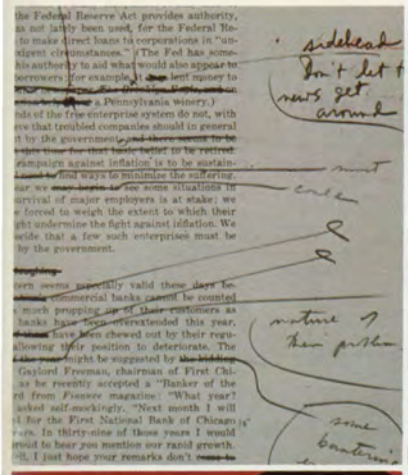
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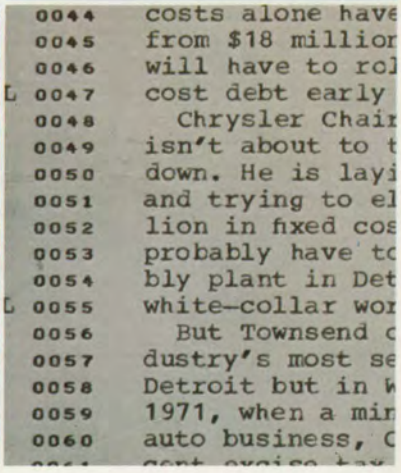












TIME INCORPORATED 1974 ANNUAL REPORT



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PUBLISHING

FOREST PRODUCTS








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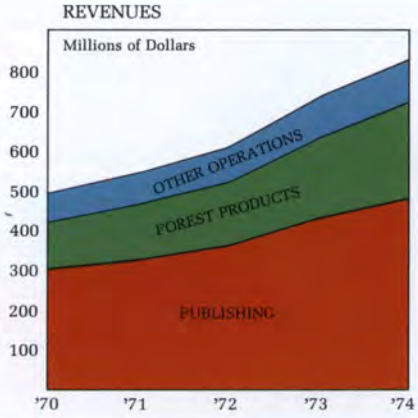
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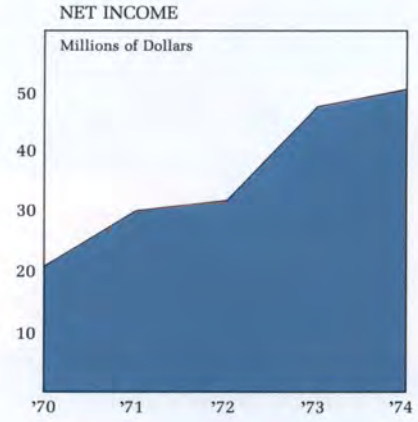
TIME INCORPORATED 1974 ANNUAL REPORT

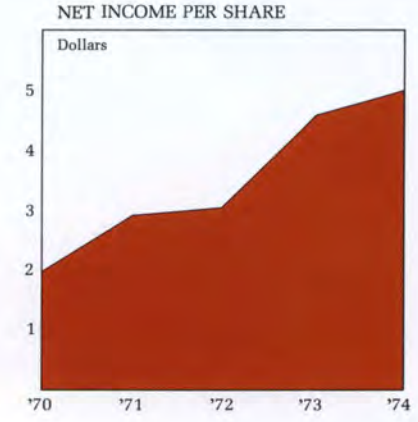
Financial Highlights	1974	1973
Revenues	$825,569,000	$728,266,000
Income before extraordinary items	50,224,000	49,920,000
Extraordinary items	—	(2,400,000)
Net income	50,224,000	47,520,000
Per share		
Income before extraordinary items	$5.01	$4.81
Net income	5.01	4.58
Dividends	2.00	1.90
Working capital	$217,190,000	$187,164,000
Additions to property and equipment	51,730,000	51,331,000
Depreciation, amortization, depletion	22,480,000	20,679,000
Unearned portion of paid subscriptions	75,422,000	68,911,000
Long-term debt	124,926,000	110,208,000
Shareholders' equity	370,908,000	356,266,000
Shareholders' equity—per share	$37.24	$34.32
Average shares outstanding	10,031,000	10,380,000
Number of shareholders	10,130	10,440

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LETTER TO SHAREHOLDERS *February 20, 1975*







In our annual report for 1973 we said that "there is a great deal of uncertainty regarding the economic outlook for 1974." We nevertheless suggested that "the Company's 1974 earnings could be among those of our better years." In fact, 1974 was, in toto, Time Inc.'s best year, with net income of $50.2 million, or $5.01 per share. Revenues reached a record $826 million.

At the same time, 1974 was indeed a year of "uncertainty." Magazines, for example, did better than anticipated though not as well as in 1973. Paperboard operations far exceeded our expectations. Our building-materials operations, on the other hand, suffered from the drastic falloff in housing construction. The Financial Review on page 16, and the Lines of Business table on page 17 describe these revenues and earnings in greater detail.

Earnings are a convenient measure of corporate performance, and in the past our letters to shareholders have tended to focus on them rather than on the underlying assets, which are also important to our future growth. One reason, of course, is that some assets are difficult to appraise. The people who make up our staff, for example, are an indispensable asset, but one that is impossible to value precisely. Similarly, our most important physical asset, 1,035,000 acres of timberland in East Texas—on 300,000 of which we also own mineral rights—is carried on our books at a depleted cost of $33 per acre, although its actual value is many times that figure.

Asset values become increasingly significant, moreover, as Time Inc. becomes a more broadly based corporation. In 1973, for example, we acquired Temple Industries of Diboll, Texas, a manufacturer of building products. Temple's merger with our paperboard operations in Evadale, Texas, created a major new corporate entity, Temple-Eastex Incorporated. Forest products operations accounted for approximately 59 per cent of Time Inc.'s 1974 income before taxes.

On the publishing side of our business, the most significant event of 1974 was the launching of another Time Inc. magazine. People, the first national weekly ever started with an initial advertising rate base of one million copies, with its first issue became the second largest weekly magazine in the U.S. in newsstand sales. Its advertising rate base was raised to 1,250,000 copies in January 1975.

To increase our future earnings, we are not only continuing to invest funds in our existing businesses, but in new products and new ventures as well. In early 1976 we will complete a three-year, $100 million forest products capital expansion program divided almost equally between our paperboard and building-materials activities. This program will increase productive capacity in these areas by more than 20 per cent.

People and Money magazines are examples of new publishing ventures, while Home Box Office, our pay-TV program network, enlarges our commitment to the electronic communica-

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tions field. Although most of our new ventures are not as capital intensive as our forest products expansion program, each requires a period of development involving operating losses before it can become profitable. These activities were offsets to earnings in 1974, but their growth gives us confidence that the losses can be reduced significantly in 1975.

Time Inc. now employs 12,600 persons. Of these, 5,000 are in publishing, 4,100 in forest products, and 3,500 in administrative, service and other activities. The Company continues to be fully committed to the principles of equal employment and the elimination of all forms of job discrimination. Last year 23 per cent of all our employees were members of minority ethnic groups.

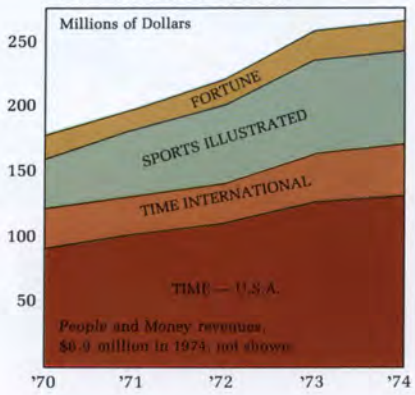
In October Roy E. Larsen resigned as Chairman of the Finance Committee of the Board of Directors and Richard B. McKeough, Vice President-Finance, was elected to succeed him. Mr. Larsen will remain Vice Chairman of the Board of Directors of Time Inc. Thomas J. Watson, Jr., Chairman of the Executive Committee of International Business Machines Corporation, was elected to the Board of Directors in November 1974, and Matina Souretis Horner, President of Radcliffe College, will join the Board in April 1975.

In the first quarter of 1975 the outlook for our Company is clouded by the business recession. Advertising in our magazines is running below the 1974 level and the demand for paperboard, which outstripped supply during most of 1974, has declined significantly. Building materials sales are still severely depressed but are showing signs of modest recovery.

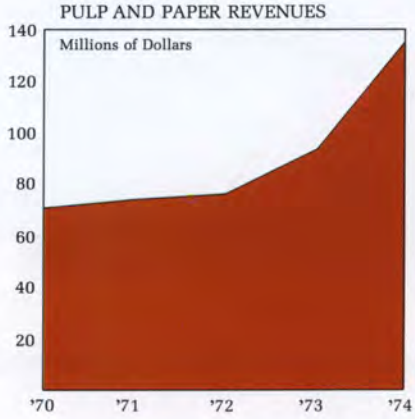
Governmental efforts to restore consumer confidence, lessen the impact of the business recession and increase the supply of mortgage money may succeed in stemming the recessionary tide. They could produce a substantial recovery, particularly in residential construction. It is highly unlikely, however, that Time Inc.'s earnings in the first quarter of this year will equal 1974's record first quarter.

And in view of the unsettled state of the economy, it would be foolhardy for us to try to predict a financial outcome for the balance of the year. However, the strength of our operations and staff, and the solidity of our balance sheet give us full confidence that we can cope with whatever adversities lie ahead. We plan, therefore, to continue our current expansion programs so that we can participate fully in the resurgence of the U.S. economy when it comes.

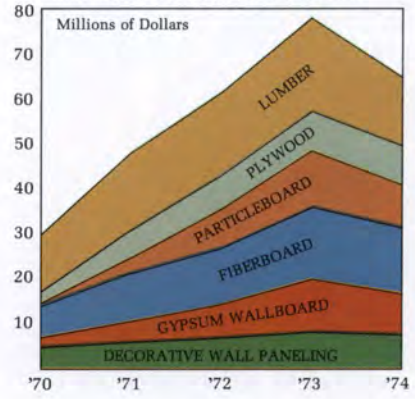
ADVERTISING REVENUES



PULP AND PAPER REVENUES



BUILDING MATERIALS REVENUES



Andrew Heiskell

Andrew Heiskell
Chairman of the Board
and Chief Executive Officer

James R. Shepley

James R. Shepley
President and
Chief Operating Officer

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TIME

Time, The Weekly Newsmagazine, maintained its position as the No. 1 magazine in the world, with advertising revenues of $172 million.

Time did a magnificent job of recording one of the most eventful years in recent political and economic history—from the trauma of the Nixon resignation (above) to the war in Cyprus and world hunger (below, right). Newsstand sales in particular reflected the magazine's strong reader appeal. The issue that reported in detail on the Nixon resignation, for example, sold a record 566,000 copies on U.S. newsstands alone. Time also published its largest advertising issue ever: the political campaign issue of October 21 carried over $4 million in advertising.

During 1974 Time raised its single-copy price from 50¢ to 60¢ and its basic subscription price from $14 to $18. The single-copy price was raised again, to 75¢, in January 1975. Time also achieved further success with ZIP marketing, which permits advertisers to correlate their marketing efforts with Time's circulation in 36,000 U.S. Zip Code areas.

PUBLISHING

Magazines

Advertising revenues of our magazines rose to an all-time high last year.* It was also a banner circulation year. From Time, which started it all, to People, launched in February 1974, circulation revenues of each of our magazines reached record levels.

Time magazine subscriptions averaged 5.4 million for the year, and single-copy sales totaled over 600,000 per issue, world-wide. People magazine, meanwhile, began publication with an advertising rate base of 1,000,000 copies weekly—the highest start-up level for a national weekly magazine in publishing history.

But, despite the editorial strength of our magazines and both advertising rate and subscription price increases, publishing profit margins were squeezed. Rising production and postage costs, combined with the start-up expense of People and Money, reduced Time Inc.'s magazine publishing profits below the record 1973 level.

*In this section U.S. advertising revenue figures are before commissions and discounts, as reported by the Publishers Information Bureau (PIB); foreign revenues are Company estimates.





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FORTUNE

In 1974 Time Inc.'s second oldest publication, Fortune, recorded the highest advertising revenues in its history ($23.1 million). Long the leading business journal of the U.S., Fortune last year announced the establishment of a National Business Hall of Fame, in cooperation with Junior Achievement, honoring the greatest contributors to the U.S. enterprise system. The first 19 inductees, announced in the January 1975 issue, included some surprising names—e.g., George Washington (a "shrewd" land investor)—as well as such expectable figures as John D. Rockefeller and J. P. Morgan (above, right). Fortune also continued *On Your Own Time*, its popular series on executive leisure-time activities (at right, Levi Strauss executive George Daly combines two relaxing hobbies, sailing and painting).

Fortune raised its advertising rate base for 1975 to 600,000 copies, and increased its basic subscription rate from $12 to $14. Fortune's single-copy price was raised from $1.50 to $2.00 in September 1974.











SPORTS ILLUSTRATED

SI celebrated its 20th anniversary by moving up to fourth place among all U.S. general magazines in advertising revenues. Advertising revenues were second only to 1973, when they went up an extraordinary 22.7 per cent. Circulation revenues rose to an all-time high. In September, SI raised its basic subscription rate from $12 to $14 and its newsstand price from 60¢ to 75¢.

In a special year-end issue, SI reviewed the past two decades in sports and saluted such great names as Ali, King, Aaron and Palmer (left). The spectacular rise in participatory and spectator interest in sports, which SI helped stimulate, has been a major factor in increasing SI's circulation. This, plus the magazine's editorial appeal, has raised advertising revenues from $2.9 million in 1955, its first full year, to over $71 million in 1974.

Andre Laguerre, managing editor of Sports Illustrated for more than a decade, retired in January 1974 and was succeeded by Roy Terrell, a writer and editor for the publication almost from its beginning.

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MONEY

Money, containing elements of both "special interest" and "general interest" magazines, was launched in 1972, the first creation of our Magazine Development Group. Money embraces within its editorial purview all the ways of getting and spending money, with special emphasis on the problems and opportunities of young families in the middle income brackets. Above, staff writer William Mead interviews developer D. C. Smith about "Who Gets Hurt in a Belt Tightening." The T-shirt promotes a popular Money column dealing with personal finance problems.

Although Money is still in its start-up phase, advertising revenues of $3.4 million in 1974 were almost double the previous year's level. Meanwhile Money's circulation has risen from 225,000 copies to 600,000 copies.

PEOPLE

People, launched by the Magazine Development Group last year, is unique among Time Inc. publications, not only because of the way it is distributed (almost entirely in retail outlets), but also because of its graphics (all black and white) and audience orientation (primarily female). With its breezy stories on such personalities as TV performer Cher Bono (right, being interviewed by Barbara Wilkins), People is attracting new categories of advertisers, especially those interested primarily in reaching female audiences.

People now derives about 50 per cent of its circulation from supermarkets. To further develop such sales, a field sales force has been organized to help market all Time Inc. magazines at newsstands, but especially to promote the sale of People at supermarket, drugstore and variety chain check-out counters (right).





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Time-Life Books

Although Time Inc. is still primarily known as a magazine publishing company, its book division ranks among the ten largest book companies in the U.S. in terms of revenues. Since its inception 14 years ago, Time-Life Books has published 442 different titles and sold almost 200 million books throughout the world. Time-Life Books publishes its books primarily in series such as Foods of the World and The Art of Sewing (right, above), and markets them primarily by direct mail. It also occasionally publishes one-subject volumes such as *The Family Car* (right). Last year Time-Life Books began marketing a new craft series, The Family Creative Workshop, produced by an independent editorial company, and introduced a sociology series, Human Behavior.

On the international front, Time-Life books are now printed in 26 languages including Hebrew, Japanese, and Slovene (above). *Kavboji (The Cowboys)* and *Indijanci (The Indians)*, for example, were published in Yugoslavia last year under a licensing agreement. Although world-wide book publishing revenues rose 19 per cent in 1974, reflecting in part higher unit prices for some book series, inflationary cost increases almost entirely offset these revenues and prevented Time-Life Books' earnings from rising significantly.



BOOKS & ARTS ASSOCIATES

The largest of Time Inc.'s Books & Arts Associates is Little, Brown and Company, Inc., the prestigious 137-year-old Boston publishing house. Little, Brown, a wholly owned subsidiary, publishes not only works of fiction but books for children and for the legal, medical and college markets. Among the titles published by Little, Brown last year were Louis Shaeffer's Pulitzer Prize-winning *O'Neill, Son and Artist,* William Manchester's *The Glory and The Dream,* and Marvin and Bernard Kalb's *Kissinger.* (At left, the authors greet their subject at a publication party, while host Arthur Thornhill, President of Little, Brown, looks on.) In 1974, as in 1973, Little, Brown set new records in both sales and earnings.

Other Books & Arts Associates include publishing firms in France, West Germany, Spain and Mexico, in which Time Inc. owns minority interests; the New York Graphic Society Ltd., the largest publisher of fine art reproductions in the world; and Alva Museum Replicas, Inc., which manufactures exact copies of museum statuary, jewelry and artifacts.

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TIME-LIFE FILMS

About half the Time-Life Films revenues of $10 million in 1974 were derived from sales to commercial and public television networks and local stations. The other half represented sales of video cassettes, films and filmstrips to the educational, industrial and government markets. Time-Life Films is a major factor in the developing video cassette business, and is laying the groundwork for entry into the home video market. Above, right, is a sound cassette that accompanies the filmstrip at far right derived from the Life Science and Life Nature Library series.

Among the more notable films and programs produced or co-produced by Time-Life Films in 1974 were *The Ascent of Man* (with the British Broadcasting Corporation), and *Harold Lloyd's World of Comedy* based on the Harold Lloyd film library acquired in 1973 (right) and broadcast on the ABC television network. In 1974 Time-Life Films also produced two series widely viewed on television in early evening hours—*Wild, Wild World of Animals* and *Other People, Other Places*. It also continued to be the major distributor of British Broadcasting Corporation television programs in the U.S. and Latin American markets.

OTHER ACTIVITIES

In addition to its major involvement in publishing and forest products, Time Inc. is engaged in a number of other varied activities, some operational, some embryonic. For example, it owns Pioneer Press Inc., a chain of 17 suburban Chicago weekly newspapers, and Woodward, Inc., a manufacturer of popularly priced furniture. It also owns Lumbermen's Investment Corporation, a mortgage banking firm in the Southwest, and television station WOTV, the NBC affiliate in Grand Rapids, Michigan. Some of Time Inc.'s other "other" activities are reviewed briefly on these two pages.



SAMI

SAMI is the acronym for Selling Areas-Marketing, Inc., Time Inc.'s information-processing service. SAMI reports the movement of supermarket products from warehouses to retail outlets for manufacturers of these goods. It is a prime example of a developmental activity that has matured into a significant profit center. Last year, more manufacturers bought more SAMI reports on more market areas than ever before. Sales were 24 per cent ahead of 1973—the previous record year. More than 2.7 million pages of SAMI data (left) are currently being delivered to clients each month.

A companion service called SARDI (SAMI Retail Distribution Index) was introduced in 1974. SARDI reports, which show product availability in stores, are now offered in all 33 SAMI markets.

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PDI

Printing Developments, Inc. manufactures and leases a color scanner, a sophisticated piece of color separation equipment used in many printing processes. It also makes offset printing plates and blankets, chemicals and other equipment for the printing trade. PDI's earnings were down from the record level of 1973, in part because of a strike that shut down its production facilities in Puerto Rico for four months.

During 1974 PDI's new Compudot color scanner was introduced (right). This system utilizes analog and digital computer techniques, and represents a major departure from conventional methods of producing screened photographic color separations; it eliminates mechanical screening. (An enlargement of the Compudot, electronically "screened" image is shown at right.) All the color illustrations in this report were prepared by the Compudot process.











Developmental Activities

Among Time Inc.'s developmental projects is Home Box Office, Inc., a pay-cable television program network that now provides motion pictures, sports events and special interest programs to over 70,000 pay-TV subscribers on 45 CATV systems in four Northeastern states. By the end of 1975, HBO expects to add another 50,000 subscribers. Such rapid growth should allow HBO to become profitable by 1977-78. However, we recognize that any new business may encounter unexpected difficulties and surprises. (At left, below, is HBO's studio control room in New York City.)

Manhattan Cable Television, Inc., our CATV system serving 60,000 subscribers in New York City, instituted a 50 per cent rate increase in 1974 (from $6 to $9 per month). It was nevertheless able to complete the year with a record number of subscribers, and is projecting a 25 per cent increase in subscribers in 1975. Last year it reduced its loss by 40 per cent, and further improvement is anticipated this year.

Manhattan Cable has great hopes for data transmission as a future source of income and initiated service experimentally in 1974. At upper left, a Manhattan Cable demonstrator shows an apartment resident how the CATV system works.

Computer Television, Inc., a company in which Time Inc. owns a majority interest, is an attempt to develop the hotel pay-TV field. CTI now supplies uninterrupted current feature films for a fee to guests in some 41,500 hotel rooms in 68 hotels belonging to the Hilton, Hyatt, Sheraton, Marriott and Loews chains, among others. Program cards like the one at left, above, are mounted on TV sets in hotel rooms. CTI is still in the early stages of development and holds all the risks of an unproved venture.

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The Basic Raw Material for nearly all Temple-Eastex products is Southern pine and hardwood timber. Above (top) a forester marks trees in a Company-owned forest for harvesting. About half of Temple-Eastex's wood-fiber requirements are supplied from its own million-plus acres of timberland in East Texas. Contract loggers (middle) cut and haul the logs to nearby Temple-Eastex paperboard and building-materials mills in Evadale, Diboll and Pineland, Texas. There, huge jib cranes (above) and log stackers (below, right) unload 30-ton truckloads in a single bite.

FOREST PRODUCTS

1974 was a record year for our forest products operations, which registered a pre-tax profit of almost $53 million, up 33 per cent from 1973. Revenues were up 22 per cent, to $242 million.

The year was an exceptionally good one for the paperboard segment of our business. Conversely, restrictive monetary policies, limited mortgage funds, and the general slowdown of the economy caused residential housing starts to decline throughout the year and had a serious adverse effect on demand for our building materials. In fact, we had the poorest operating results of the last ten years from our building-materials operations. The decline in building-materials earnings, however, was more than offset by the sharp increase in paperboard profits.

The taproot of all our forest products operations is our ownership of 1,035,000 acres of East Texas timberland—an area larger than the State of Rhode Island. From these forests, located near our converting mills, we obtain approximately 50 per cent of our wood fiber requirements, both for paperboard and for wood-based building materials.



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Debarking (left) begins the transition of logs into lumber, plywood or paper. In the tight, convoluted economy of wood conversion, even wood chips and sawdust are utilized and the tree bark is used for fuel.

The growth of timber on our land is managed under a long-term forestry plan designed to achieve maximum economic stocking of each acre, and to provide and sustain the largest possible timber cuts in the future. Our goal is to manage our forests in such a way as to allow each acre of land to grow the maximum number of trees, and to cut these trees just before growth reaches the point of diminishing return. Nearly all of our timberland, both pine and hardwood, is divided into 2,200 compartments, each of which is individually managed as though it were a small tree farm. Diseased and undesirable trees are removed and the land restocked with pine seedlings grown at our own Stillman Nursery. These seed-



Sawdust, wood chips and shavings arrive at the Temple-Eastex mills by the truckload. These by-products of our lumber and plywood operations are a major source of raw material for our paperboard, particleboard and fiberboard plants.

TEMPLE-EASTEX INCORPORATED

Net Sales*

(in millions of dollars)	1974	1973	1972	1971	1970
Paper & Paperboard	$110.7	$86.9	$70.6	$67.9	$64.1
Market Pulp	26.9	6.2	6.2	6.6	6.9
Pine Lumber	15.0	20.9	18.3	17.0	12.4
Fiberboard	14.8	16.1	12.7	10.7	6.9
Particleboard	9.6	12.5	8.4	3.4	.6
Plywood	8.9	9.2	7.9	6.1	2.5
Gypsum Wallboard	9.1	11.4	7.3	4.6	2.7
Decorative Paneling	7.9	8.2	7.2	6.2	4.8
Total	$202.9	$171.4	$138.6	$122.5	$100.9

Unit Sales*

(in thousands of tons)					
Paper & Paperboard	390	411	377	369	346
Market Pulp	98	45	58	64	60
(in millions of board feet)					
Pine Lumber	105	132	142	154	132
(in millions of square feet)					
Fiberboard	269	311	264	313	229
Particleboard	117	111	107	47	8
Plywood	97	90	87	84	38
Gypsum Wallboard	216	311	220	147	100
Decorative Paneling	40	42	40	35	25

*Includes intercompany sales but does not include 1) conversion of paper into folding cartons, 2) distribution of building materials through Temple-Eastex Inc. wholesale and retail outlets, or 3) timber sales.

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lings promote rapid reforestation, which, coupled with other forestry practices, will allow us to increase our inventory of both pine and hardwood over the years.

In 1974 we invested over $3 million in our forests and we expect to invest more this year. These investments include a wide range of expenditures from the preparation of land and planting of seedlings, to insect control, and building new roads to make our lands more accessible for harvesting, particularly in periods of sustained wet conditions. Many of these expenditures produce multiple benefits. For instance, our new road system will not only open up our land for timber cutting but also create fire breaks, which will lessen the risk of forest fire damage. They will also, of course, open new areas for camping, hunting and fishing for our East Texas neighbors.

Dollars spent under our forest management program will accelerate the time when we can harvest 100 per cent of our annual timber growth. Although the benefits from these expenditures are not immediately reflected on our income statements, they increase the long-term value of our most important physical asset, our timberland. This asset, moreover, has proven to be an excellent inflation hedge.

Total capital expenditures of Temple-Eastex were $44 million in 1974, and over $38 million more is budgeted for 1975, including $12 million in environmental improvements.

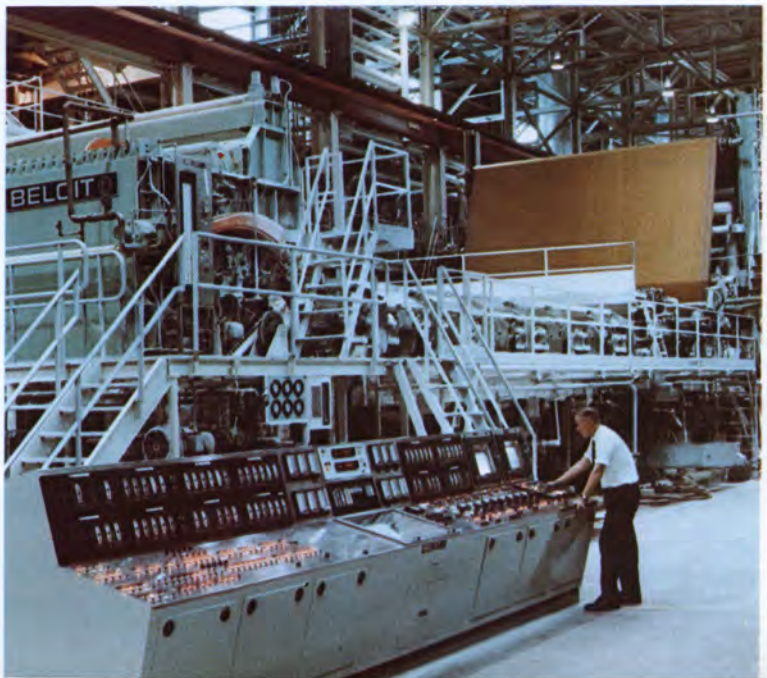
In 1975 exploration for oil and gas will be continued on the 300,000 acres of land on which we hold mineral rights. This will be done primarily under lease-royalty agreements with major oil companies.



Pressure Cooker—When completed next year, the unprepossessing pulp-bleaching tower (above, left) will help expand Eastex paperboard capacity by about 11 per cent. Moreover, this "cooking" process will increase output without any significant increase in the consumption of water, chemicals or energy, and without additional manpower. Already one of the most efficient in the U.S., the Eastex mill will thus further optimize its recycling of raw materials and energy in the production of pulp and paperboard.

Temple-Eastex Merger

One of the chief benefits of the integration of Temple Industries and our Eastex paper mill operations is our ability to make more efficient use of our wood supplies. Our trees are processed to extract the greatest possible value as lumber, plywood or pulp. We have installed new chipping units at our mills to convert previously discarded treetops to wood chips.



Paper-making is highly automated. After the wood fibers have been reduced to pulp, a slurry of cooked, bleached wood pulp enters the "wet-end" of the 660-foot paper mill. It passes across a moving screen, losing water as it moves. The blanket (upper right corner) is successively heated and pressed by a series of rollers until it emerges at the far end as paper. An automated quality-control console (foreground) enables operators to check constantly on machine speed, temperature and paper thickness.

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Huge Rolls of paperboard, 12 feet wide and weighing 15 tons, flow off the end of the Eastex papermill. The rolls are then either sheeted (background) or sliced to the desired widths and trundled off by fork-lift trucks for shipment world-wide to packaging fabricators.



Package Design and manufacture is carried out at three Company-owned folding-carton plants in Memphis, Tennessee, Charlotte, North Carolina, and Madison, Wisconsin. These operations consume only a small portion of the output of our Eastex paper mill. The balance is sold nationally to a variety of paperboard fabricators, particularly manufacturers of packaging for products ranging from golf gloves (left) to TV dinners.

Mobile chipping units now follow the timber harvesting operations and convert limbs, and even small cull trees, into chips. Some of these chips are used in our converting mills to make fiberboard and other products. Even the lowest quality chips are used to fuel our boilers. As a fuel substitute these chips provide a more economical BTU conversion than natural gas, and reduce our dependence on outside fuel sources. All of this is allowing us to obtain progressively higher fiber yields per tree, and the search for further economies will play an increasingly important role in our forestry plans.

In 1974 we used the equivalent of 1,130,000 cords of pulpwood at our paper, fiberboard and particleboard mills and 170,000,000 feet of saw timber in our lumber and plywood mills. Over 50 per cent of the fiber for our paper and fiberboard mills was in the form of low-cost residue—chips and

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New Particleboard Mill (top right) in Thomson, Georgia, can produce 100 million square feet of product per year, doubling the Company's capacity. Smooth-surfaced particleboard, widely used for shelving and cabinets, is our fastest growing building product. Among our other major products are fiberboard insulation sheathing (above) and residential siding. Our Diboll, Texas plant has a capacity of 360 million square feet a year.

sawdust. As our wood fiber requirements continue to grow, we will require additional pulpwood, but our increased chipping capacity should allow us to continue to rely on these less-expensive residues as an important source of fiber.

The Big Thicket National Preserve Act, which may take 25,000 to 30,000 acres of Temple-Eastex timberland for a national forest preserve, was signed into law by the federal government in 1974. We will be compensated for all land taken for this preserve at fair market value, and we are searching for suitable replacement acreage.

Paperboard

In 1974 we achieved another record level of production from our paper mill. It produced 482,000 tons, up 4.4 per cent from the previous year. Our annual paperboard capacity will reach 536,000 tons in 1976 when the $55-million paperboard portion of our three-year expansion program is completed.

This expansion is ecologically notable because the introduction of a new vertical pulp-bleaching process and other innovations will make additional production possible without any significant additional use of water, chemicals or energy. The expansion, moreover, will be accomplished with only a slight increase in manpower.

Our paper mill output includes paper for bleached bags, bleached linerboard, coated board, and market pulp for both the domestic and export markets. These materials are used by manufacturers of hot and cold drinking cups, paper plates, bakery boxes, folding cartons, and many other packaging products. The Evadale paper mill does not produce magazine grades of paper. Three Company-owned folding-carton plants in Memphis, Tennessee, Charlotte, North Carolina,and Madison, Wisconsin,used a small percentage of the production of our paper mill in 1974; the remainder was sold to a large group of customers, with the largest accounting for less than 9 per cent and the top ten for less than 44 per cent of our 1974 paperboard production.

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Building Materials

The reduced demand for building materials during 1974 caused a decline in prices, while production costs rose sharply. Most of our building-materials manufacturing operations became unprofitable during the second half of the year, and production was curtailed. This trend has continued into the first quarter of 1975, but with the easing of monetary policy we are hopeful that savings flows will be restored to mortgage markets, and that these may bring a significant recovery to residential construction.

In 1974 we completed a new particleboard mill in Thomson, Georgia, increasing our annual capacity to 200 million square feet (¾″ basis). We also completed a plywood mill in Pineland, Texas, increasing plywood production capacity to 240 million square feet (⅜″ basis). The modification of our fiberboard mill in Diboll, Texas, scheduled for completion in 1975, will allow us not only to increase our capacity there, but also to produce a broader range of hardboard products.



Gypsum Board is a major item in Temple-Eastex's widely diversified line of building materials. This ubiquitous structural product is manufactured at plants in Irving, Texas and West Memphis, Arkansas from gypsum mined at the Company's mines in Oklahoma, and delivered by rail to Texas in special, leased hopper cars (above).



A Variety of End Products utilize a small part of the Temple-Eastex output. Furniture is produced by an Austin subsidiary (left), and decorative wall panels, beverage cases and even bathtub enclosures are manufactured by other subsidiaries.



Plywood Mill in Pineland, Texas (left), which was completed last year, doubled Temple-Eastex's capacity to 240 million square feet per year. Temple Industries pioneered the manufacture of plywood in the mid-South.

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FINANCIAL REVIEW

The Company's 1974 net income was a record $50.2 million, up 5.7 per cent from 1973. Per share net income of $5.01 rose 9.4 per cent, reflecting in part the effect of the Company's 500,000-share stock repurchase program in 1974. The average cost of stock repurchased was $37.30 per share, a price approximately equal to book value. The average number of shares outstanding during the year was 10,031,000, down 349,000 from 1973. As of December 31, 1974, after giving effect to the stock repurchase program and the contribution of 73,000 repurchased shares to the Company's Retirement Plan, 9,960,000 shares were outstanding.

In 1973 net income, after an extraordinary charge of $2.4 million ($3.3 million before taxes), was $47.5 million, or $4.58 per share. In accordance with a change in accounting principles in 1974, we have included in "Other Income-Net" certain charges that otherwise would have been classified as extraordinary items. These items exceeded $3.2 million before taxes in 1974. They included our loss on the sale of a 50 per cent interest in General Learning Corporation and a reserve for adjustment to market value of the American Television and Communications Corporation stock we received, and will receive, in final settlement of our sale in 1973 of eleven CATV systems.

Our balance sheet continued to reflect our financial strength in 1974 with long-term debt averaging about 25 per cent of the Company's total capitalization (shareholders' equity plus long-term portion of debt).

Interest expense was $10.7 million in 1974, $7.7 million in 1973, and $7.5 million in 1972. The average interest rate on our long-term debt as of December 31 was 7.2 per cent.

FIVE-YEAR FINANCIAL SUMMARY

Time Incorporated and Subsidiaries
(in millions of dollars except for per share data)

	1974	1973	1972	1971	1970
Income and Dividends					
Revenues	$825.6	$728.3	$608.6	$544.5	$497.4
Editorial, production, manufacturing and distribution costs	511.0	428.4	358.2	330.4	306.9
Interest expense	10.7	7.7	7.5	7.8	7.1
Taxes on income	39.3	41.4	30.2	24.4	22.7
Income before discontinued operations and extraordinary items	50.2	49.9	38.3	32.6	31.0
Discontinued operations, net of taxes	—	—	(3.5)	(3.4)	(7.4)
Income before extraordinary items	50.2	49.9	34.8	29.2	23.6
Extraordinary items, net of taxes	—	(2.4)	(3.0)	.9	(3.2)
Net income	50.2	47.5	31.8	30.1	20.4
Dividends paid	20.0	16.8	13.8	13.8	13.8
Per Share					
Income before discontinued operations and extraordinary items	$5.01	$4.81	$3.69	$3.16	$3.02
Discontinued operations, net of taxes	—	—	(.33)	(.33)	(.72)
Income before extraordinary items	5.01	4.81	3.36	2.83	2.30
Extraordinary items, net of taxes	—	(.23)	(.29)	.09	(.31)
Net income	5.01	4.58	3.07	2.92	1.99
Dividends paid	2.00	1.90	1.90	1.90	1.90
Average shares outstanding (000)	10,031	10,380	10,373	10,298	10,246

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Capital spending in 1974 approached $52 million and an additional $50 million is anticipated in 1975. To help finance the 1974 expansion programs we borrowed $27.1 million of net new long-term debt (borrowing less payments on existing loans). We expect internally generated funds and existing lines of credit to finance virtually all the 1975 expansion programs.

In 1974 increased pension benefits were granted to employees, subject to stockholder approval at the April 1975 annual meeting. These increases in benefits, coupled with the retirement fund's 1974 investment experience—although partially offset by an increase in earnings assumptions from 5 per cent to 5.5 per cent—created an unfunded past-service pension liability, which will be amortized at the rate of 10 per cent per year. The net result of these changes is to increase retirement plan expense by about $500,000 per year before taxes.

Publishing

Income before taxes from our publishing activities was $44.3 million in 1974, down 21 per cent from 1973, but higher than the $40.6 million reported for 1972. The start-up costs of our two new magazines, People and Money, plus sharply rising costs for producing and distributing our publications, were mainly responsible for the 1974 decline. Both People and Money will probably continue to be unprofitable in 1975, but their losses should be substantially reduced in the second half of the year.

Magazine revenues increased in 1972 and 1973 as a result of both price increases and higher advertising volume. The 1974 increase, however, net of revenues of $12.2 million from People, launched in February,

LINES OF BUSINESS

Time Incorporated and Subsidiaries (in millions of dollars)

	1974	1973	1972	1971	1970
Revenues					
Publishing[1]	$478.5	$430.1	$362.9	$324.7	$309.3
Forest products[2]	242.3	199.2	160.0	138.7	117.0
Other operations[3]	97.7	96.7	84.7	80.3	71.1
Developmental activities[4]	7.1	2.3	1.0	.8	—
Total Revenues	$825.6	$728.3	$608.6	$544.5	$497.4
Income (Loss)					
Before Income Taxes, Discontinued Operations and Extraordinary Items*					
Publishing[1]	$ 44.3	$ 56.1	$ 40.6	$ 31.8	$ 33.6
Forest products[2]	52.8	39.8	26.2	20.8	17.4
Other operations[3]	6.2	4.4	5.3	6.1	2.7
Developmental activities[4]	(8.7)	(6.4)	(3.5)	(1.4)	(1.5)
Income from broadcast properties sold	—	—	2.4	4.5	5.1
Unusual charges to income	(3.2)	—	—	—	—
Unallocated corporate administrative costs and financial income and mortgage banking	(1.9)	(2.6)	(2.5)	(4.8)	(3.6)
Total income before income taxes, discontinued operations and extraordinary items	$ 89.5	$91.3	$ 68.5	$ 57.0	$ 53.7

[1] Publication of magazines, books, recordings and related products.

[2] Production of pulp, paperboard and building materials.

[3] Sale of products and services to the graphic arts industry, marketing of information relating to the movement of supermarket products, newspaper publishing, TV broadcasting, film production and distribution, manufacturing furniture and beverage cases and commercial and industrial contracting.

[4] Operation of cable TV and pay-TV systems.

* Indirect interest expense in 1974 was allocated to each line of business based on average net assets; 1970 to 1973 have been restated.

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BOARD OF DIRECTORS

The 18 members of the Board of Directors of Time Incorporated are shown at right and on the pages following. Nine are officers or executives of the Company, and nine are distinguished "outside members" of the Board.

1974, was mainly the result of price increases. Book revenue increases in 1973 and 1974 reflect volume and price increases plus the introduction of higher-priced book series.

A breakdown of publishing revenues for the past five years follows:

	1974	1973	1972	1971	1970
			(Millions)		
Magazines—Advertising	$197	$187	$159	$145	$134
Circulation	97	80	70	64	59
Time-Life Books	129	109	83	76	78
Other Publishing Revenues	55	54	51	40	38
Total	$478	$430	$363	$325	$309

Production and distribution costs for magazines and books increased approximately $36 million in 1974 ($25 million of which was attributable to price increases). Paper prices alone rose approximately 30 per cent.

Forest Products

Forest products, over the past five years, have been the fastest growing segment of our operations. In 1974 forest products accounted for 59 per cent of pre-tax profits. Net unit revenues (average prices) of our products over the past three years were:

	1974	1973	1972
Paperboard (per ton)	$284	$211	$187
Pulp (per ton)	274	136	106
Lumber (per thousand board feet)	143	158	129
Fiberboard*	55	52	48
Particleboard*	81	113	78
Plywood*	92	101	91
Gypsum Wallboard*	42	37	33

* per thousand square feet

The demand for pulp and paperboard rose during the 1972-1974 period, particularly in 1974. Price controls held paper prices below their natural market levels in 1972 and 1973. When controls were lifted in March 1974, prices for almost all paper products rose dramatically.

Our production of pulp and paperboard increased from 431,000 tons in 1972 to 461,000 tons in 1973, and 482,000 in 1974. These increases were attributable to minor expansion programs, greater operating efficiencies, and our ability, during the periods of strong demand, to better control production schedules.

Building-materials demand is largely dependent on residential construction, which peaked in 1973 and dropped to a ten-year low by December 1974. Prices consequently rose in 1973 and declined in 1974. Our building-materials operations became unprofitable in the second half of 1974, and production was cut back about 20 per cent.

Start-up costs of our particleboard and plywood mills also cut into building-materials profitability during the third and fourth quarters of 1974. Manufacturing costs of producing pulp, paperboard and building materials rose throughout 1974, primarily because of the increased cost of energy, chemicals and labor.

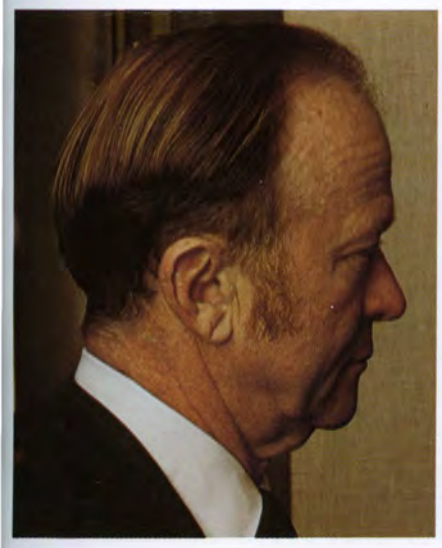
Developmental Activities

In 1972 and 1973 our losses on developmental activities were largely associated with the problems of Sterling Communications, Inc. (then majority-owned by Time Inc.). In September 1973 we acquired all the assets of this company and organized two operating entities—Manhattan Cable Television and Home Box Office, both 100 per cent-owned by Time Inc.

Mainly as a result of a rate increase in March 1974 and certain operating efficiencies, Manhattan Cable Television's loss was reduced almost 40 per cent in 1974 and further improvement is expected in 1975.

Home Box Office became operational in late 1972. Although its subscriber base has grown rapidly, start-up costs, promotion outlays and programing expenses have resulted in operating losses. The subscriber base will probably not be large enough in 1975 to absorb these costs, but HBO's rapid growth should bring closer its breakeven date.

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Andrew Heiskell
Chairman of the Board and Chief Executive Officer, Time Inc. (far left). Elected 1959.

James R. Shepley
President and Chief Operating Officer and Chairman, Executive Committee, Time Inc. (second left). Elected 1969.

Hedley Donovan
Editor-in-Chief of all Publications, Time Inc. (left). Elected 1962.

CONSOLIDATED STATEMENT OF INCOME

Time Incorporated and Subsidiaries

For years ending December 31	1974	1973
Revenues	$825,569,000	$728,266,000
Costs and Expenses		
Editorial, production, manufacturing and distribution	510,995,000	428,435,000
Selling, administrative and general	226,297,000	213,818,000
Total Costs and Expenses	737,292,000	642,253,000
Operating Income	88,277,000	86,013,000
Other Income—Net, and Unusual Charges to Income	1,247,000	5,307,000
Income before Taxes and Extraordinary Items	89,524,000	91,320,000
Taxes on Income	39,300,000	41,400,000
Income before Extraordinary Items	50,224,000	49,920,000
Extraordinary Items, net of income tax credits of $900,000 in 1973	—	(2,400,000)
Net Income	$ 50,224,000	$ 47,520,000
Per Share of Common Stock:		
Income before Extraordinary Items	$5.01	$4.81
Extraordinary Items, net of income tax credits	—	(.23)
Net Income	$5.01	$4.58
Average Shares Outstanding	10,031,000	10,380,000

The accompanying notes are an integral part of this financial statement.

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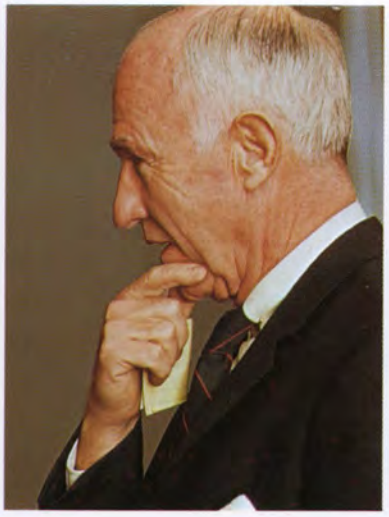
CONSOLIDATED BALANCE SHEET

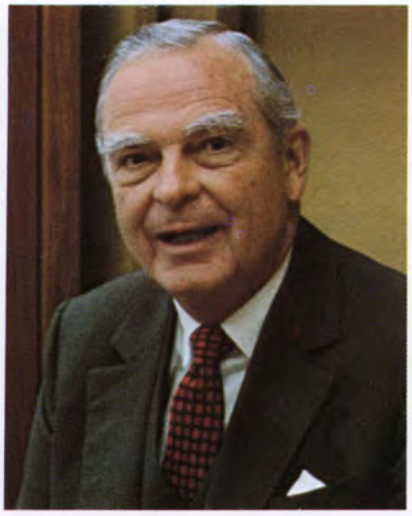
Time Incorporated and Subsidiaries as of December 31

Assets	1974	1973
Current Assets		
Cash	$ 32,430,000	$ 31,709,000
Marketable securities—at cost:		
U.S. Government and other short-term securities (approximately market)	16,124,000	44,303,000
Preferred and common stocks—quoted market prices $22,400,000 in 1974 and $31,800,000 in 1973	28,063,000	27,236,000
Receivables, less allowances of $22,312,000 in 1974 and $18,243,000 in 1973	112,388,000	91,695,000
Notes receivable	13,784,000	4,875,000
Inventories—at the lower of cost or market:		
Work in process and finished goods	65,977,000	47,885,000
Paper and other materials	36,034,000	23,819,000
Prepaid expenses and other	41,396,000	30,513,000
Total Current Assets	346,196,000	302,035,000
Investments		
Unconsolidated subsidiaries—at equity	7,851,000	8,044,000
Companies 20% to 50% owned—at equity	17,474,000	28,731,000
Other—at cost less allowances of $13,400,000 in 1974 and $10,497,000 in 1973	17,971,000	18,079,000
Total Investments	43,296,000	54,854,000
Property and Equipment—at cost		
Buildings	80,679,000	76,119,000
Machinery and equipment	288,175,000	257,421,000
Leasehold improvements	18,813,000	18,014,000
Construction in progress	24,192,000	15,797,000
	411,859,000	367,351,000
Less allowances for depreciation and amortization	177,731,000	159,782,000
	234,128,000	207,569,000
Timber and timberland, less depletion	34,300,000	36,616,000
Land	7,970,000	9,170,000
Total Property and Equipment	276,398,000	253,355,000
Excess of Purchase Prices over Net Tangible Assets of Acquired Properties	19,946,000	20,189,000
Notes Receivable	22,800,000	29,250,000
Other Assets	36,660,000	30,431,000
Total Assets	$745,296,000	$690,114,000

The accompanying notes are an integral part of this financial statement.

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Frank Pace Jr.
President and Chief Executive Officer, International Executive Service Corps. Chairman, Compensation Committee, Time Inc. (far left). Elected 1960.

Gaylord Freeman
Chairman of the Board, The First National Bank of Chicago (left). Elected 1962.

Liabilities and Shareholders' Equity	1974	1973
Current Liabilities		
Accounts payable and accrued expenses	$ 78,591,000	$ 74,627,000
Employee compensation and profit-sharing contributions	12,548,000	11,820,000
Taxes on income	16,839,000	19,762,000
Loans and current portion of long-term debt	21,028,000	8,662,000
Total Current Liabilities	129,006,000	114,871,000
Unearned Portion of Paid Subscriptions	75,422,000	68,911,000
Long-Term Debt	124,926,000	110,208,000
Deferred Federal Income Taxes	38,205,000	34,185,000
Other Liabilities	6,829,000	5,673,000
Shareholders' Equity		
Common Stock—$1 par value; authorized 12,500,000 shares; issued and outstanding, 10,387,000 shares in 1974 and 10,381,000 in 1973	10,387,000	10,381,000
Additional paid-in capital	48,470,000	48,235,000
Retained income	327,873,000	297,650,000
Treasury stock, at cost; 1974, 426,800 shares	(15,822,000)	—
Total Shareholders' Equity	370,908,000	356,266,000
Total Liabilities and Shareholders' Equity	$745,296,000	$690,114,000

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Time Incorporated and Subsidiaries (in thousands of dollars)

	Common Stock	Additional Paid-In Capital	Retained Income	Treasury Stock	Shareholders' Equity
Shareholders' Equity at December 31, 1972	$10,368	$47,580	$267,911	$ —	$325,859
Net income—$4.58 per share	—	—	47,520	—	47,520
Stock options exercised	13	437	—	—	450
Awards under Temple stock bonus plan	—	218	—	—	218
Dividends paid:					
Time Incorporated—$1.90 per share	—	—	(16,794)	—	(16,794)
Temple prior to acquisition	—	—	(987)	—	(987)
Shareholders' Equity at December 31, 1973	10,381	48,235	297,650	—	356,266
Net income—$5.01 per share	—	—	50,224	—	50,224
Stock options exercised	6	123	—	—	129
Awards under Temple stock bonus plan	—	112	—	—	112
Treasury stock	—	—	—	(15,822)	(15,822)
Dividends paid—$2.00 per share	—	—	(20,001)	—	(20,001)
Shareholders' Equity at December 31, 1974	$10,387	$48,470	$327,873	($15,822)	$370,908

The accompanying notes are an integral part of this financial statement.



James A. Linen
Member of the Board of Directors, Time Inc. (left). Elected 1959.

Thomas J. Watson, Jr.
Chairman of the Executive Committee, International Business Machines Corporation. Member of the Board of Directors of Time Inc. 1958-1965 (center). Reelected 1974.

W. Temple Webber
Member of the Board of Directors, Temple-Eastex Inc. (right). Elected 1973.

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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Time Incorporated and Subsidiaries
For years ending December 31

	1974	1973
Sources of Working Capital		
From operations:		
Net income	$ 50,224,000	$ 47,520,000
Charges (credits) not affecting working capital:		
Depreciation, amortization, depletion	22,480,000	20,679,000
Deferred federal income taxes	2,403,000	(2,256,000)
Provision for losses on investments	1,968,000	5,300,000
Share of losses in 20%-50% owned companies	1,202,000	1,955,000
Net income from unconsolidated subsidiaries	(150,000)	(133,000)
Total from Operations	78,127,000	73,065,000
Increase in long-term debt	50,222,000	36,140,000
Dispositions of property and equipment	6,207,000	5,263,000
Increase in other liabilities	1,156,000	—
Dispositions of investments	14,212,000	12,729,000
Decrease in notes receivable	6,450,000	4,875,000
Increase in deferred federal income taxes	—	3,840,000
Increase in unearned portion of paid subscriptions	6,511,000	1,858,000
Issuance of common stock	129,000	450,000
Miscellaneous	355,000	518,000
Total sources	163,369,000	138,738,000
Applications of Working Capital		
Dividends paid to shareholders	20,001,000	17,781,000
Purchase of shares for treasury	15,822,000	—
Purchase of property and equipment	51,730,000	51,331,000
Additions to investments	6,270,000	15,780,000
Increase in other assets	4,016,000	4,148,000
Repayment of long-term debt	35,504,000	29,947,000
Decrease in other liabilities	—	1,541,000
Total applications	133,343,000	120,528,000
Increase in Working Capital	$ 30,026,000	$ 18,210,000

Details of increases and decreases in components of working capital are in the accompanying notes, page 25.

The accompanying notes are an integral part of this financial statement.

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Roy E. Larsen
Vice Chairman of the Board, Time Inc. (left).
Elected 1933.

Sol M. Linowitz
Senior Partner, Coudert Brothers. Chairman, Audit Committee, Time Inc. (right).
Elected 1969.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries (with the exception of Lumbermen's Investment Corporation, which has not been consolidated because its mortgage banking and real estate investment operations are dissimilar to the other operations of the Company). Unconsolidated subsidiaries and companies 20 per cent- to 50 per cent-owned are reflected in the financial statements on the equity basis, and the Company's equity in their income before income taxes and net income respectively, is included in Other Income-Net.

INVENTORIES. Cost of inventories, amounting to $7,778,000 in 1974 and $4,722,000 in 1973, was determined by the last-in, first-out method. The cost of the remaining inventories of $94,233,000 in 1974 and $66,982,000 in 1973 was determined principally by the first-in, first-out method. All inventories are carried at either cost or market, whichever is lower.

DEPRECIATION AND DEPLETION. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets. Charges for timber depletion are based on the unit cost of timber harvested during the year.

RESEARCH AND DEVELOPMENT. Research and development costs are expensed during the year in which they are incurred.

UNEARNED PORTION OF PAID SUBSCRIPTIONS. Sales of magazine subscriptions are credited to Unearned Portion of Paid Subscriptions at the gross subscription price at the time of sale. Accounts receivable resulting from charge sales have been deducted from Unearned Portion of Paid Subscriptions. As magazines are delivered to subscribers, proportionate shares of the gross subscription price are credited to revenues. All costs in connection with the procurement of subscriptions are expensed within the year incurred.

PROMOTION. Promotion costs related to sales of book and record series are amortized over a 12-month period. All other promotion costs are expensed within the year incurred.

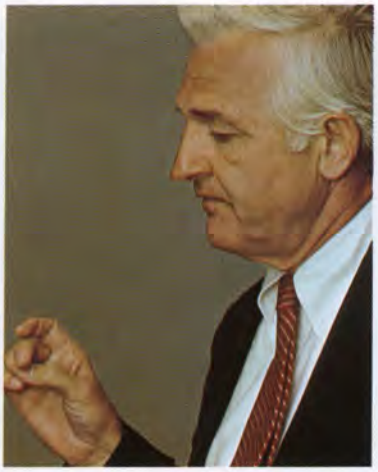
GOODWILL. Excess of Purchase Prices over Net Tangible Assets of Acquired Properties is not being amortized in the financial statements (except for $4,030,000, net of amortization of $439,000, that is being amortized over 20 years) because, in the opinion of management, there has been no decrease in the value of these businesses.

FOREIGN OPERATIONS. The accounts of foreign subsidiaries included in the consolidated financial statements have been translated into U.S. dollars at rates prevailing during the year for revenues, costs and expenses (except depreciation); and at year-end rates for assets and liabilities—except property and equipment, and related depreciation, for which historical rates have been used. A net exchange loss in 1974 and a net gain in 1973, neither material, are included in current income.

Acquisitions

On August 16, 1973, the Company acquired Temple Industries, Inc., for 3,082,000 shares of the Company's common stock in a transaction accounted for as a pooling of interests. Accordingly, the consolidated financial statements for 1973 include Temple Industries, Inc. for the entire year.

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Arthur W. Keylor
Group Vice President, Time Inc. (far left).
Elected 1972.

Arthur Temple
President and Chief Operating Officer, Temple-Eastex Inc. Chairman, Planning and Policy Committee, Time Inc. (left).
Elected 1973.

Prior to 1973 the Company had a controlling interest in Sterling Communications, Inc., the corporation that owned Manhattan Cable Television in New York City, Home Box Office and other properties. In September 1973 the Company acquired all the assets of Sterling in a transaction that essentially involved the acquisition of the minority interest in Sterling and the dissolution of that corporation. The net cost was $6,496,000 in cash. The principal assets acquired were those of Manhattan Cable and Home Box Office amounting to approximately $26,000,000, and the principal liabilities assumed were bank loans aggregating $13,150,000. Losses of Sterling Communications prior to dissolution in 1973 were charged to Other Income-Net.

Investments in Unconsolidated Subsidiaries and Companies 20% to 50% Owned

The principal investments are Lumbermen's Investment Corporation (99 per cent-owned), General Learning Corporation (50 per cent-owned until September 1974, the date of sale), Rock-Time, Inc., (45 per cent-owned) and Sterling Communications, Inc. (majority-owned in 1973 until date of dissolution). At December 31, 1974 and 1973, the Company's investments in the capital stock of these companies, accounted for on the equity basis, exceeded its equity in their related net assets by approximately $3,000,000. This excess is not being amortized.

At December 31, 1974, the total assets of Lumbermen's were $50,799,000 and total liabilities were $44,664,000. Revenues for the years 1974 and 1973 were $8,172,000 and $9,173,000 respectively, and its income before income taxes of $984,000 in 1974 and $673,000 in 1973 was included in Other Income-Net.

The Company's equity in the net income (losses) of the 20 per cent- to 50 per cent-owned companies (including Sterling Communications, Inc., to date of dissolution in 1973) was included in Other Income-Net.

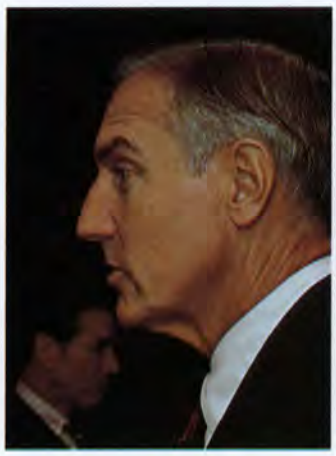
Long-Term Debt

In July 1974 the Company converted its $50,000,000 revolving credit with a group of banks to a six-year term loan. The loan bears interest at prime rate plus ¼ of 1 per cent in 1975 but has a maximum average interest rate of 7⅞ per cent, provided the loan is not

Increases (Decreases) in Components of Working Capital

For years ending December 31	1974	1973
Cash and marketable securities	($26,631,000)	$15,994,000
Receivables	20,693,000	(2,431,000)
Notes receivable	8,909,000	—
Inventories	30,307,000	11,347,000
Prepaid expenses and other	10,883,000	4,443,000
Increase in Current Assets	44,161,000	29,353,000
Accounts payable and accrued expenses	3,964,000	(9,099,000)
Employee compensation and profit-sharing contribution	728,000	2,962,000
Taxes on income	(2,923,000)	15,906,000
Loans and current portion of long-term debt	12,366,000	1,374,000
Increase in Current Liabilities	14,135,000	11,143,000
Increase in Working Capital	$30,026,000	$18,210,000

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Rawleigh Warner Jr.
Chairman of the Board and Chief Executive Officer, Mobil Oil Corporation (right). Elected 1967.

Richard B. McKeough
Vice President-Finance and Chairman, Finance Committee, Time Inc. (far right). Elected 1973.

prepaid prior to December 31, 1978. Interest paid in excess of 7⅞ per cent ($1,429,000 as of December 31, 1974) is included in Other Assets.

The Company has a revolving credit agreement with a bank for an aggregate credit of $15,000,000, convertible on January 1, 1976, into a five-year term loan. At December 31, 1974, none of this credit was utilized. Interest will be charged at the prime rate during 1975 as this credit is drawn upon.

Both of these agreements require the maintenance of minimum consolidated net current assets (as defined in the agreements and impose limits on the payment of dividends. At December 31, 1974, net current assets were approximately $148,000,000 in excess of these requirements, and approximately $106,000,000 of retained income was unrestricted as to payment of dividends.

In connection with its long-term debt aggregating $55,756,000, Temple-Eastex Inc. has agreed to observe restrictions with respect to payment of dividends, maintenance of working capital, prepayment of debt, incurrence of additional debt, etc. Payment of this debt is not guaranteed by the Company. However, until this debt is paid, the Company may not dispose of any portion of its investment in this subsidiary without the consent of the lending institutions. Of the total net assets of Temple-Eastex at December 31, 1974, approximately $156,000,000 (including $8,000,000 of net current assets) is restricted by the loan agreement to the securing of long-term debt and thus not available for distribution to the Company.

Aggregate maturities of long-term debt, including sinking-fund requirements of first-mortgage bonds, during the next five years are as follows: 1975—$17,000,000; 1976—$23,700,000; 1977—$16,400,000; 1978—$12,600,000; 1979—$12,000,000.

Stock Options

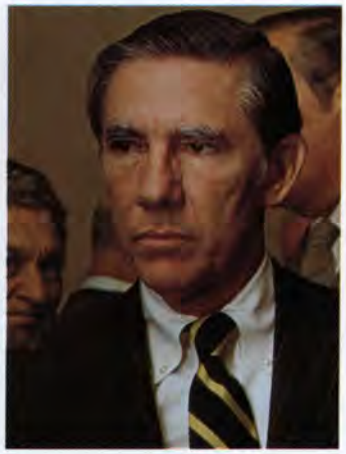
The following summary shows the changes during 1974 and 1973 in options granted to key employees to purchase shares of the Company's common stock.

Long-Term Debt

As of December 31	1974	1973
Notes under revolving credit agreement converted to a term loan at 7⅞% in July 1974, due 1976 to 1980	$ 43,000,000	$ 12,000,000
5⅜% sinking fund first mortgage bonds due 1985	33,000,000	34,500,000
5¾%-8½% mortgage notes due 1976-1998	25,270,000	25,427,000
Notes under revolving credit agreement converted to a term loan at prime interest rate plus ¼-½ of 1% in September 1974, due 1976-1977	8,750,000	6,508,000
5%-5¼% notes, due 1976-1978	7,840,000	10,956,000
Notes (7¼%-14%) paid during 1974	—	12,024,000
Other notes and lease obligations, partially secured, due 1976-1988, 4%-9%	7,066,000	8,793,000
	$124,926,000	$110,208,000

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Louis Banks
Visiting Professor, Harvard Graduate School of Business Administration (far left). Elected 1973.

Alexander Heard
Chancellor, Vanderbilt University (left). Elected 1968.

SHARES UNDER OPTION

	Number of Shares 1974	1973	Price Range Per Share
Balance at January 1	383,977	421,929	$20.00-$106.88
Options granted—1974	288,000	—	$38.69
Options granted—1973	—	36,550	$29.88-$30.57
	671,977	458,479	
Options exercised	(6,048)	(19,750)	$20.00-$48.50
Options terminated	(203,615)	(54,752)	$21.14-$106.88
Balance at December 31	462,314	383,977	$21.14-$52.57

Under the terms of a new stock option plan adopted by the Board of Directors in May 1974, subject to ratification by the shareholders, 500,000 shares of the Company's common stock have been reserved for the grant of qualified and nonqualified options. Since there were no options available for grant under the old plans at December 31, 1973, all options granted during 1974 were under the new plan and 212,000 shares were available for grant under the new plan at December 31, 1974.

Options granted are exercisable at various dates, but no later than five years from date of grant in the case of qualified or restricted options and no later than ten years from date of grant in the case of nonqualified options. At December 31, 1974 and 1973, options for 137,682 shares and 336,697 shares respectively, were exercisable under the old plans and at December 31, 1974, options for 57,600 shares were exercisable under the new plan, assuming ratification by the shareholders.

The option prices, which are not less than 100 per cent of fair market value on the dates of grant, are payable in full at the time the options are exercised. There were no charges or credits to income in connection with options exercised.

Other Income-Net, and Extraordinary Items

Other Income-Net in 1974 and 1973 consisted mainly of dividends of $1,802,000 and $2,230,000; interest income of $7,325,000 and $7,373,000; equity in income before income taxes of unconsolidated subsidiaries of $637,000 and $433,000; gains on sale of land of $3,181,000 and $1,593,000; share of net losses of companies 20 per cent-to 50 per cent-owned of $1,202,000 and $1,955,000; interest expense of $10,746,000 and $7,666,000; and the unusual charges to income described below.

In September 1974, the Company sold its 50 per cent interest in General Learning Corporation. This sale resulted in a loss, before income taxes, of $1,258,000. During 1974 the Company established a reserve for possible adjustment to market value of the American Television and Communications Corporation stock received and to be received in final settlement of its 1973 sale of eleven cable television systems, resulting in a charge to income before income taxes, of $1,968,000.

A provision for possible losses on the Company's investment in Sterling Communications, Inc., amounting to $3,700,000, net of income taxes, was included in Extraordinary Items in 1973 offset by a $1,300,000 gain, net of income taxes, from the August 1973 sale of the Company's investment in eleven cable television systems to American Television and Communications Corporation. A change in accounting principles required that transactions of the type described in this and the preceding paragraph be included in the determination of income before extraordinary items in 1974 but prohibited restating their classification as extraordinary items in 1973.

Taxes on Income

Taxes on income include federal, foreign, state and local taxes. The consolidated effective income tax rates in 1974 and 1973 were 43.9 per cent and 45.3 per cent compared with the federal income tax rate of 48.0 per cent. Of the total 1974 and 1973 variations expressed as a percentage of pre-tax income, 3.5 per cent and 3.4 per cent were attributable to capital gains resulting mainly from the harvesting and sale of fee-owned timber. No other items were significant in the variations in 1974 and 1973.

The Company plans to continue to finance its operations in foreign countries by retention in such countries of a substantial portion of undistributed earnings

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Henry Luce III
Vice President, Time Inc. (right). Elected 1967.

Matina Souretis Horner
President, Radcliffe College (far right).
Nominated for election in 1975.

of its foreign subsidiaries. The amounts of unremitted earnings considered permanently invested for such purpose at December 31, 1974, and at December 31, 1973, were approximately $18,000,000 and $14,000,000 respectively, after reduction for available foreign tax credits.

Deferred federal income taxes (credits) of $1,709,000 and ($694,000) in 1974 and 1973 respectively, applicable to income before extraordinary items, have been provided because income from collections on installment notes receivable and amounts for depreciation, amortization of promotion costs, bad debts, book-return expenses, and certain other costs, differ from amounts reported for federal income tax purposes.

Investment tax credits, of $2,090,000 in 1974 and $659,000 in 1973, have been primarily accounted for by the flow-through method.

Retirement Plans

The Company and its subsidiaries have retirement plans covering substantially all employees, including those in foreign countries. Retirement plan expense was approximately $6,900,000 in 1974 and $5,200,000 in 1973, which includes amortization of past service cost over periods of approximately 10 years. Increased retirement benefits granted under the Company's plan in 1974, subject to ratification by the shareholders, coupled with a change in assumed earnings from 5 per cent to 5½ per cent, had the effect of increasing retirement plan expense in 1974 by $500,000. The Company's policy is to fund pension costs accrued. The actuarially computed value of vested benefits for the plans of the Company and one subsidiary, which were not fully funded, exceeded the total of retirement fund assets and balance sheet accruals by approximately $2,000,000. (Based on market value of securities as of December 31, 1974, approximately $7,300,000 would not be fully funded.) The Employee Retirement Income Security Act of 1974 will have no significant financial effect on the Company.

Leases

Total rental expense, including contingent rentals that were not material, reduced by sublease rental income of $2,847,000 and $2,414,000 for the years ended December 31, 1974 and 1973, amounted to:

	1974	1973
	(in thousands of dollars)	
Financing leases	$ 5,179	$ 5,296
Other leases	6,535	4,125
	$11,714	$ 9,421

The future minimum rental commitments for all noncancelable leases, reduced by an aggregate of $12,981,000 for rentals to be received from existing noncancelable subleases at December 31, 1974, are as follows:

		Financing Leases		Other Leases
	Total	Buildings	Machinery & Equipment	Office Space
		(in thousands of dollars)		
1975	$11,391	$ 3,208	$1,646	$ 6,537
1976	9,811	3,726	1,127	4,958
1977	8,778	3,846	893	4,039
1978	8,267	3,980	630	3,657
1979	5,731	4,079	295	1,357
1980-1984	25,737	22,414	320	3,003
1985-1989	18,744	17,958	—	786
1990-1992	202	—	—	202
	$88,661	$59,211	$4,911	$24,539

The estimated present values of the net fixed minimum rental commitments, computed after reducing total rental commitments by estimated amounts applicable to the lessor's payment of taxes, insurance and maintenance, for all noncancelable financing leases are summarized below:

	Average Interest Rate Used	As of December 31, 1974	1973
		(in thousands of dollars)	
Buildings	5.1%	$50,100	$54,279
Machinery and Equipment	9.7%	2,860	1,870
		$52,960	$56,149

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Rudolph A. Peterson
Administrator, United Nations Development Programme; Chairman, Executive Committee, Bank-America Corp. (left). Elected 1969.

Advisory Directors:
Artemus L. Gates
Samuel W. Meek
Maurice T. Moore

The estimated present values of rentals to be received from existing noncancelable subleases amounted to $7,471,000 in 1974 and $7,511,000 in 1973.

The impact on net income for the years 1974 and 1973, if all financing leases had been capitalized, does not exceed 3 per cent of the average net income for the most recent three years.

Commitments and Contingent Liabilities

At December 31, 1974, the Company had commitments and contingent liabilities in connection with investments, purchases and sales of property and equipment, and long-term paper and printing contracts.

There were pending against the Company and its subsidiaries lawsuits and claims arising in the regular course of business. In addition, two class actions are pending against the Company in the United States District Court for the Southern District of New York. One action alleges various violations of the federal securities laws by the Company in connection with its acquisition of Temple Industries, Inc. The other action makes similar charges against the Company in connection with its acquisition of the minority interest in Sterling Communications, Inc. A derivative action brought in the name of Sterling Communications, Inc. by certain of its shareholders, pending in the Supreme Court of the State of New York, alleges deliberate mismanagement of Sterling Communications, Inc., by the Company. Temple-Eastex and most U.S. plywood producers are defendants in a series of antitrust class actions which allege conspiracies to fix and stabilize plywood prices. The actions, which seek treble damages, permanent injunctions and other relief, have been consolidated for pretrial, and are in the initial discovery stage.

In the opinion of management, recoveries, if any, by plaintiffs or claimants that may result from the foregoing litigation and claims will not be material in relation to the consolidated shareholders' equity of the Company and its subsidiaries.

Accountants' Report

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TIME INCORPORATED

We have examined the consolidated balance sheets of Time Incorporated and subsidiaries as of December 31, 1974, and December 31, 1973, and the related consolidated statements of income, shareholders' equity and changes in financial position 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 financial statements referred to above present fairly the consolidated financial position of Time Incorporated and subsidiaries at December 31, 1974, and December 31, 1973, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles, which, except for the change, with which we concur, in the method of determining income before extraordinary items as discussed in the notes to financial statements, have been applied on a consistent basis.

Ernst & Ernst

New York, New York
February 20, 1975

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OFFICERS AND OPERATING EXECUTIVES

Officers

Andrew Heiskell
Chairman of the Board & Chief Executive Officer
Roy E. Larsen, Vice Chairman of the Board
James R. Shepley, President & Chief Operating Officer
Charles B. Bear, Group Vice President & Secretary
R. M. Buckley, Group Vice President
Arthur W. Keylor, Group Vice President
Richard B. McKeough, Vice President-Finance
Donald M. Wilson
Vice President-Corporate and Public Affairs
Ralph P. Davidson, Vice President
Robert P. Fisler, Vice President
Otto Fuerbringer, Vice President
Charles L. Gleason Jr., Vice President
Peter S. Hopkins, Vice President
Edward Patrick Lenahan, Vice President
Henry Luce III, Vice President
Joan D. Manley, Vice President
John A. Meyers, Vice President
J. Richard Munro, Vice President
E. Gabriel Perle, Vice President
Herbert D. Schutz, Vice President
Ira R. Slagter, Vice President
Robert M. Steed, Vice President
Kelso F. Sutton, Vice President
Arthur H. Thornhill Jr., Vice President
J. Garry Valk, Vice President
Barry Zorthian, Vice President
P. Peter Sheppe, Assistant Secretary
Clifford J. Grum, Treasurer
J. Winston Fowlkes, Assistant Treasurer
William E. Bishop, Comptroller & Assistant Secretary
Kevin L. Dolan, Assistant Comptroller
Eugene F. Farro, Assistant Comptroller

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Corporate Editorial Executive

Hedley Donovan
Editor-in-Chief

Magazine Executives

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Ralph P. Davidson
Publisher, Time

Henry Anatole Grunwald
Managing Editor, Time

Edward Patrick Lenahan
Publisher, Fortune

Robert Lubar
Managing Editor, Fortune

John A. Meyers
Publisher, Sports Illustrated

Roy A. Terrell Jr.
Managing Editor, Sports Illustrated

Harry Steinbreder Jr.
Publisher, Money

William S. Rukeyser
Managing Editor, Money

Richard J. Durrell
Publisher, People

Richard B. Stolley
Managing Editor, People

J. Garry Valk
Publisher, Magazine Development Group

Otto Fuerbringer
Editor, Magazine Development Group

James J. McCluskey
Director of Manufacturing and Distribution

Ira R. Slagter
Director of Subscription Service

Kelso F. Sutton
Director of Circulation

Book Executives

Joan D. Manley
Vice President; Publisher, Time-Life Books/Records

Jerry Korn
Managing Editor, Time-Life Books/Records

Zachary P. Morfogen
Managing Director, Books and Arts Associates

Herbert D. Schutz
President, New York Graphic Society Ltd.

Arthur H. Thornhill Jr.
Chairman & President, Little, Brown and Company, Inc.

Television and Film Executives

J. Richard Munro, Vice President

Gerald M. Levin
President, Home Box Office, Inc.

N. J. Nicholas Jr.
President, Manhattan Cable Television, Inc.

Bruce L. Paisner
President, Time-Life Films, Inc.

Willard Schroeder
General Manager, WOTV

Forest Products Executives

R. M. Buckley
Chairman and Chief Executive Officer,
Temple-Eastex Incorporated

Arthur Temple
President and Chief Operating Officer,
Temple-Eastex Incorporated

Joe C. Denman
Executive Vice President,
Building Materials (President, Temple Division)

Felix M. Hammack
Executive Vice President,
Paper Products (President, Eastex Division)

David H. Dolben
Vice President, Finance

Kenneth Nelson
Vice President, Land and Timber

Executives of Other Activities

Charles B. Bear, Group Vice President

Robert J. Edmondson
President, Printing Developments, Inc.

George W. Hoyt
President, Pioneer Press Inc.

Peter S. Hopkins
Vice President, Real Estate

John A. Watters
President, Selling Areas-Marketing, Inc.

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ANNUAL MEETING
Thursday, April 17, 1975, 11 a.m.
Time & Life Building
Rockefeller Center, New York, N.Y.

CORPORATE HEADQUARTERS
Time & Life Building
Rockefeller Center
New York, N.Y. 10020
Phone: 212-JU 6-1212

TRANSFER AGENT
The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, N.Y. 10015

REGISTRAR
Chemical Bank
20 Pine Street
New York, N.Y. 10015

CO-TRANSFER AGENT AND REGISTRAR
Republic National Bank of Dallas
P.O. Box 2964
Dallas, Texas 75221

COMMON STOCK—PRICE RANGE
(New York Stock Exchange—Symbol: TL)

	Low	High
1973: First quarter	37½	63¼
Second quarter	29⅝	41¾
Third quarter	29½	38¼
Fourth quarter	25¼	44⅛
	Low	High
1974: First quarter	30¾	40¼
Second quarter	35½	41½
Third quarter	30	38½
Fourth quarter	24½	33½

DIVIDENDS

1973: Each quarter	47.5¢
Total for year	$1.90
1974: Each quarter	50¢
Total for year	$2.00

Copies of Form 10K, our "annual report" to the Securities and Exchange Commission, will be available to stockholders after April 30, on written request to P. Peter Sheppe, Assistant Secretary, Time Inc., Time & Life Building, Rockefeller Center, New York, N.Y. 10020.

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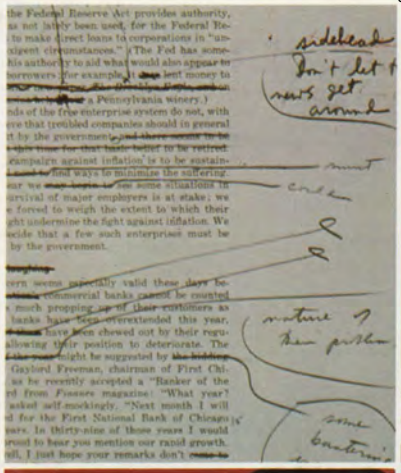
FOREST PRODUCTS







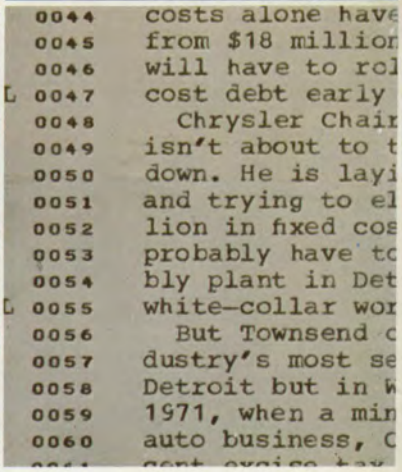

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the Federal Reserve Act provides authority,
as not lately been used, for the Federal Re-
to make direct loans to corporations in "un-
xigent circumstances." (The Fed has some-
his authority to aid what would also appear to
borrowers (for example, it once lent money to
a Pennsylvania winery.)
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