualified options are exercisable over a ten-year period from date of grant. The price for the shares covered by each option is 100% of the fair market value on the date such option is granted.

A summary of shares subject to options during the year 1970 is shown below:

Balance, January 1, 1970	1,297,038
Add—Options granted at $32.88 to $59.32 per share	640,700
	1,937,738
Deduct—	
Options exercised at $26.91 to $54.69 per share	(81,503)
Options canceled	(54,616)
Balance, December 31, 1970	1,801,619

At December 31, 1970 a total of 308,000 shares of Common Stock or their stock unit equivalent are available for future grant under the Corporation's 1970 Incentive Plan. Such Plan includes provisions for the issuance of qualified and unqualified stock options and performance stock unit awards. During 1970, no performance stock unit awards were made. In addition, 221,608 shares of Common Stock were available for future grants of qualified stock options under previous plans and 700,406 shares of Common Stock were available for future grants of unqualified stock options.

As part of the poolings of interests with several companies, the Corporation has also granted options to purchase shares of the Corporation's Cumulative Preferred Stock and Common Stock as substitutes for stock options held by employees of those companies. The Substitute Stock Options were granted for the number of shares of Cumulative Preferred Stock and Common Stock which generally would have been issued in respect of the optioned shares of such companies had they been outstanding at the dates of the poolings of interests. A summary of shares subject to these options during the year 1970 is shown below:

	Cumulative Preferred Stock	Common Stock
Balance, January 1, 1970	46,451	122,978
Add (Deduct)—		
Options granted	109,227	307
Options exercised	(39,470)	(24,984)
Options canceled	(1,690)	(4,113)
Balance, December 31, 1970	114,518	94,188

During 1970, 120,373 shares of Common Stock were sold to employees under the Career Executive Incentive Stock Purchase Plan at prices ranging from $27.25 to $29.50 per share. The shares sold to employees are recorded at fair market value and the excess of the fair market value over the sales proceeds is being charged to expense over the employees' remaining periods of employment. It is expected that no further awards will be made under the Plan.

Pension Plans

The Corporation and some of its subsidiaries have in effect individual pension plans which are generally non-contributory for the employee and provide for various types of retirement and death benefits. The companies provide for costs of such plans in accordance with actuarial determinations and the costs applicable to past service at the time of adoption or modification of the plans are amortized over a period of years, the maximum being forty years. The total pension expense amounted to $57,143,000 for 1970 and $47,818,000 for 1969. In the case of funded plans, the companies deposit the amounts provided with trustees. For substantially all plans at December 31, 1970, the total of pension funds and the accrued liabilities for pension obligations was in excess of the vested benefits.

Retained Earnings

Under the most restrictive provision of the Corporation's long-term debt agreements, $35,834,000 of the Corporation's retained earnings of $91,562,000 are unrestricted as to the payment of dividends.

The undistributed earnings of subsidiaries consolidated should not be understood to be immediately available for payment of dividends since the retained earnings of some subsidiaries are subject to certain restrictions on the amount of dividends that may be paid and to foreign taxes payable on declaration of dividends.

Income Taxes

The effective income tax rates for 1970 and 1969 differ from statutory rates principally as a result of (1) inclusion of equity in earnings of Hartford and finance subsidiaries on an after-tax basis, (2) lower tax rates applicable to certain foreign income and capital gains, and (3) investment credits allowed by U.S. and foreign governments.

Deferred income taxes arise principally from the use of accelerated depreciation for income tax purposes and straight-line depreciation for financial reporting purposes, and from other expenditures reflected in differing periods for financial reporting and income tax purposes. Provisions for deferred income taxes have reduced 1970 and 1969 consolidated income by $59,638,000 and $14,946,000, respectively, although such taxes will not be payable until future years.

Earnings Per Share

Net income per common and common equivalent share is based on the average number of shares outstanding during each year, after giving effect retroactively to shares issued in exchange for companies added through poolings of interests and to those outstanding securities, stock options and warrants which are deemed to be common stock equivalents with a dilutive effect. Securities considered as common stock equivalents with a dilutive effect in 1970 and 1969 are the $4.00 Convertible Series H, J and K, $4.50 Convertible Series I, $2.25 Convertible Series N, certain convertible debentures of subsidiaries and the convertible preference stock of a subsidiary. With respect to options and warrants, it has been assumed that the proceeds have been used to acquire capital stock of the Corporation.

Net income per common share assuming full dilution gives effect to conversion as of the beginning of each year or date of issue, if later, of all convertible securities which would have a dilutive effect.

Commitments and Contingencies

At December 31, 1970, the Corporation and its subsidiaries consolidated were obligated under long-term lease contracts expiring on varying dates generally prior to 1996, with aggregate annual rentals of approximately $61,000,000, including $19,000,000 attributable to hotels and parking facilities.

The Corporation and its subsidiaries consolidated, in accordance with continuing operating arrangements, have guaranteed borrowings of wholly-owned finance subsidiaries of approximately $27,000,000 at December 31, 1970, and are contingently liable for receivables discounted of approximately $168,000,000, arising principally from sales of telecommunication equipment to public administrations.

In connection with the mergers of Canteen Corporation and Grinnell Corporation with wholly-owned subsidiaries of ITT in 1969 and the acquisition of Hartford Fire Insurance Company in 1970, the United States Government instituted separate suits asserting that these transactions violated Section 7 of the Clayton Act and requested divestment of the acquired companies. The operations of these companies represented approximately 12% of consolidated sales and revenues and 33% of consolidated net income in 1970. Pending final adjudication of the litigation, ITT has agreed that it will hold separate the Canteen, Grinnell and Hartford businesses from the other businesses of ITT. The Corporation has been advised by counsel that the acquisitions do not violate any existing laws as they have been construed by the courts to date, and it is asserting a vigorous defense. On December 31, 1970 the U.S. District Court rendered its decision in favor of the Corporation, dismissing the complaint pertaining to the Grinnell action. The Court directed that the provisions of the hold-separate order remain in force pending resolution of appeal proceedings. The Government has filed a notice of appeal in this case.

The Corporation and its subsidiaries are also involved in other lawsuits, including matters relating to pollution and anti-trust class actions. The ultimate liability with respect to these, other guarantees, taxes, claims, etc., is not considered to be material in relation to the financial position of the Corporation and its subsidiaries consolidated.

Consolidated Source and Application of Funds

Years ended December 31, 1970 and 1969

Thousands of Dollars

	1970	1969
Source of Funds:		
Net income including minority equity	$372,228	$305,960
Depreciation	210,477	193,462
Increase in reserves, deferred liabilities and deferred income taxes	79,460	50,271
Equity in undistributed earnings of Hartford Fire Insurance Company and finance subsidiaries	(80,914)	(61,401)
Proceeds from issuance of long-term debt, less repayments and conversions of $94,940 and $105,498	307,969	173,131
Issuance of capital stock	15,816	54,296
Change in minority equity	10,834	(8,541)
	$915,870	$707,178
Application of Funds:		
Plant, property and equipment, less sales and retirements of $42,856 and $99,702	$676,118	$459,781
Dividends	138,829	100,912
Investments in and advances to finance subsidiaries	47,042	43,068
Expenses in connection with the issuance of capital stock	12,049	4,390
Changes in investments, deferred receivables and other assets	(82,867)	150,543
Increase (decrease) in working capital	124,699	(51,516)
	$915,870	$707,178

General Grouping of Net Assets

December 31, 1970

Thousands of Dollars

	Consolidated	Manufacturing	Consumer and Business Services	Telecommunication Utilities
Assets				
Current Assets	$2,802,177	$1,951,027	$ 783,356	$ 67,794
Investments, Deferred Receivables and Other Assets—				
Hartford and Finance	797,459	—	797,459	—
Other	395,515	214,799	144,277	36,439
Plant, Property and Equipment	4,163,522	2,096,420	1,310,333	756,769
Accumulated Depreciation	(1,461,662)	(862,089)	(442,718)	(156,855)
	6,697,011	3,400,157	2,592,707	704,147
Liabilities				
Current Liabilities	1,876,656	1,240,211	443,261	193,184
Reserves and Deferred Liabilities	424,621	299,636	89,314	35,671
Long-Term Debt	1,458,806	653,646	544,647	260,513
Minority Equity in Subsidiaries Consolidated	113,300	57,192	19,539	36,569
	3,873,383	2,250,685	1,096,761	525,937
Net Assets	$2,823,628	$1,149,472	$1,495,946	$178,210
Net Assets Employed				
United States and Canada	$2,079,324	$ 728,943	$1,285,169	$ 65,212
Foreign	744,304	420,529	210,777	112,998
	$2,823,628	$1,149,472	$1,495,946	$178,210

The accompanying notes to financial statements are an integral part of the above statements.

ITT Finance Subsidiaries

Combined Balance Sheets

December 31, 1970 and 1969

Thousands of Dollars

	1970	1969*
ASSETS		
Cash	$ 69,653	$ 79,590
Notes and installment obligations receivable, ($63,675 and $52,885 pledged to secure short-term obligations) net of unearned income and reserves—		
Affiliated companies	89,807	73,246
Other customers	665,295	610,703
Investments in insurance companies, at cost plus undistributed earnings	111,686	43,833
Investments in property, leased to affiliated companies	13,473	13,232
Other assets	39,543	38,994
	$989,457	$859,598
LIABILITIES		
Bank loans and other short-term obligations	$505,421	$444,175
Accounts payable and accrued liabilities	29,756	29,132
Long-term debt, due 1971-1987—average interest rate 6.5%	190,603	186,841
	725,780	660,148
ITT EQUITY		
Subordinated debt and advances	36,340	57,554
Capital stock and capital surplus—increase in 1970 attributable to capital contributions ($11,721) and companies acquired ($56,674)	158,461	90,066
Retained earnings—$34,815 restricted as to payment of dividends	68,876	51,830
	263,677	199,450
	$989,457	$859,598

Combined Income and Retained Earnings

Years ended December 31, 1970 and 1969

Thousands of Dollars

	1970	1969*
INCOME (including $10,896 and $8,330 from affiliated companies)		
Interest	$106,472	$ 90,385
Commissions	4,827	5,137
Rentals and other income	10,413	7,036
	121,712	102,558
EXPENSES		
Interest	54,037	41,966
Administrative expenses, etc.	52,146	47,931
U.S. and foreign income taxes	6,373	6,332
	112,556	96,229
	9,156	6,329
Equity in net earnings of insurance companies	11,676	8,895
NET INCOME	20,832	15,224
Add—Retained earnings at beginning of year	51,830	40,644
(Deduct)—Dividends	(3,786)	(4,038)
RETAINED EARNINGS at end of year	$ 68,876	$ 51,830

**1969 restated to include the accounts of companies added through poolings of interests.*

Auditors' Report

ARTHUR ANDERSEN & CO.

To The Stockholders,
International Telephone and Telegraph Corporation:

We have examined the consolidated balance sheets of International Telephone and Telegraph Corporation (a Delaware corporation) and subsidiaries consolidated as of December 31, 1970 and 1969, the combined balance sheets of the ITT Finance Subsidiaries as of such dates, the related statements of income, retained earnings and the statement of consolidated source and application of funds for the years then ended and the statement of consolidated capital stock and capital surplus for the year ended December 31, 1970. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Hartford Fire Insurance Company and certain other subsidiaries included in the accompanying statements, but we were furnished with reports of other auditors thereon.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the accompanying financial statements present fairly the financial position of International Telephone and Telegraph Corporation and subsidiaries consolidated and of the ITT Finance Subsidiaries as of December 31, 1970 and 1969, and the results of their operations and the consolidated source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

New York, N.Y.
March 3, 1971.

Hartford Fire Insurance Company and Subsidiaries Consolidated

Consolidated Balance Sheets

December 31, 1970 and 1969

Thousands of Dollars

	1970	1969
Assets		
Bonds, at amortized cost (market value $902,027 and $661,764)	$1,000,080	$ 848,854
Stocks, at cost (market value $733,236 and $720,674)	494,687	437,816
Investments in life insurance subsidiaries, at equity	41,198	38,634
Real estate and mortgage loans	73,766	61,376
Cash	22,007	21,774
Deposits/equities in underwriting associations	26,264	38,465
Accounts and notes receivable	271,403	213,891
Prepaid acquisition costs applicable to unearned premiums	163,807	142,343
Other assets	23,593	18,730
	$2,116,805	$1,821,883
Liabilities		
Unpaid claims and claim expenses	$ 806,894	$ 696,214
Unearned premiums	606,786	518,580
Accounts payable, accrued expenses, etc.	97,585	62,856
Deferred income taxes	70,688	57,856
	1,581,953	1,335,506
Stockholders' Equity		
Common stock—		
Authorized 40,000,000 shares $2.50 par value		
Issued 22,000,000 shares	55,000	55,000
Capital surplus	22,514	22,674
Retained earnings	464,141	415,526
Treasury stock, at cost (222,664 and 222,894 shares)	(6,803)	(6,823)
	534,852	486,377
	$2,116,805	$1,821,883

Consolidated Income and Retained Earnings

Years ended December 31, 1970 and 1969

Thousands of Dollars

	1970	1969
NET PREMIUMS EARNED	$1,124,615	$ 953,805
Claims and claim expenses	777,010	655,446
Underwriting expenses	355,025	308,971
Dividends to policyholders	6,248	4,785
	1,138,283	969,202
NET LOSS FROM UNDERWRITING	(13,668)	(15,397)
Investment income less expenses of $22,575 and $20,774	74,872	65,772
Equity in operating profit of life insurance subsidiaries	4,438	1,489
Other income (expense)—net	(3,277)	(6,999)
NET OPERATING INCOME BEFORE INCOME TAXES	62,365	44,865
U.S. and foreign income taxes	(8,316)	(3,769)
NET OPERATING INCOME	54,049	41,096
Net realized investment gains, after applicable income taxes of $13,765 and $3,450	33,811	8,015
Benefit from income tax loss carry-forwards applicable to prior years	—	1,063
NET INCOME	87,860	50,174
Add—Retained earnings at beginning of year	415,526	395,693
(Deduct)—Dividends	(39,245)	(30,341)
RETAINED EARNINGS at end of year	$ 464,141	$ 415,526

The accompanying notes to financial statements are an integral part of the above statements.

Hartford Fire Insurance Company and Subsidiaries Consolidated

Notes to Financial Statements

Basis of Financial Statements

The financial statements have been prepared on the basis of generally accepted accounting principles. These statements differ in certain material respects from the statutory basis of accounting prescribed by the various state regulatory authorities. The principal differences are that under generally accepted accounting principles common and preferred stocks are carried at cost rather than the current market values, prepaid acquisition costs applicable to unearned premiums and non-admitted assets are recorded and statutory reserves are restored to surplus. The consolidated financial statements include the accounts of all majority owned subsidiaries except the life insurance subsidiaries, which are carried at an amount equivalent to Hartford's equity in their underlying net assets.

The financial statements include retroactively the accounts of two minor subsidiaries acquired on a pooling of interests basis subsequent to December 31, 1970.

In connection with the affiliation with ITT in 1970, the Certificate of Incorporation of Hartford was amended to provide that, for a period of ten years, Hartford will not in any year transmit funds to ITT in excess of earnings of Hartford for the year as reported on the basis of generally accepted accounting principles.

Pension Plans

Hartford and its subsidiaries have non-contributory retirement plans which provide for various retirement and death benefits. The companies provide for the costs of such plans in accordance with actuarial determinations and the costs applicable to past service at the time of adoption or modification of the plans are amortized over various periods, the maximum being forty years. Total pension expense amounted to $10,006,000 for 1970 and $9,855,000 for 1969. In the case of funded plans, the companies' policy is to fund pension costs accrued through contributions to group annuity contracts and trust funds.

Income Taxes

Substantial variations exist in the relationship of Federal income taxes to pre-tax income as shown in the financial statements. Such variations result primarily from the availability of the 85% dividends received deduction and the exclusion from taxable income of interest on certain bonds.

Deferred income taxes of $12,832,000 and $4,924,000 in 1970 and 1969, respectively, were provided for timing differences, arising principally from the current deduction for income tax purposes of prepaid acquisition costs applicable to unearned premiums.

As of December 31, 1969, Hartford had net operating loss carry-forwards of approximately $31,200,000 (expiring through 1974) which, subject to examination by the Internal Revenue Service, are available to offset future taxable income. In the accompanying consolidated financial statements, these operating loss carry-forwards have been recognized in the determination of deferred income taxes.

Auditors' Report

To the Board of Directors
Hartford Fire Insurance Company

We have examined the consolidated balance sheets of Hartford Fire Insurance Company and subsidiaries consolidated as of December 31, 1970 and 1969 and the related statement of consolidated income and retained earnings for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Hartford Fire Insurance Company and subsidiaries consolidated as of December 31, 1970 and 1969, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Joseph Froggatt & Co.

Hartford, Connecticut
February 12, 1971

Ten-Year Summary*

Dollar amounts in thousands except per share figures

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Results for Year										
Sales and revenues	$6,364,494	5,474,743	4,066,502	2,760,572	2,121,272	1,782,939	1,542,079	1,414,146	1,090,198	930,500
U.S. and foreign taxes	$ 528,848	380,593	290,436	204,069	162,179	135,615	120,034	87,345	65,812	54,133
Income before extraordinary items	$ 353,307	234,034	180,162†	119,221†	89,910	76,110	63,164	52,375	40,694	36,059†
Per common share	$ 3.17	2.90	2.58	2.27	2.04	1.79	1.55	1.35	1.21	1.09
Return on stockholders' equity	13.0%	11.8%	12.2%	11.7%	11.5%	10.8%	9.9%	9.1%	8.6%	8.0%
Dividends per common share	$ 1.07½	.97½	.87½	.77½	.69⅜	.61⅞	.55	.50	.50	.50
Gross plant additions	$ 615,205	513,200	362,069	238,141	168,049	145,629	119,336	123,241	114,584	105,311
Provision for depreciation	$ 210,477	190,197	158,333	116,120	73,875	63,737	50,713	39,378	30,763	31,341
R & D expenditures	$ 257,000	236,000	210,000	210,000	220,000	182,000	174,000	170,000	150,000	131,000
Year-End Position										
Net current assets	$ 925,521	772,811	672,567	528,713	318,957	367,012	308,055	333,849	296,155	268,422
Plant, property and equipment (net)	$2,701,860	2,211,478	1,835,793	1,305,829	895,438	789,849	668,240	572,469	462,323	391,347
Total assets	$6,697,011	5,192,587	4,022,400	2,961,172	2,360,435	2,021,795	1,668,853	1,469,168	1,235,781	1,088,310
Long-term debt	$1,458,806	1,145,383	931,772	744,675	433,834	428,134	309,795	293,408	266,815	182,509
Stockholders' equity	$2,823,628	2,081,309	1,652,092	1,143,568	820,007	739,620	659,925	592,429	483,531	465,061
Stockholders' equity per common share	$ 18.08	16.88	16.83	17.39	16.78	15.69	15.06	14.29	14.11	13.76
Year-End Statistics										
Orders on hand (Manufacturing)	$2,160,000	1,910,000	1,529,000	1,257,000	1,233,000	1,140,000	1,004,000	917,000	778,000	731,000
Shares of common stock outstanding (thousands)	67,820	65,371	59,059	49,940	42,168	40,530	38,720	36,924	33,258	32,750
Stockholders	239,000	213,000	185,184	130,671	109,203	106,298	104,413	100,269	92,362	94,719
Employees	392,000	353,000	293,000	236,000	204,000	199,000	185,000	173,000	157,000	149,000

* *The above data are as reported in the ITT Annual Reports for the respective years, except that number of shares and per share amounts have been adjusted for 2-for-1 stock split effective January 26, 1968.*

† *Extraordinary credits in 1968, 1967 and 1961 amounted to $12,242, $3,539 and $7,620, respectively.*

Transfer Agents for Common Stock
Office of the Corporation, 320 Park Avenue, New York, N.Y. 10022
Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill. 60690
Dresdner Bank AG, Frankfurt-am-Main, Germany

Transfer Agent for Cumulative Preferred Stock
Office of the Corporation, 320 Park Avenue, New York, N.Y. 10022

Registrars for Common Stock
First National City Bank, New York, N.Y. 10015
Harris Trust and Savings Bank, Chicago, Ill. 60690
First National City Bank, Frankfurt-am-Main, Germany

Registrar for Cumulative Preferred Stock
First National City Bank, New York, N.Y. 10015

Trustee and Registrar for 4.90% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York, New York, N.Y. 10015

Trustee and Registrar for 8.30% Notes and 8.90% Sinking Fund Debentures
Bankers Trust Company, New York, N.Y. 10015

Independent Auditors
Arthur Andersen & Co., 1345 Avenue of the Americas, New York, N.Y. 10019

General Offices
320 Park Avenue, New York, N.Y. 10022

Printed in U.S.A.