Illinois Central Industries Financial Review

Earnings

Consolidated net income, including extraordinary credits, primarily from sale of property in Chicago, was $35,141,409 in 1968. This includes the results of Abex Corporation and Waukesha Foundry Company, both acquired in pooling of interests transactions during the year. Comparable 1967 earnings were $33,901,368. Earnings per share after allowing for preferred dividend requirements were $4.14 per share in 1968 compared with $4.00 in 1967.

Dividends

Cash dividends were paid on common stock at the annual rate of $1.50 per share or 37½¢ a quarter. Holders of Series 1 Second Preferred, are entitled to receive $3.50 per share annually. A dividend of 5¢ per share was paid on this stock covering the period from the merger date of December 26 through December 31, 1968.

Acquisitions

On August 30, 1968, shares of Industries' common stock were exchanged with former holders of Waukesha Foundry Company stock. This was the first of the company's two 1968 additions to the manufacturing division.

Abex Corporation was acquired on December 26, 1968, through an exchange of shares of Series 1, $3.50 Cumulative Second Preferred stock. The exchange was on the basis of .72 shares of preferred stock for each share of Abex common stock. The preferred is convertible at any time into Illinois Central Industries' common stock on a share for share basis.

In July 1968 application was approved by the Interstate Commerce Commission for the Illinois Central Railroad to acquire the remaining 50 percent stock interest in the Waterloo Railroad Company, which then became a 100 percent subsidiary.

Stock Options

Options to purchase the Corporation's common stock and Series 1, $3.50 Cumulative Second Preferred stock are outstanding with officers and key employes under two plans for each class of stock.

The first common stock plan was adopted in 1954 by Railroad shareholders and was assumed by Illinois Central Industries in March 1963. The granting of options under this plan terminated on February 12, 1964, but a few options are still outstanding.

The second common stock plan providing for the allocation of 200,000 shares, which under the stock split of March 31, 1967 was increased to 400,000 shares, was approved by the Industries' shareholders on May 18, 1966. All options are granted at 100 percent of fair market value on the New York Stock Exchange on date of grant. Options run for a period of five years from date of grant and are exercisable at any time. Shares may not be purchased while the optionee has the right to purchase shares at a higher price under any other previously granted option. The plan expires February 18, 1976.

Option plans under which preferred stock is issued are those of Abex Corporation which were assumed by Illinois Central Industries on the merger date. The first plan was the 1957 employes' stock purchase and option plan. It terminated by its terms, except as to outstanding options and

Stock Option Plans

	Shares	Aggregate at Option Prices	Shares	Aggregate at Option Prices
Common Stock	1954 Plan		1966 Plan	
Options outstanding 12-31-67	5,320	$127,350	214,330	$8,637,762
Options granted in 1968	—	—	14,450	982,241
Transactions in 1968:				
Exercised	(5,150)	(122,894)	(64,381)	(2,401,663)
Terminated or cancelled	—	—	—	—
Options outstanding 12-31-68	170	$ 4,456	164,399	$7,218,340
Series 1, Second Preferred Stock	1957 Plan		1967 Plan	
Options outstanding at date of acquisition and 12-31-68	8,778	$371,046	36,845	$1,557,438

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