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TIME

INCORPORATED

1979

ANNUAL REPORT

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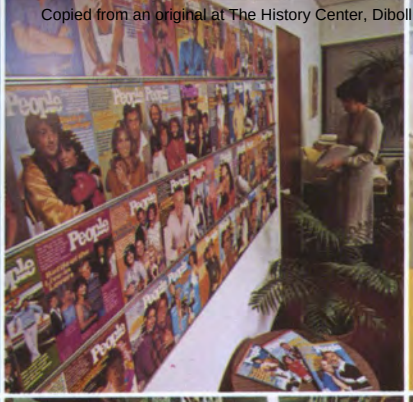
TIME INCORPORATED

A diversified company in the
communications and forest products fields



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MAGAZINES







BOOKS







FOREST PRODUCTS



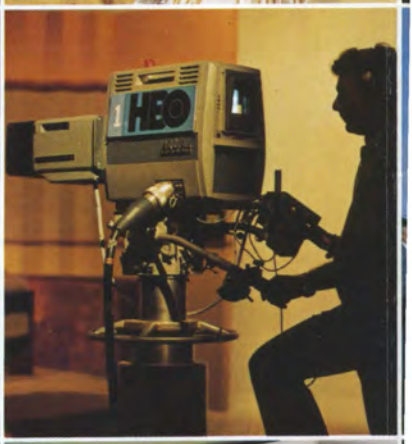




VIDEO







OTHER ACTIVITIES







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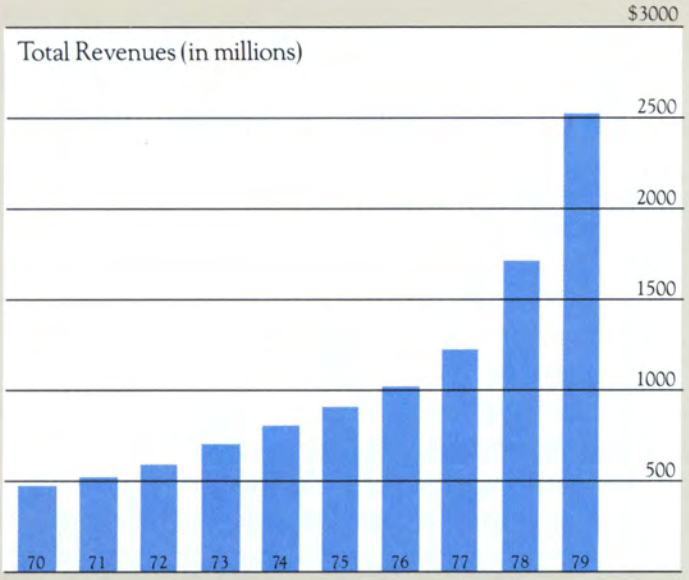


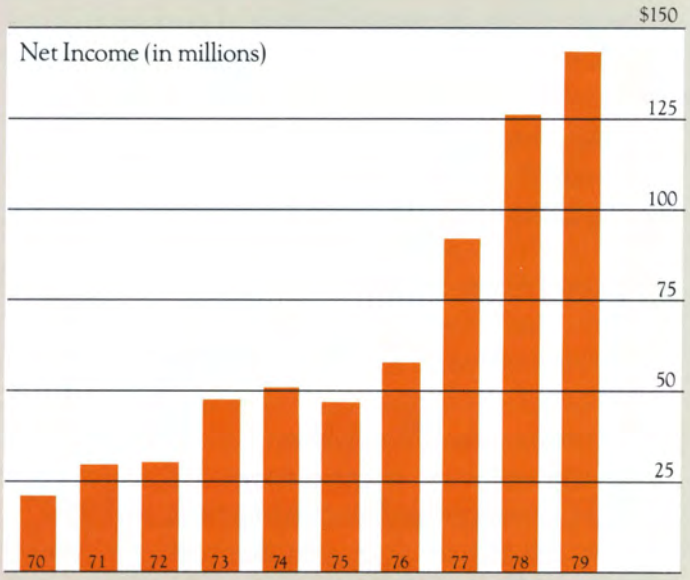






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Financial Highlights

(in thousands except for per share data)

	1979	1978
Revenues	$2,504,060	$1,697,585
Income Before Extraordinary Item	143,922	119,021
Net Income	143,922	125,742
Earnings per share—fully diluted		
Income before extraordinary item	$5.15	$5.31
Net income	5.15	5.61
Dividends per share	1.62	1.45
Common shareholders' equity—per share	$35.33	$31.00
Average shares outstanding (000)		
Fully diluted	27,958	22,397
Price range—common share	35¾—49⅜	33¾—50¾

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Time Inc. completed a remarkable decade of growth and diversification last year, with 1979 revenues exceeding $2 billion for the first time, and profits reaching a record $144 million. It took our Company 53 years to reach the $1 billion level of revenues (in 1976), and three more to top $2 billion by a considerable margin. Some of the strong recent growth was generated internally, some came from acquisitions, and some, predictably, was a reflection of inflation.

Whatever the reasons, we are happy to report that the net result of all this revenue growth has been a substantial increase in Time Inc.'s earnings as well. Over the past decade, our income per share has risen at a compounded annual rate of 13 percent.

Fully diluted earnings per share before extraordinary items were $5.15 in 1979 compared to $5.31 in 1978. Per share earnings were down for the year as a result of a 25 percent increase in shares outstanding. This increase stems from our acquisition, in November 1978, of Inland Container Corporation and American Television and Communications Corporation, both partly for stock.

If Time Inc.'s 1978 results were restated to reflect the revenues and earnings of these two companies for that year, the indicated pro forma earnings for 1978 would have been $4.76 a share, before an extraordinary item, on revenues of $2.15 billion. On that basis our 1979 earnings per share would be up 8 percent over 1978 on an increase in revenues of 16 percent.

Actually, Time Inc.'s 1979 revenues of $2.5 billion were 48 percent higher than the reported 1978 revenues of $1.7 billion. But more than half the revenue increase was accounted for by the inclusion of full-year results for Inland and ATC. And, largely for the same reason, income before extraordinary items rose 21 percent in 1979 over 1978. (In 1978 Time Inc. had an extraordinary gain of $6.7 million, or 30 cents per share after taxes, on the involuntary sale of timberland to the federal government.)

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The increase in Time Inc.'s earnings last year was accounted for primarily by our magazine, video, and paper operations. Book publishing profits were down, partly because of market weakness and partly because Time-Life Books series are sold under long-term subscription agreements, which limit the short-term opportunities for offsetting inflationary cost increases. Our building materials earnings were down sharply because of tight money and the resultant decline in residential construction during the year. Losses of *The Washington Star,* which we acquired in 1978, were about in line with expectations.

Magazine earnings were up on increased advertising and circulation revenues, but rising costs and some softness in single-copy sales in the second half limited the profit increase. Eastex and Inland Container, our paper operations, benefitted from strong markets last year and from productivity gains resulting from plant modernization programs still under way. The Video Group's big profit increase resulted in part from the acquisition of ATC, which had record profits in 1979, and in part from the continued rapid growth of Home Box Office, our pay-TV program supplier.

As we begin a new decade, our Company is extremely well positioned for continued growth. Our major operations now include not only the publishing of magazines and books, but the conversion of wood fiber into building materials, bleached paperboard, and corrugated containers, and the ownership of the largest pay-TV program

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supplier and second largest cable television company in the U.S.

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Any prediction of exactly how much our Company will grow or change in the decade ahead would be purely conjectural. But a review of our recent progress may yield some clues as to the potential. When the 1970's began, publishing was Time Inc.'s principal business, accounting for 73 percent of total revenues and about 40 percent of net income. At that time, pulp and paper operations accounted for only 14 percent of revenues and broadcasting and other activities 13 percent. Time Inc.'s total revenues at the beginning of the decade were $497 million, and net income was $20.4 million.

Since then, a plan for growth and diversification initiated in the 1970's has produced both dramatic revenue and earnings increases and some fundamental changes in the structure of Time Inc.'s earnings. By mid-decade our revenues had risen to $825 million and net income to $50.2 million. By the end of the decade our revenues had quintupled, and net income had risen more than sevenfold compared to 1970.

To a substantial degree, this growth has been predicated on diversification. But it was structured, not indiscriminate, diversification. Time Inc. is not now, and does not expect to become, a corporate conglomerate as that term is usually understood. Our diversification has been limited to those fields in which we have special expertise. Essentially, these are communications and forest products, with communications, as we define it, embracing both our publishing and our video activities. These three fields—publishing, video, and forest products—are the profit centers upon which our past growth and our future hopes are based.

Nonpublishing activities now account for over 60 percent of Time Inc.'s business. Publishing and forest products each represent about 40 percent, while video and other operations contribute 20 percent. Video, however, is our fastest growing activity, and we expect video to approach the other two activities in importance in the near future.

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Time Inc.'s expansion in the Seventies was a mix of invention and acquisition. In magazine publishing, for example, we invented two new periodicals—*Money* in 1972 and *People* in 1974. By changing their formats radically, we reinvented two others—*Life* and *Fortune*. In book publishing, we invented new book series, and in 1977 we also acquired Book-of-the-Month Club, a firm that complemented our operations nicely. Then, in 1978, we acquired a major daily newspaper, *The Washington Star*. In forest products we also invented and purchased; we introduced new products internally, but we also broadened our operations by acquiring Temple Industries, a major building materials manufacturer, in 1973, and Inland Container, the fourth largest producer of corrugated boxes, in 1978.

But the most varied and adventurous diversification took place in our Video Group. At the beginning of the decade, Time Inc. owned a few television and radio stations and had begun investing in a new video field: cable television. By last year our Company was the leading supplier of pay-television programming in the U.S., had acquired the second largest cable system operating company, and was producing feature films and other programs not only for television and theatrical release but for the new in-home video business as well.

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There was a notable change in our magazine publishing strategy during the 1970's. We moved to diminish, to some extent, our magazines' dependence on advertising revenues by raising both their single copy and subscription prices. We thereby transferred

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a larger share of the cost of publishing to the readers themselves.

This not only increased our credibility with advertisers by providing them with readers willing to pay full value, but at the same time it lightened somewhat the advertisers' share of the cost. The relative cost efficiency of magazines, particularly vis-à-vis other media, became increasingly apparent. One result has been that in 1979 the magazine share of total advertising expenditures in the U.S. increased for the third year in a row.

Yet another change in our publishing operations in recent years has been the increasing importance of foreign sales. The international editions of *Time* magazine carried $76 million of advertising last year and accounted for a record 26 percent of the magazine's advertising revenues. Time-Life Books International last year sold some ten million volumes, and foreign sales, for the first time, accounted for more than half the Books Group's total revenues. We expect further growth in our international publishing revenues in the 1980's.

If diversification was the most visible change in Time Inc.'s structure during the 1970's, an equally significant change was the enormous increase in the Company's physical assets. When Time Inc. was predominantly a publishing company, its assets were mostly human and the Company owned relatively little plant or equipment. At the beginning of the 1970's, for example, the Property and Equipment line on our balance sheet was only $200 million, and most of this amount was accounted for by our Eastex pulp and paper mill.

By the end of last year, our Property and Equipment account had grown to $972 million, and included, in addition to the substantial cable television and plant assets of ATC and Inland, almost 1.1 million acres of timberland in East Texas, plus a half interest in another 933,000 acres in Georgia and Alabama. Time Inc. is, in fact, the largest landowner in Texas, and our acreage there, which approximates Rhode Island in area, is carried on our books at $67 million, or less than $61 per acre.

Unlike most natural resources, moreover, our forest assets are renewable. Oil and coal and iron are depletable resources, but timberland, properly cared for, replenishes itself perpetually. Indeed, through scientific cutting and reforestation we are actually increasing the volume of timber on our forest holdings year after year. It is our policy to husband these resources by purchasing for current use as much timber as possible from outside sources.

Thus, Time Inc. is now a company with a substantial asset base. And that may be a particularly valuable attribute in the uncertain decade ahead when one of the few strong probabilities is that the value of physical assets, and particularly land, will continue to rise more rapidly than prices in the economy as a whole.

But people are still our most important asset, and managers are among our most important people. Providing for management depth and continuity, therefore, has been a key element in the Time Inc. growth plan initiated in the Seventies. Last year the Company announced several major management changes, and this year there will be further moves to assure the smooth transition of management.

During 1979 Hedley Donovan retired as editor-in-chief of all Time Inc. publications, and the board of directors elected Henry Grunwald, a corporate editor and long-time managing editor of *Time,* as his successor. Ralph Graves, also a corporate editor and former managing editor of *Life,* was named editorial director.

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This year, we the signers of this Letter to Shareholders, Chairman of the Board Andrew Heiskell, elected to that position in 1960, and President James R. Shepley, elected in 1969, have announced our intention to retire. While Mr. Shepley will continue as chairman of *The Washington Star* and chairman of the executive committee of the board of Time Inc., we will relinquish our present positions and leadership to our successors.

To help bring about an orderly management succession, the Corporate Operations Office was established in August 1979. This office functions as a committee whose chairman, J. Richard Munro, was appointed executive vice president of the Company. The other members of the committee are Vice Presidents Ralph P. Davidson and Clifford J. Grum, Chief Financial Officer Richard B. McKeough, and Group Vice President and Secretary Charles B. Bear.

Other management appointments and promotions that occurred last year or early in 1980 are reported on page 26 of this report.

§ § §

As Chairman and President, we have served together during the entire decade of the Seventies and have had the satisfaction of participating in the transformation of our Company from the leading magazine publisher in the world to a major diversified corporation in the communications and forest products fields—and still the premier magazine publishing company. Nevertheless, we confidently expect that the management that succeeds us will look upon the 1970's as mere prelude to the challenges and opportunities that lie ahead in the 1980's. We wish them well.



Andrew Heiskell
Chairman of the Board and
Chief Executive Officer

James R. Shepley
President and
Chief Operating Officer

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MAGAZINES

Revenues—$680 million
Operating Profits—$70 million

Time Inc. was first, and in the public mind is still foremost, a magazine publishing company. By virtually any measure, it is, in fact, the largest magazine publishing company in the world. And despite the extensive diversification of recent years, Time Inc.'s six magazines—in order of their first publication: *Time, Fortune, Life, Sports Illustrated, Money,* and *People*—still account for a larger share of the Company's revenues than any other single line of business. Magazines accounted for 27 percent of Time Inc.'s total revenues in 1979 and approximately one quarter of the Company's operating profits.

For the Magazine Group, 1979 was another record year. Net advertising revenues of $408 million were 17 percent ahead of 1978, while circulation revenues, at $272 million, were up 22 percent. However, because of rising costs (postal charges jumped 23 percent last year) and some softening of single-copy newsstand sales, magazine operating profits in 1979 were up only 6 percent over 1978.

In 1979 several of our magazines celebrated benchmark anniversaries. *Sports Illustrated,* for example, reached its 25th birthday, *People* its fifth, and the new *Life* its first. Then, in February 1980, *Fortune,* our second oldest publication, celebrated its 50th birthday. During 1980 we hope to announce the birth of yet another Time Inc. magazine. Currently being tested, *Discover,* if published, will explore the fascinating world of science for the layman.

TIME

In 1979, for the tenth year running, our flagship publication, *Time,* led all magazines in worldwide advertising revenues. Its ad revenues of $296 million were 14 percent higher than the previous year. Circulation revenues were also up.

Time's editorial strength continued to provide the strong underpinning for the magazine's commercial preeminence. During 1979, *Time* and its editors won 31 journalism and professional awards. *Time* ran more four-color editorial photography in 1979 than ever before and became the first magazine to transmit four-color photographs to printing plants via satellite. In 1979 *Time* also established a new record: its 62-page insert of Gulf+Western Industries Inc.'s entire annual report was, in dollar revenues, the largest advertisement ever run.

LIFE

Life's first full year of operation following its first issue in October 1978 was reminiscent of that magazine's original birth in 1936: the reception from readers and advertisers was more enthusiastic than anticipated. *Life's* advertising revenues in 1979 totaled $13 million, and its advertising rate base, which was raised from an initial 700,000 to 1 million in April 1979, in January 1980 was raised again to 1.2 million.

In its new incarnation, *Life* features photographic essays and is considerably different in editorial and publishing concept from its predecessor. And apparently the concept is well suited to the present time: *Life's* special year-end issue on the Seventies was a virtual sellout at $2 per copy.

FORTUNE

For *Fortune,* which celebrated its 50th year of publication last month, 1979 was its second year as a biweekly. Its advertising revenues hit a high of $49 million for the year, up 17 percent over 1978. In January 1980, *Fortune* increased its advertising rate base from 660,000 to 670,000.

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Editorially, *Fortune* marked the advent of a new decade with a major new series on "The U.S. Economy in the 1980's," an analysis of economic prospects for the years ahead.

SPORTS ILLUSTRATED

SI celebrated its silver anniversary in 1979 with record advertising and circulation revenues. It again ranked fourth among all U.S. magazines in total advertising revenues. In June *SI* raised its subscription price to $30.

Editorially, *SI* continued to provide its readers with more four-color photography in its editorial pages than any other weekly magazine. Girding itself for extensive coverage of the Winter Olympics, *SI* ran the largest advertising insert in its history, a 64-page section on Lake Placid, site of the 1932 and 1980 games.

MONEY

Money was much on everyone's mind last year, and *Money's* articles on investing, taxes, energy, inflation, and other money subjects attracted increasing readership. In January 1979, *Money's* advertising rate base was increased from 750,000 to 800,000, and both the subscription and single copy prices were also raised. Circulation revenue for the year rose 31 percent.

Money's advertising pages and advertising revenues also reached record highs in 1979, with ad revenues reaching $12 million, up 14 percent from the preceding year.

PEOPLE

People, which was launched in 1974, continued its prodigious revenue growth last year. Ad revenues for the year totaled $89 million, up 35 percent over 1978. *People* now ranks fourth among all magazines in advertising pages and tenth in ad revenues.

People's circulation curve flattened somewhat in the second half of 1979 as single copy sales slowed. Its circulation averaged well above 2 million copies per issue throughout the year, however.

In the field of personality journalism no other magazine comes close to *People* in popularity, and *People* was undoubtedly the outstanding new magazine success story of the decade.

CORPORATE CIRCULATION

Corporate Circulation is the consumer sales organization of the Magazine Group. It is responsible for all subscription and retail sales activities for Time Inc.'s magazines.

Our magazines have pioneered in using television and telephone selling in addition to direct mail sales techniques. Revenues increased by 22% in 1979, primarily as a result of higher copy prices. A slowdown in consumer purchasing in the second half of 1979 indicates that the growth trend may moderate in 1980.

A new subsidiary, Time Distribution Services (TDS), completed its first year as a full-service national distribution company in 1979, replacing an outside concern. Some 200 full-time TDS staffers and 300 part-time in-store checkers handled newsstand sales of 127 million copies of Time Inc. magazines last year at a cost saving of 10 percent over the previous system.

SUBSCRIPTION SERVICE

The Subscription Service Division, based in Chicago, has a worldwide staff of about 1,800 people and is responsible for our Magazine and Books Groups' fulfillment, and production and distribution for our marketing data subsidiary, SAMI. Subscription Service is also responsible for most of Time Inc.'s financial and editorial computer operations.

Last year, Subscription Service handled 33 million pieces of mail and 2.5 million phone calls, shipped 19 million books, mailed 206 million promotion pieces, and processed

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a record $351 million of payments. By adding a carrier presort code, identifying individual letter carrier routes, to the ZIP code on its mailing labels, Subscription Service earned a $15 discount per thousand pieces of mail so sorted. This presorting is expected to produce substantial savings in Time Inc.'s future mailing costs.

CORPORATE MANUFACTURING AND DISTRIBUTION

This division is responsible for the paper, printing, and distribution of some 800 million copies of Time Inc. magazines annually. This enormous task involves not only purchasing and quality control, but the supervision of 20 regular printers and dealing with 21 paper mills and most of the world's postal systems. To discharge these responsibilities CM&D maintains offices in ten cities around the world.

Severe weather conditions and labor disputes in the trucking, airline, and paper industries put CM&D's logistical ingenuity to the test last year. However, innovative adjustments in manufacturing, transportation schedules, and paper procurement enabled the division to keep our magazines flowing without interruption.

Electronic transmission of editorial pages was initiated for *Time* magazine to all domestic printing plants during 1979. This should, in the future, minimize the impact of disruptive weather and airline shutdowns upon our operations. In 1980 this system will be expanded to include *Time* Atlantic editions, printed in Holland, *Time* Asia, printed in Hong Kong, and *Time* South Pacific in Australia.





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EDITORIAL SERVICES

The Editorial Services Division, which operates a large reference library and an automated photo processing laboratory as well as the largest and most completely cross-indexed private Picture Collection in the world, continued its adaptation to advancing technology in 1979. Electronic data retrieval is being explored for the library, video disc storage for the Picture Collection, and new film processing techniques for the photo lab.

1 *Fortune*, celebrating its 50th anniversary in 1980, published a facsimile of its first issue.
2 *Sports Illustrated*, now 25 years old, runs more color edit pages than any other weekly magazine.
3 The Magazine Group's Subscription Service Division in Chicago stores 30 million addresses on tape.
4 *Time* magazine is once again available for sale, in selected bookstores, in mainland China.
5 *Life* marked its first birthday with a sell-out year-end issue on the Seventies.
6 *People*, Time Inc.'s newest magazine, already ranks fourth among all magazines in advertising pages.



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Revenues—$425 million
Operating Profits—$37 million

Time Inc.'s Books Group has become one of the largest book publishing enterprises in the world. In addition to Time-Life Books, the original and still the largest entity, the Books Group now also includes Book-of-the-Month Club, acquired in 1977; Little, Brown and Company, a leading publisher of trade, college, and professional books, acquired in 1968; the New York Graphic Society, purchased in 1966, together with Graphic's subsidiaries, Alva Museum Replicas and Museum Collections; and Books and Arts Associates, which looks after Time Inc.'s investments in several leading foreign publishing firms. The Books Group's revenues were a record $425 million last year, up 18 percent from 1978, but operating profits were down 23 percent largely because of inflationary cost increases and higher selling costs.

TIME-LIFE BOOKS

Time-Life Books' revenues of $303 million accounted for approximately 70 percent of the Books Group's total revenues last year. Headquartered in Alexandria, Va., TLB is primarily a publisher of book series distributed by mail to subscribers. This method of doing business has the advantage of producing ongoing revenues from each book series after the initial promotion effort, but it has the disadvantage that the initial price per volume cannot readily be changed, and this has the effect of squeezing operating margins at least temporarily in periods of high inflation.

Of the 26 book series that have been published since TLB began operations in 1961, the best selling series last year were *The Old West, Home Repair and Improvement,* and *World War II.* A new series, *The Good Cook,* was launched during the year, and late in 1979 another new series, *The Epic of Flight,* was announced. The first volume began arriving in subscribers' homes early in 1980. In addition to book series, TLB markets single volumes, as well as phonograph records and audio cassettes. A new record series, *Mozart,* was introduced in the fall of 1979. In all, Time-Life Books has published 643 book titles to date and released 144 albums. Last year, in the U.S. alone, TLB sold over 24 million books.

In September 1979, TLB announced the formation of a new publishing imprint, Stonehenge Press, to serve segments of the book and information markets not previously penetrated extensively by TLB. Adult and juvenile nonfiction will be sought from outside authors and packaged and marketed under the Stonehenge imprint, both in series and as single titles.

A number of steps were taken last year to promote TLB's international sales. For example, TLB reached a distribution agreement for a series of children's books to be marketed in mainland China. This was one of the first entries into the Chinese market by any American publisher, and a TLB exhibit is currently touring 31 Chinese cities. In Mexico, expansion of the door-to-door selling operation for Spanish-language books doubled TLB revenues in that country. A telephone sales operation was launched in Australia, and TLB opened its eleventh foreign office, in Brazil.

TLB also introduced two new publishing imprints abroad last year, one in France and one in West Germany. Editions du Fanal and Christian Verlag, in the fourth quarter, began publishing illustrated nonfiction single volumes primarily for distribution in bookstores.

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During 1979 Time Inc. signed an agreement to purchase from Salvat Editores, the largest Spanish-language publisher, the remaining 60 percent of Salvat Ediclub, a Spanish-language mail order firm in which Time Inc. previously had a 40 percent interest.

In all, some ten million TLB books were sold in international markets last year, and TLB's net revenues of $152 million from international operations represented more than half of TLB's total revenues for the first time.

BOOK-OF-THE-MONTH CLUB

The Book-of-the-Month Club completed its second full year as a member of the Time Inc. Books Group in 1979. Net sales rose to a record $77 million. In part the sales increase resulted from an intensive advertising campaign which included the use of television advertising by BOMC for the first time in its 53-year history.

With a higher membership base, over 500,000 more books were distributed to BOMC members in 1979 than in 1978. Sales were helped by a number of distinguished book selections. Among the most successful of these was Henry Kissinger's *White House Years,* which was sold to BOMC members at $17.95, the highest price ever charged for a single regular club selection. Other popular 1979 titles were *Sophie's Choice* by William Styron, *The Powers That Be* by David Halberstam, and *The Right Stuff* by Tom Wolfe.

Among BOMC's six smaller clubs, the Cooking and Crafts Club and the Quality Paperback Book Club showed the largest sales gains in 1979.

LITTLE, BROWN AND COMPANY

Little, Brown was founded in 1837. This prestigious publishing house, with headquarters on Beacon Hill in Boston, has over 2,600 titles in print. Little, Brown is a leading publisher of fiction and nonfiction sold to the general public through bookstores and is also a leading publisher of law, medical, and college textbooks. Last fall, Little, Brown had the unusual distinction of having five of its books on the bestseller list at one time: Henry Kissinger's *White House Years,* Norman Mailer's *The Executioner's Song,* Herman Wouk's *War and Remembrance,* James Burke's *Connections,* and Frank McDonald's *Provenance.*

NEW YORK GRAPHIC SOCIETY

The New York Graphic Society also had record revenues last year. While not large in relation to the Books Group's other companies, Graphic is the leading producer of fine art prints in the U.S. Its prints and art reproductions, handcrafts, and antiques produced or sold by its subsidiaries, Alva Museum Replicas and Museum Collections, are of exceptionally high quality. A limited edition reproduction of a Frederic Remington bronze, *The Outlaw,* for example, was marketed at $1,250 the copy last year.

New York Graphic's prints and reproductions are sold to the public through retail outlets and by mail. Last fall a new and more

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comprehensive mail-order catalogue was mailed to prospective customers.

BOOKS AND ARTS ASSOCIATES

Books and Arts Associates monitors Time Inc.'s minority interests in publishing companies in other countries. These include Rowohlt Taschenbuch Verlag, a leading German paperback house, in which Time Inc. has a 33 percent interest, Editions Robert Laffont in France, of which we own 37 percent, Organizacion Editorial Novaro in Mexico, in which we have a 20 percent interest, and Shingakusha-Time International in Japan.

In 1978 BAA set up two joint-venture publishing firms in the medical field. These companies, located in France and Japan, were, in a sense, offspring of Little, Brown's very successful medical publishing operations in the U.S. BAA hopes this year to launch at least one more of these medical/science publishing joint ventures.

During 1979, Books and Arts Associates, in cooperation with the government of Greece, continued the development of an exhibition of ancient Greek artifacts that will tour U.S. cities beginning in 1980. The exhibition will have its premiere in Salonika, Greece, this coming July and then debut at the National Gallery in Washington on November 16. "The Search for Alexander" is being co-sponsored by Time Inc. Subsidiary companies will publish the catalogue of the exhibition and a related book on Alexander the Great, and produce a series of television programs.





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1 In 1979 the Book-of-the Month Club completed its second year as a member of Time Inc.'s Books Group.
2 BOMC's warehouse in Mechanicsburg, Pa., usually has some 7 million books in stock.
3 Alva Museum Replicas, a subsidiary of New York Graphic Society, handcrafts reproductions of museum pieces.
4 Time-Life Books' headquarters are in the handsome Atrium in Alexandria, Va.
5 Little, Brown, Time Inc.'s prestigious 143-year-old Boston publishing subsidiary, has its headquarters on Beacon Hill.
6 Time-Life Books, first and largest entity in the Books Group, constantly plans new series.

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Forest Products

Revenues—$926 million
Operating Profits—$96 million

Time Inc. has been in the forest products business since the early Fifties when it acquired timberland in East Texas and built a paper mill to manufacture bleached pulp and paperboard. Our commitment to forest products was enlarged in 1973 by the acquisition of Temple Industries.

From the beginning, our long-term plan for the Forest Products Group called for diversification into other grades of paper and it was decided that the best choice would be linerboard, which is used in making shipping boxes. Many corrugated box companies in the United States are vertically integrated—manufacturing linerboard and producing the end products. Because the capital expenditures required to enter this business through internal development are very substantial, we opted in 1978 to acquire Inland Container Corporation, one of the most cost efficient operations in the industry.

TEMPLE-EASTEX

EASTEX DIVISION

The Eastex Division of Temple-Eastex is located in Evadale, Texas. It operates a fully integrated, four-machine bleached pulp, paper, and paperboard manufacturing complex, and also has three strategically located folding-carton packaging plants in the U.S. Its revenues last year were a record $222 million, up 17 percent over the previous year. Eastex operating profits in 1979 were $37 million, a 42 percent increase over 1978.

Bleached paperboard goes into the manufacture of a broad group of products such as paper plates, cups, file folders, core stock for paper toweling, and folding cartons. Many of these products compete directly with similar products made from other raw materials, primarily plastics. Extreme importance is therefore placed on the quality of our paper products in terms of strength, appearance, and other functional characteristics.

A major modernization program was initiated at our Evadale paper mill in 1978, aimed toward improving product quality, increasing output, and at the same time updating the mill technologically in such areas as energy efficiency. This three-year program will entail approximately $100 million of capital expenditure, but we are happy to report that we have already begun to realize some benefits from improved efficiency.

Bleached grades of paper enjoyed favorable markets in 1979 and closed the year on a strong note. The 1980 outlook for our paper operations is promising: many of the competitive products are made from crude oil derivatives whose costs are rising rapidly.

Eastex Packaging, with plants in Memphis, Tennessee, Madison, Wisconsin, and Charlotte, North Carolina, maintained its favorable profit margins last year in spite of more competitive market conditions.

TEMPLE DIVISION

In addition to our paper mill in East Texas, the Forest Products Group also operates a number of converting plants that manufacture a broad range of wood building materials including lumber, plywood, particleboard, and various grades of hardboard. The primary market for these materials is residential housing, and with home building declining last year, the demand for these materials turned very sluggish. The operating profits of our Temple Division, in fact, declined to $15 million from the record level of $43 million in 1978.

Earnings for this division will probably continue to be depressed until the level of residential housing increases. Most economists are now predicting that this recovery will begin in the second half of 1980.

The Temple Division completed construction on its first urethane insulation plant in early 1980. The plant will produce insulating sheathing with a plastic core. This new product has superior insulation qualities and will largely replace the fiberboard sheathing we currently manufacture. Our fiberboard mill, in turn, will be able to produce medium-

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density siding and hardboard, allowing us better to serve the growing markets for these two products.

In 1964 we built the first southern pine plywood mill ever built in the South, in Diboll, Texas. In 1974 a larger mill was completed in Pineland, Texas. The new technology available in the latter mill provided substantial operating efficiencies, and in 1979 we chose to shut down our Diboll mill temporarily and serve our customers from the Pineland mill. We are now in the process of redesigning the Diboll plywood mill to improve its efficiency as well as to permit the manufacture of other products. The Diboll mill should be back on stream early in 1981.

The Temple gypsum wallboard division, located in West Memphis, Arkansas, had another good production year, and prices remained strong throughout 1979.

TEMPLE-EASTEX FORESTS

Time Inc. owns 1.1 million acres of timberland in East Texas. This timberland is primarily pine forest but does include some hardwood. We harvest the trees for both building materials and paper operations and use substantially all of the hardwood we harvest in paper manufacture.

Our converting mills used the equivalent of 1.9 million cords of pulpwood last year. Of this amount, approximately 400,000 cords were wood-chip byproducts, derived from the manufacture of lumber and other wood-based building materials. Of the remaining 1.5 million cords, we provided about 50 percent from trees that we harvested on our own land and the rest was purchased from other tree farmers in the area.

As we harvest our lands, we have been putting more of our total acreage into pine plantations. We now have over 265,000 acres in these stands of newly planted trees. By converting some timberlands to pine plantations, we are able to maximize the rate and quality of fiber growth and supply a better mix of pulpwood for our paper operations and saw timber for our wood converting units. A plantation will generally be harvested three times in a 35-year cycle. Two of the harvests will yield pulpwood and the third harvest will be of the larger saw-timber-size trees.

We also own 311,000 mineral acres in Texas. To date, only a modest amount of mineral production has been developed, but we have high hopes that future exploration will be rewarding.

OTHER OPERATIONS

Lumbermen's Investment Corporation, our mortgage banking subsidiary, had a record total of loan closings last year, and it now services $1.4 billion in mortgages, primarily residential.

In addition to its mortgage banking activities, LIC is active in land development, insurance, and commercial real-estate operations. All of these operations enjoyed an exceptional year in 1979.

AFCO Industries, a Temple-Eastex subsidiary that manufactures decorative paneling and other interior wall products primarily for the do-it-yourself market, increased sales to a record level. AFCO should benefit in 1980 from increased home remodeling, since such activity is often countercyclical to new housing construction.

Temple Associates, our engineering and contracting subsidiary, had another growth year in 1979 and should benefit further in 1980 from the expected increase in industrial construction. Temple Associates went into 1980 with the highest backlog in its history.

INLAND CONTAINER CORPORATION

Inland, based in Indianapolis, is a fully integrated packaging company with timberlands, three corrugating medium mills, 28 box plants in the U.S. and Puerto Rico, lumber mills, and paper tape and ink manufacturing facilities. Operating profits at Inland during its first full year as part of Time Inc. were $43.3 million. It was one of the best years in Inland's 54-year history.

Inland owns 50 percent of Georgia Kraft

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Company, which in turn owns 933,000 acres of timberland in Georgia and Alabama and leases 81,000 additional acres. These lands substantially add to Time Inc.'s inventory of wood fiber. Georgia Kraft is one of the nation's largest producers of kraft linerboard, a major component of corrugated boxes. It produces some 3,600 tons of linerboard per day at its three mills in Macon and Rome, Georgia, and Mahrt, Alabama. Georgia Kraft also operates a large sawmill in Greenville, Georgia.

In November 1979, Georgia Kraft's new plywood and stud mill in Madison, Georgia, began operations. The facility, which is one of the largest of its type in the South, has an average annual production capacity of 250 million square feet of 3/8 inch basis plywood and 75 million feet of studs and lumber products. The mill will also provide some 445,000 tons of wood chips to Georgia Kraft's linerboard mills annually.





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Georgia Kraft is building a second papermaking machine at its Macon mill which will add 500 tons of containerboard capacity daily. Raw material for this new machine will be a combination of kraft pulp and recycled corrugated boxes. The costs of this project, which will be completed during 1980, will be approximately $75 million.

At Inland's mill in New Johnsonville, Tennessee, one of three that produce the company's corrugating medium, a new boiler that burns wood refuse as fuel was put into operation last year. This boiler now carries the full steam load for the mill. A similar boiler currently is under construction at Georgia Kraft's Macon mill and another has been approved for the Mahrt mill. Converting from gas and oil to wood fuel will reduce energy costs considerably.

Shipments of corrugated boxes, Inland's principal product, were slightly lower than in the previous year only because raw material supplies at some plants were limited. Greater productivity, improved prices, and a better product mix enabled Inland to earn higher profits in 1979 than in 1978, despite lower volume.

Anderson Box Company, Inland's subsidiary serving the agricultural and poultry industries, and Rexford Paper Company, Inland's tape manufacturing division, both had excellent years in 1979.

1 Temple-Eastex completed a handsome new headquarters in Diboll, Texas, last year.
2 The Temple Division produces lumber as well as a wide range of fiber-based structural materials.
3 The Forests Division grows more timber than it cuts on 1.1 million acres of Texas timberland.
4 Inland Container is the fourth largest corrugated box manufacturer in the U.S.
5 Vertically integrated, Inland Container literally converts trees into corrugated shipping containers.
6 Wood-burning boilers are being installed at Temple-Eastex and Inland facilities to reduce hydrocarbon fuel consumption.

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Revenues—$299 million
Operating Profits—$69 million

Time Inc. has been in broadcasting for nearly half a century, ever since The March of Time went on the air in 1931. The Video Group, as presently constituted, however, is the youngest as well as fastest-growing Time Inc. activity. It really dates back only to 1972 when Time Inc. launched Home Box Office. Now the largest pay-TV program supplier in the U.S., HBO will go down in broadcasting history. For it was HBO that in 1975 combined pay-TV with the pervasive communication capability of satellite transmission, touching off the most extensive communication revolution since the invention of television.

Today, Time Inc.'s Video Group includes, in addition to HBO, American Television and Communications Corporation, Time-Life Films, and television station WOTV in Grand Rapids, Michigan.

ATC

American Television and Communications Corporation, which Time Inc. acquired in 1978, continued its rapid growth last year. Already the second largest cable television company in the U.S., ATC passed the one-million-subscriber mark in November and expects to become the largest system operator sometime in 1980.

ATC's accelerated growth is due both to increased penetration of existing markets and to new system development. Long considered one of the best managed cable television systems in the country, ATC is actively seeking authorization to serve additional markets across the U.S. that have not yet been wired for cable TV. During 1979, ATC acquired seven new system franchises and ATC systems became operational in nine additional markets, including Jacksonville, Florida, and Council Bluffs, Iowa. These bring to 107 the total of systems ATC operates in 32 states. Manhattan Cable TV, the country's largest single-franchise urban cable TV system, has now become an organizational part of ATC. Manhattan Cable's subscriber level reached 111,500 in 1979.

ATC also continues to lead in the number of pay-TV subscribers served. At year end, it had over 500,000 of these premium customers, nearly half its total basic cable TV customers. To broaden its pay-TV base further, ATC has applied for its own over-the-air subscription television (STV) licenses in Denver, Colorado, Joliet, Illinois, and Nashville, Tennessee. Last year ATC developed, and applied for patents on, a technologically advanced home decoder unit that will provide an unprecedented degree of security against pirating of the pay-TV services offered by its own and other STV systems.

Ground has been broken for a 100,000-square-foot headquarters in Englewood, Colorado, and ATC expects to move over 200 home office employees into this facility this summer.

HBO

Home Box Office continued its rapid growth. In its seventh full year of operation, it again doubled its subscribers, to over 4 million homes served. HBO's pay-TV programming is now offered by more than 1,700 cable television systems in all 50 states.

HBO's growth last year was attributable both to the addition of over 800 new affiliates and to its increased penetration of markets already being served. Two years ago, only one cable TV subscriber in four subscribed to HBO in markets where the HBO service was offered. By the end of last year the ratio had risen to 43 percent. Indeed, the rapidly spreading public awareness and acceptance of HBO's subscriber-supported television have opened up many previously unwired cities to cable television franchising.

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As with our magazines and books, program quality is the underpinning of HBO's continuing success. Motion pictures remain the principal ingredient in any pay-TV service, of course, and last year HBO made its largest financial commitment to date, to assure a flow of good pictures.

To further enrich its product mix, HBO has sought to improve and diversify its own original program offerings. An example was its production of a documentary entertainment series called "Time Was," in which host Dick Cavett appears to participate in the memorable events of the decades from the 1920's to the 1970's. Another HBO programming first last year was an agreement for Consumers Union to produce a pilot program for a possible series in 1980. Last year, HBO's original programs swept the National Cable Television Association "ACE" awards in the entertainment, children's, and sports program categories.

In addition to constantly strengthening and improving its present pay-TV offerings, HBO continues to explore and develop new program formats. As its network has grown, HBO has intensified its marketing support of affiliated cable television systems both through national advertising, promotion, and publicity and directly through the establishment of regional offices in eight major U.S. cities in addition to New York.

TIME-LIFE FILMS

Time-Life Films is in the business of producing and distributing film and television entertainment product.

Last year was the tenth year of TLF's special relationship with the British Broadcasting Corporation. TLF is the distributor of BBC productions in the U.S. and Latin America, and its principal U.S. co-producer. Over 80 hours of TLF/BBC co-productions will be telecast on the Public Broadcasting Service during 1979-80—the programs ranging from "The Duchess of Duke Street, Part II" on Masterpiece Theatre to the second season of "The Shakespeare Plays"—a landmark television undertaking encompassing the filming of all 37 of the plays. The Shakespeare project will extend over a six-year period.

In addition to its established involvement with BBC programming, TLF recently announced the formation of the Time-Life Satellite Network, which is scheduled to debut about midyear, 1980. The program offering will be "BBC in America," a daily prime time schedule of popular BBC programs never before seen in the U.S. The network will distribute its programs via cable systems and will be supported by program service fees paid by local cable systems and by advertising revenues.

In 1979 TLF expanded its production and sale of major programs to the commercial television networks. One successful 1979 undertaking was the critically acclaimed eight-hour mini-series produced for CBS, *Blind Ambition*, based on the best-selling book by Nixon's presidential aide, John Dean. Five other television movies were also produced, including *The Family Man* starring Ed Asner and telecast on CBS, and *Amber Waves* with Dennis Weaver, which is coming up on ABC.

Another important TLF market is syndication—the distribution of movies, weekly series, and other programs to television stations on a station-by-station basis. During the past year two more packages of movies, to which TLF holds distribution rights, were released domestically, and the first TLF feature film package was released internationally. TLF is also developing original programming for syndication and will deliver its first production, *Mom, the Wolfman and Me*, to the Operation Prime Time group of television stations. The film, a two-hour movie, will also be edited as a mini-series consisting of five half-hour programs.

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Prerecorded video cassettes are another TLF product, this one being offered directly to consumers via the new Time Life Video Club. The club supplies its members with movies and special programming on a monthly basis. When it becomes possible to do so, this material will be offered on video discs as well as in cassette form.

TLF also serves the educational, institutional, government, and corporate markets, supplying them with 16-mm films, video cassettes, and filmstrips, including TLF's own productions such as "Speed Reading" with Dick Cavett, "Reading Efficiency" with Bill Cosby, and a new how-to series, "Effective Writing For Executives" with Ed Asner.

In 1979 TLF began the production of new motion pictures for theatrical release under the direction of Executive Producer David Susskind. Over the next three years TLF is planning to produce up to twelve feature films which will be released by 20th Century-Fox for theatrical showing in the U.S. and Canada. Principal photography has been completed for the first film, *Loving Couples*, starring Shirley MacLaine and James Coburn. Production will begin soon on *Fort Apache, The Bronx*, starring Paul Newman, and on Peter Bogdanovich's *They All Laughed*, starring Audrey Hepburn, Ben Gazzara, and John Ritter.





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WOTV

Time Inc.'s VHF television station WOTV in Grand Rapids, Michigan, is an affiliate of the NBC network. Last year WOTV continued to lead its market in both revenues and ratings. During the year, it opened a full-time news bureau in Kalamazoo, Michigan, 50 miles away, the only such bureau to be operated by a station in western Michigan.

Since weather is a big news subject in western Michigan, WOTV now has weather equipment technically more sophisticated than that operated by the local bureau of the National Weather Service. WOTV also has three full-time meteorologists on its staff.

Heavily involved in community affairs, WOTV provided exclusive coverage of many local cultural and sporting events.

Last year WOTV again set new records in both revenues and earnings.

1 Home Box Office beams its pay-TV programming from a Manhattan studio via satellite to 1,700 cable television systems.
2 Original specials, featuring such stars as Diana Ross, are popular HBO program fare.
3 Time-Life Films and the BBC last year co-produced a TV series based on James Burke's best-selling book *Connections*.
4 Time Inc.'s television station WOTV in Grand Rapids, Michigan, is the leading station in its market.
5 American Television and Communications has installed cable television in over one million U.S. homes.
6 *Blind Ambition*, the story of Nixon aide John Dean, was one of six television movies produced by Time-Life Films in 1979.

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Other Activities

Revenues—$174 million
Operating Profits—$3 million

Certain of our activities do not fall logically within the purview of any of our other operating groups—magazines, books, video, or forest products. These "Other Activities" include a highly successful marketing data company called SAMI (an acronym for Selling Areas-Marketing, Inc.), a group of suburban weekly newspapers in the Chicago area, Pioneer Press, and, since 1978, a major metropolitan daily newspaper, *The Washington Star.* All of these businesses fall broadly within the field of communications, but we have found it best to administer them separately.

In addition to these operating companies, the Other Activities Group is responsible for corporate administration and the supervision of certain of Time Inc.'s widely dispersed real-estate interests. Besides the Time & Life Building in New York, the Company owns, leases, or has interests in warehouses and office buildings in Alexandria, Va., Chicago, Indianapolis, London, Paris, and Amsterdam. All told, the real-estate division supervises a little over one million square feet of company-owned warehouse and office space, and an additional 1.8 million square feet in which Time Inc. has a 45 to 50 percent interest. About half this total space is occupied by our Company, and the balance is rented to tenants. These holdings have become modest contributors to our corporate profits in recent years, and last year Time Inc.'s income from this real-estate operation rose 23 percent.

At the end of 1979, the Other Activities Group negotiated the sale of Printing Developments, Inc., a small printing equipment manufacturing subsidiary, to a group of Japanese businessmen. Most of PDI's electronic color scanning devices were being sold or leased in the Japanese market, and the company no longer seemed to fit into Time Inc.'s communications/forest products complex.

A major new corporate activity that has just been added to the "Other" group is the responsibility for coordination and long-term planning of all of the Company's computer-based information systems.

SAMI

Selling Areas-Marketing, Inc., Time Inc.'s marketing data subsidiary, had another record year in 1979, with revenues up 13 percent over 1978 and profits also at a new high. SAMI's basic service is to provide grocery product manufacturers with data on the movement of goods from warehouses to retail outlets. It now supplies its data to nearly 450 manufacturers in 39 U.S. markets representing some 77 percent of total food-store sales.

Over the years, SAMI has expanded its business by offering a number of related services. SARDI (SAMI Retail Distribution Index) measures the availability of grocery products at retail stores. SIFT (SAMI Institutional Foodservice Trends) tracks the sale of food and related products to restaurants, schools, hospitals, and other institutions. SOLO (SAMI On-Line Operations) permits clients, using their own in-house computer terminals, to analyze SAMI and related data extracted from a central computer located elsewhere.

In 1979 two more SAMI services were introduced. These utilize the emerging technology of electronic scanning devices in supermarkets. One, SAMI Scanner Store Data Service, measures weekly sales by brand and item in scanner-equipped stores. This allows manufacturers to test various marketing approaches inexpensively before launching full-scale promotion campaigns. The other service, SAMI Electronic Consumer Panel, measures the purchases of a SAMI-selected panel of shoppers in those

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stores. This service allows packaged-goods manufacturers to evaluate purchasing patterns of different population groups within the panel. The two services complement each other in that the Store Data system provides sales and share-of-market data, while the Consumer Panel provides demographic and other buyer-characteristic information valuable to SAMI clients.

SAMI is also developing procedures to further segment its marketing areas in order to permit clients to identify sales patterns geographically and ethnically, by individual cities and even within neighborhood subdivisions. This fractional-market data will be offered as a new SAMI service this year.

The underlying objective of all SAMI services is to supply packaged-goods manufacturers with faster and more accurate measurements of the effects of their merchandising efforts.

THE WASHINGTON STAR

During its first full year under Time Inc.'s aegis, *The Washington Star* increased both its advertising linage and its circulation. The *Star's* market share of advertising linage in the Washington market rose from 26.5 percent at the beginning of 1979 to 30 percent at year-end. Meanwhile, the paper registered a weekday circulation gain of 14,000, to 343,000, and a gain in Sunday circulation of 5,000, to 314,000.

During 1979 the *Star* initiated a number of editorial and publishing changes and undertook advertising and circulation campaigns to promote these improvements. New fashion, arts, books, food, and sports sections were added to the paper, and in July the *Star*, which is an afternoon paper, began publishing *A.M. Extra*, an early morning edition for street sale. At midyear the *Star* received considerable publicity when it

Affirmative Action A Priority Business Objective

Time Inc.'s commitment to affirmative action, the goal of providing equal opportunities for all employees and job applicants, regardless of sex, race, age, religion, national origin, handicap, or veteran status, received strong emphasis during 1979. However, as Time Inc. becomes more diversified, achieving affirmative action objectives inevitably becomes increasingly complex. Each of our businesses requires different skills and each operates in a different employment marketplace. Thus, while the overall responsibility for planning and coordination of our affirmative action programs lies with our corporate personnel department in New York, the success or failure of the programs themselves depends ultimately upon their implementation by the operating managements of Time Inc.'s divisions and subsidiaries. Our progress to date is a tribute to their efforts; our determination to achieve further improvement is their challenge.

An indication of the importance Time Inc. attaches to the pursuit of equal opportunity objectives was the Affirmative Action Conference held at the Company's headquarters in New York in January 1980. It was attended by executives from all of our subsidiaries and operating divisions as well as by top corporate management. Three days of discussions and workshops focused entirely on affirmative action policies at Time Inc., and on ways to implement them.

As one of the participants in the conference put it, "It is our conviction that affirmative action is not only legally required and morally right, but also good business. To tap new human resources and utilize the whole labor pool is good business. To cultivate new talent is good business. To recruit employees in a way that fairly reflects our national demography helps fulfill our social responsibility. And that is good business, too."

Full equality of opportunity is firmly entrenched as corporate policy at Time Inc. But policies and opportunities are not enough; they must be translated into jobs and promotions, and until full equality becomes an incontrovertible fact we will not have achieved our purpose. We are therefore determined, during 1980, to increase the proportion of women and minorities employed at Time Inc. and to assure that they are permitted to make full use of their talents and capabilities. It is in our Company's interest that they not only be permitted, but helped, to do so.

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acquired the rights to the popular comic strip, "Doonesbury," and that feature was transferred (after a brief hiatus) from *The Washington Post* to the *Star*.

In a continuing effort to improve production efficiency, the *Star* is currently installing one of the largest and most technically advanced electronic text-processing systems operated by any newspaper. This system will be used to process both editorial and classified advertising material at the main office and five local bureaus.





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The *Star's* operating losses during 1979 were approximately in line with our original projections. It will require continued investment to restore this once-great capital city newspaper to its former vitality and profitability.

PIONEER PRESS

Pioneer Press is a group of weekly newspapers serving the suburban Chicago market. Although relatively small in relation to Time Inc.'s other publishing operations, Pioneer had another record revenue and profit year in 1979. It also launched two new publications and acquired the Pickwick Papers, a group of ten newspapers of similar format serving other communities in the Chicago suburbs. With the acquisition of the Pickwick Papers, Pioneer's advertising reach has been extended from 98,000 to 196,000 suburban homes.

The two new Pioneer publications are controlled-circulation, while all of the others are subscriber-supported, some selling for as much as 60 cents per copy. All of the papers, except the new Pickwick acquisitions, are now linked in a computerized data transmission network that permits both news and advertising copy to be fed from seven office locations to a central plant. This provides Pioneer with the dual advantages of central office efficiency and high local visibility.

Editorially, the Pioneer papers kept pace with Time Inc. tradition last year, several of them winning awards for editorial excellence.

1 *The Washington Star*, acquired by Time Inc. in 1978, increased both its circulation and its advertising last year.
2 The *Star* added several new feature sections including one devoted entirely to fashion.
3 SAMI (Selling Areas-Marketing, Inc.), Time Inc.'s marketing data subsidiary, provides detailed product movement information for grocery product manufacturers.
4 Pioneer Press is a group of 30 tabloid-size weekly publications in the suburban Chicago area.
5 SAMI inaugurated a new marketing information service, monitoring the purchases of a preselected panel of store customers.
6 Pioneer Press's plant in Wilmette, Ill., is linked to newspapers in the group by a computerized data transmission network.

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Executive Appointments



Chairman of the newly established Corporate Operations Office is Executive Vice President **J. Richard Munro** (seated); members are (left to right): Group Vice President and Secretary **Charles B. Bear,** Vice President **Ralph P. Davidson,** Vice President **Clifford J. Grum,** and Chief Financial Officer **Richard B. McKeough.**



J. Winston Fowlkes, Assistant Treasurer, was named Treasurer.

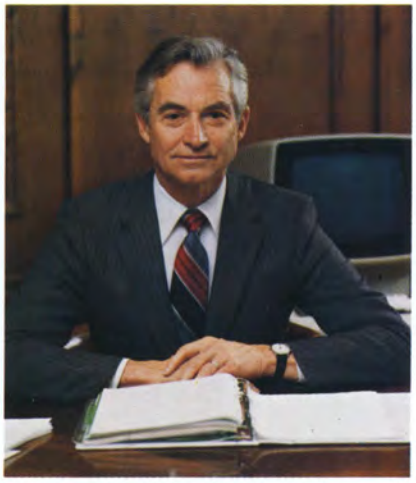


David H. Dolben, Vice President-Finance and Treasurer of Temple-Eastex, was elected Vice President–Finance of Time Inc.



Samuel J. Moss, Director of Information Systems, was elected a Vice President of Time Inc.

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Clinton G. Ames Jr., President of Inland Container, was elected Chief Executive Officer of Inland and a Vice President of Time Inc.



W. Wayne McDonald, Chairman of LIC, was elected Executive Vice President of Temple-Eastex Inc.



John L. Steele, Time-Life News Service Senior Correspondent, was elected Vice President—Government Affairs.



Gerald M. Levin, Chairman of Home Box Office, was named Group Vice President—Video.



N. J. Nicholas Jr., President of Home Box Office, became Chairman of HBO.



Austin O. Furst Jr., an Executive Vice President of Home Box Office, was named President of Time-Life Films.



James O. Heyworth, an Executive Vice President of Home Box Office, became President of HBO.



Edward Patrick Lenahan, Time Inc. Treasurer, was named Publisher of *Fortune* and elected a Vice President.



Gilbert L. Rogin, Assistant Managing Editor of *Sports Illustrated*, was named Managing Editor.

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To gather and control financial data, Time Inc. establishes and maintains accounting systems adequately supported by internal controls. Management believes that a high level of internal control is maintained by the selection and training of qualified personnel, by the establishment and communication of accounting and business policies, and by internal audits.

The revenues and earnings attained in 1979 reflected the Company's continued growth. Net income for 1979 was $143.9 million, up 14 percent from 1978. The gain in net income was largely due to the inclusion for the full year 1979 of the operations of Inland Container Corporation and American Television and Communications Corporation which were acquired in the fourth quarter of 1978. In addition, magazine publishing, pulp and paperboard, and other segments of the Video Group experienced gains during the year. The gains of these operations more than offset the declines in book publishing, building materials, other activities, and foreign exchange translation losses and higher interest expenses.

Net income for 1978 was $126 million, up 39 percent from 1977. Increased advertising and circulation revenues improved the operating profits of magazine publishing, while book publishing gains reflected the inclusion of a full year's operating profits for Book-of-the-Month Club. The increase in forest products' operating profits was due primarily to increased revenues of building materials and improved product demand in pulp and paperboard. In video, the growth of Home Box Office was the chief contributor to the operating increase.

The Company's effective tax rate in 1979 was 37.7 percent, compared to 44.4 percent in 1978 and 44.1 percent in 1977. The lower rate in 1979 was caused by the reduction in the basic federal corporate tax rate from 48 percent to 46 percent, higher investment tax credits, and increased capital gains.

The quarterly dividend per share of common stock was increased in June 1979 from 37½¢ per share to 41½¢ per share. The current annual rate, based on the increase, is $1.66 per share.

In April 1979, the Company sold $150 million of 9⅜ percent debentures due April 15, 2009. The proceeds from the sale were used to reduce outstanding borrowings and for general corporate purposes.

Capital expenditures for plant and equipment totaled $179.1 million in 1979 and $111.9 million in 1978. Depreciation, amortization, and depletion of property, equipment, and intangibles was $70.3 million in 1979 compared to $41.6 million in 1978. The increases in both capital expenditures and depreciation, amortization, and depletion were mainly attributable to the inclusion of ATC and Inland Container for the entire year 1979.

Interest expense was $35 million in 1979, $12.5 million in 1978, and $10.4 million in 1977. The increase in 1979 was caused by higher average borrowings, including acquired debt, and higher average rates.

MAGAZINE PUBLISHING

The Company's magazines are *Time, Fortune, Life, Sports Illustrated, Money,* and *People.* The increase in the operating profits of magazine publishing in 1979 was due to both advertising and circulation revenue gains. These gains were partially offset by increased costs of paper, printing, and distribution. The gain in operating profits in 1978 over 1977 was also due to increased advertising and circulation revenue gains. These gains more than compensated for the costs of introducing *Life*

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as a monthly and converting *Fortune* from a monthly to a fortnightly publication, and increased postal costs.

BOOK PUBLISHING

The major components of book publishing are Time-Life Books, Book-of-the-Month Club, and Little, Brown and Company, all of which had increased revenues in 1979.

Two factors depressed operating profits of Time-Life Books: a period of market weakness during the year and the limited ability to offset inflationary costs because a substantial portion of its volume is sold under long-term subscriptions at fixed prices.

Operating profits for 1978 increased compared to 1977, principally owing to the inclusion of a full year's operating profits for Book-of-the-Month Club.

FOREST PRODUCTS

Forest products includes the businesses operated by Temple-Eastex and Inland Container. Segments within this line of business are pulp and paperboard, building materials, and container and containerboard.

Operating profits for pulp and paperboard were up substantially over the 1977-78 depressed levels. The increase in 1979 was attributable to strong product demand and the realization of greater efficiencies from an ongoing modernization program at the Eastex Division's paper mill. The improvement in 1978 was due to recovery in product demand in the last quarter of that year.

The sharp decline in the operating profits of building materials in 1979 over the record year of 1978 was due primarily to lower selling prices of particleboard and plywood resulting from the softness in the residential housing market. The gains for 1978 reflected the strong residential housing demand that prevailed during that period.

On a pro forma basis, including Inland Container's operating profits for the entire year of 1978, the 1979 container and containerboard operating profits of $43.3 million would have increased by 46 percent over operating profits of $29.6 million in 1978. Continued strong demand, higher prices, and productivity gains improved 1979 results.

VIDEO

Video includes Home Box Office, a pay-TV program supplier; American Television and Communications Corporation, a cable television company; Time-Life Films, a producer and distributor of television and theatrical films; and WOTV, a television broadcasting station in Grand Rapids, Michigan. Operating profits for 1979 more than doubled compared to 1978, reaching a record high and reflecting both the first full year of ATC's results and the increase of Home Box Office subscribers from 2 million to 4 million. On a pro forma basis, including ATC's operating profits for the entire year in 1978 as well as 1979, the 1979 video operating profits of $68.5 million would have been 52 percent higher than the operating profits of $45.1 million in 1978. The increase in 1978's operating profits was due mainly to the increase in HBO subscribers.

OTHER ACTIVITIES

Other Activities includes Selling Areas-Marketing, Inc. (SAMI), which markets computer-generated information on the sales flow of food products; Pioneer Press, which publishes suburban Chicago newspapers; *The Washington Star,* a daily newspaper serving the Washington, D.C., metropolitan area; Woodward, Inc., a furniture manufacturer; Temple Associates, a contracting firm; and several real-estate and land development activities.

In 1979 both SAMI's and Pioneer Press' operating profits increased over 1978. These gains were more than offset as *The Washington Star's* losses increased. The decrease in operating profits from 1977 to 1978 also resulted from the losses of the *Star* (acquired in March 1978), which offset SAMI's and Pioneer Press' improvements for that period.

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Lines of Business

Time Incorporated and Subsidiaries

	1979	1978	1977	1976	1975
Revenues			(in millions)		
Publishing:					
Magazines	$ 680.0	$ 571.8	$ 459.9	$ 366.3	$317.7
Books[1]	425.0	360.9	258.2	227.6	213.3
Forest Products:					
Pulp and paperboard	222.2	189.7	183.1	174.5	158.5
Building materials	208.6	225.9	176.8	132.4	99.1
Container and containerboard	495.2	55.0	—	—	—
Video[2]	299.3	136.9	78.8	54.7	33.3
Other Activities[3]	173.8	157.4	93.0	82.7	88.8
Total Revenues	$2,504.1	$1,697.6	$1,249.8	$1,038.2	$910.7
Income (Loss) Before Taxes and Extraordinary Item					
Publishing:					
Magazines	$ 70.3	$ 66.2	$ 53.3	$ 37.0	$ 22.0
Books[1]	36.7	47.7	44.2	25.7	20.8
Forest Products:					
Pulp and paperboard	37.4	26.4	22.7	36.8	41.9
Building materials	15.2	43.1	30.2	14.0	1.1
Container and containerboard[4]	43.3	4.8	—	—	—
Video[2]	68.5	24.9	6.1	(1.9)	(2.8)
Other Activities[3]	3.4	11.2	15.3	12.2	7.6
Operating Profit	274.8	224.3	171.8	123.8	90.6
Financial income	13.2	13.6	8.8	9.4	8.0
Interest expense	(35.0)	(12.5)	(10.4)	(10.8)	(10.3)
Equity in earnings of affiliated companies	5.7	9.5	4.3	3.8	.3
Unallocated corporate overhead	(25.1)	(21.1)	(14.9)	(14.0)	(12.6)
Foreign currency translation gain (loss)	(2.7)	3.3	2.3	(2.8)	—
Unusual charge to income	—	(3.1)	—	—	—
Income Before Taxes and Extraordinary Item	$ 230.9	$ 214.0	$ 161.9	$ 109.4	$ 76.0

[1]Publication of books and recordings.

[2]Operation of cable-TV, pay-TV programming, TV broadcasting, film production and distribution.

[3]Marketing of information relating to the movement of supermarket products, newspaper publishing, manufacture of furniture, and industrial contracting.

[4]Includes $14.6 million and $1.1 million of Georgia Kraft income for 1979 and 1978, respectively.

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	1979	1978	1977
Identifiable Assets		(in millions)	
Publishing:			
Magazines	$ 104.1	$ 85.1	$ 86.0
Books	375.6	296.1	246.2
Forest Products:			
Pulp and paperboard	250.5	209.6	197.8
Building materials	179.0	159.5	123.1
Container and containerboard*	443.9	410.1	—
Video	475.9	377.1	82.0
Other Activities	107.7	118.5	82.9
Total	1,936.7	1,656.0	818.0
Corporate	115.9	112.6	189.9
Investments in affiliated companies	51.5	32.8	45.4
Total	$2,104.1	$1,801.4	$1,053.3

*Includes the Company's investment in Georgia Kraft.

	1979	1978	1977
Results by Geographic Area		(in millions)	
Revenues:			
U.S.			
Sales to unaffiliated customers	$2,249.4	$1,494.4	$1,088.6
Transfers between geographic areas	8.2	7.0	6.0
	2,257.6	1,501.4	1,094.6
Foreign Countries:			
Sales to unaffiliated customers	254.7	203.2	161.2
Transfers between geographic areas	7.4	6.0	4.6
	262.1	209.2	165.8
Eliminations*	(15.6)	(13.0)	(10.6)
Total	$2,504.1	$1,697.6	$1,249.8
Operating Profit:			
U.S.	$ 235.9	$ 186.1	$ 145.3
Foreign Countries	38.9	38.2	26.5
Total	$ 274.8	$ 224.3	$ 171.8
Identifiable Assets:			
U.S.	$1,766.7	$1,533.2	$ 702.2
Foreign Countries	170.0	122.8	115.8
Total	$1,936.7	$1,656.0	$ 818.0

*Intersegment sales are accounted for at prices that are approximately arm's-length market prices.

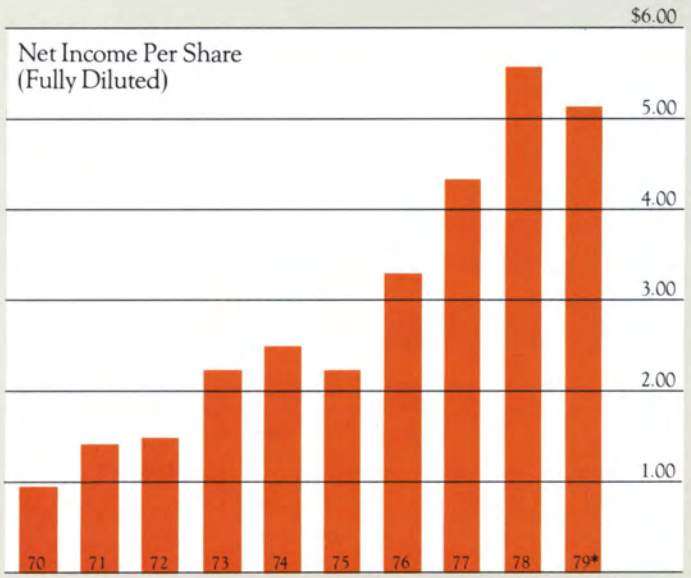
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Ten-Year Financial Summary

Time Incorporated and Subsidiaries
(in millions except for per share amounts)

	1979	1978	1977
Income and Dividends			
Revenues	**$2,504.1**	$1,697.6	$1,249.8
Costs and Expenses:			
Editorial, production, manufacturing, and distribution	**1,664.3**	1,060.3	775.8
Selling, administrative, and general	**603.0**	438.0	321.7
Operating income	**236.8**	199.3	152.3
Other income—net	**29.1**	27.2	20.0
Interest expense	**35.0**	12.5	10.4
Income before taxes, discontinued operations and extraordinary items	**230.9**	214.0	161.9
Taxes on income	**87.0**	95.0	71.4
Income before discontinued operations and extraordinary items	**143.9**	119.0	90.5
Discontinued operations, net of taxes	**—**	—	—
Income before extraordinary items	**143.9**	119.0	90.5
Extraordinary items, net of taxes	**—**	6.7	—
Net income	**143.9**	125.7	90.5
Dividends paid per common share	**1.62**	1.45	1.2625
Earnings Per Share—Fully Diluted*			
Income before discontinued operations and extraordinary items	**$5.15**	$5.31	$4.37
Net income	**$5.15**	$5.61	$4.37
Average shares outstanding (000)	**27,958**	22,397	20,696

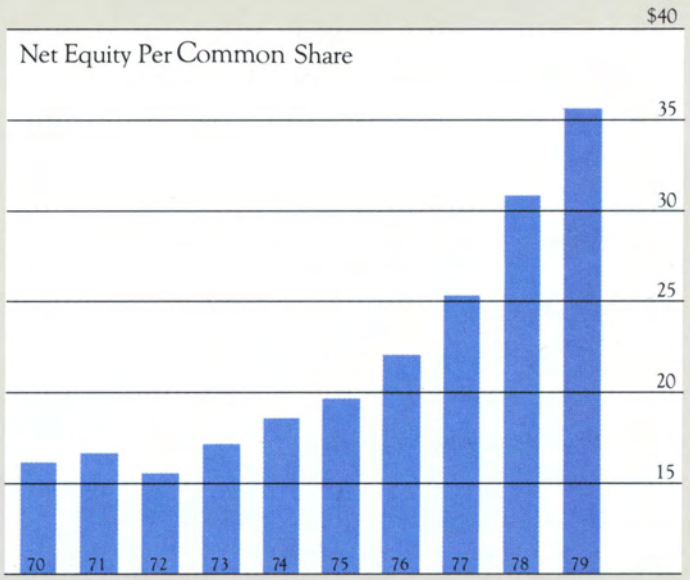
*1975 and prior years adjusted for two-for-one stock split in 1976.



*Average shares outstanding increased 25 percent from 1978 to 1979.

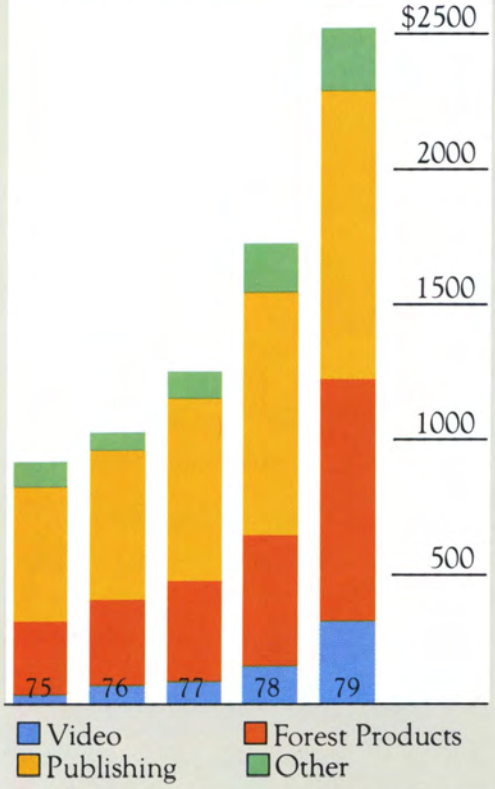
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1976	1975	1974	1973	1972	1971	1970
$1,038.2	$910.7	$825.6	$728.3	$608.6	$544.5	$497.4
649.9	575.0	511.0	428.4	358.2	330.4	306.9
283.4	261.9	226.3	213.9	189.1	161.6	140.6
104.9	73.8	88.3	86.0	61.3	52.5	49.9
15.3	12.5	11.9	13.0	14.7	12.3	10.9
10.8	10.3	10.7	7.7	7.5	7.8	7.1
109.4	76.0	89.5	91.3	68.5	57.0	53.7
42.3	30.9	39.3	41.4	30.2	24.4	22.7
67.1	45.1	50.2	49.9	38.3	32.6	31.0
—	—	—	—	(3.5)	(3.4)	(7.4)
67.1	45.1	50.2	49.9	34.8	29.2	23.6
—	—	—	(2.4)	(3.0)	0.9	(3.2)
67.1	45.1	50.2	47.5	31.8	30.1	20.4
1.075	1.00	1.00	.95	.95	.95	.95
$3.32	$2.26	$2.50	$2.41	$1.85	$1.58	$1.51
$3.32	$2.26	$2.50	$2.29	$1.54	$1.46	$0.99
20,192	19,949	20,062	20,760	20,746	20,596	20,492

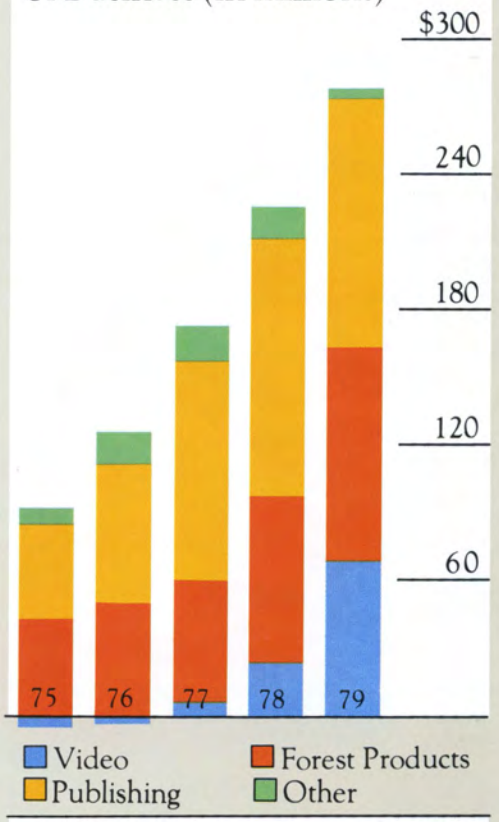


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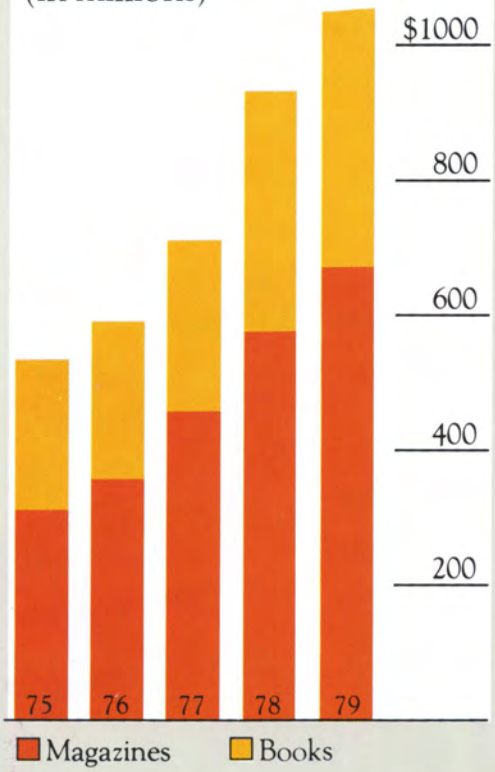
Revenues By Lines Of Business (in millions)



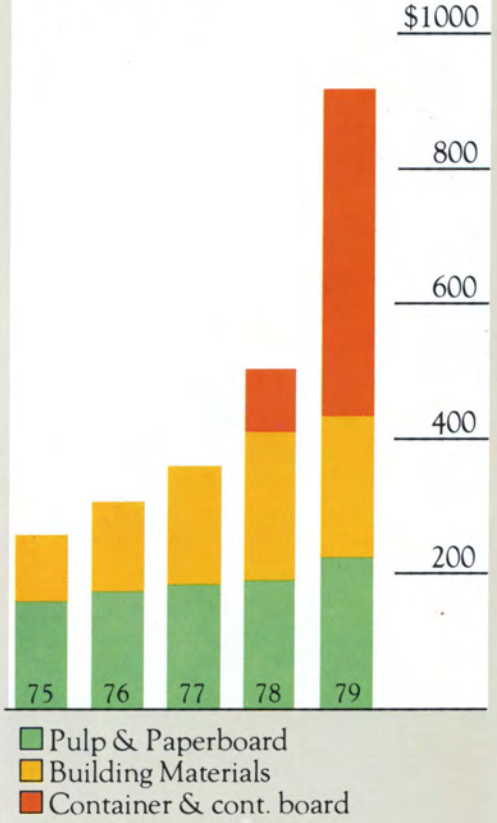
Operating Profits by Lines of Business (in millions)



Publishing Revenues (in millions)



Forest Products Revenues (in millions)



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Consolidated Statement of Income

Time Incorporated and Subsidiaries (in thousands except for per share amounts) For years ended December 31	1979	1978
Revenues	$2,504,060	$1,697,585
Costs and Expenses		
Editorial, production, manufacturing, and distribution	1,664,302	1,060,315
Selling, administrative, and general	602,992	437,980
Total Costs and Expenses	2,267,294	1,498,295
Operating Income	236,766	199,290
Other income—net	29,118	27,223
Interest expense	34,962	12,492
Income Before Taxes and Extraordinary Item	230,922	214,021
Taxes on income	87,000	95,000
Income Before Extraordinary Item	143,922	119,021
Extraordinary item	—	6,721
Net Income	143,922	125,742
Preferred dividends	11,351	2,615
Net Income Less Preferred Dividends	$ 132,571	$ 123,127
Earnings Per Share		
Primary		
Income Before Extraordinary Item	$5.15	$5.47
Net Income	$5.15	$5.78
Fully Diluted		
Income Before Extraordinary Item	$5.15	$5.31
Net Income	$5.15	$5.61

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

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Consolidated Balance Sheet

Time Incorporated and Subsidiaries

ASSETS as of December 31	1979	1978*
	(in thousands)	
Current Assets		
Cash	$ 47,577	$ 48,148
U.S. Government and other short-term securities—at cost (approximately market)	26,994	35,772
Receivables, less allowances of $47,858,000 in 1979 and $45,986,000 in 1978	347,753	274,155
Inventories—at the lower of cost or market:		
Work in process and finished goods	159,758	124,107
Paper and other materials	90,398	72,682
Prepaid expenses and other current assets	121,574	95,386
Total Current Assets	794,054	650,250
Investments		
Affiliated companies	51,500	32,805
Others	27,385	29,988
Total Investments	78,885	62,793
Property and Equipment—at cost		
Buildings	161,601	137,116
Machinery and equipment	842,615	710,916
	1,004,216	848,032
Less allowances for depreciation and amortization	(304,842)	(260,705)
	699,374	587,327
Timber and timberlands, less depletion	66,792	61,956
Georgia Kraft—Mill operating properties and timberlands	186,752	172,688
Land	19,027	18,860
Total Property and Equipment	971,945	840,831
Cable Television Franchises, less amortization	32,248	31,761
Goodwill	154,368	165,285
Other Assets	72,579	50,448
TOTAL ASSETS	$2,104,079	$1,801,368

The accompanying notes are an integral part of this financial statement.
*Reclassified for comparative purposes.

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LIABILITIES AND SHAREHOLDERS' EQUITY

	1979	1978*
	(in thousands)	
Current Liabilities		
Accounts payable and accrued expenses	$ 313,307	$ 284,831
Employee compensation and benefits	36,667	32,288
Taxes on income	3,360	24,147
Loans and current portion of long-term debt	42,603	38,040
Total Current Liabilities	395,937	379,306
Unearned Portion of Paid Subscriptions	148,517	134,388
Long-Term Debt	419,945	271,295
Deferred Federal Income Taxes	81,766	65,513
Other Liabilities	32,147	25,686
Redeemable Preferred Stock		
Series B $1.575 Cumulative Convertible Preferred Stock, par value $1 per share; authorized 12,500,000 shares; issued and outstanding 7,213,900 shares in 1979 and 7,174,900 in 1978, each presently convertible into .72 shares of common stock	7,214	7,175
Applicable additional paid-in capital	222,319	222,803
Total Redeemable Preferred Stock	229,533	229,978
Common Shareholders' Equity		
Common Stock—$1 par value; authorized 35,000,000 shares; issued 22,699,300 in 1979 and 22,675,400 in 1978	22,699	22,675
Additional paid-in capital	124,897	121,437
Retained income	651,941	555,801
Treasury stock, at cost; common shares—159,300 in 1979 and 238,700 in 1978	(3,303)	(4,711)
Total Common Shareholders' Equity	796,234	695,202
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,104,079	$1,801,368

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Consolidated Statement of Common Shareholders' Equity

Time Incorporated and Subsidiaries
(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Income	Treasury Stock	Common Shareholders' Equity
Balance at December 31, 1977	$20,784	$ 41,488	$463,147	$(6,601)	$518,818
Net Income	—	—	125,742	—	125,742
Stock options exercised	—	1,696	—	2,283	3,979
Acquisition of Inland Container Corporation	1,891	78,253	—	—	80,144
Acquisition of American Television and Communications Corporation	—	—	—	(393)	(393)
Dividends paid on preferred stock— Series A—$1.640625 per share, Series B—$0.135625 per share	—	—	(2,615)	—	(2,615)
Dividends paid on common stock $1.45 per share	—	—	(30,473)	—	(30,473)
Balance at December 31, 1978	$22,675	$121,437	$555,801	$(4,711)	$695,202
Net Income	—	—	143,922	—	143,922
Stock options exercised	—	2,062	—	1,457	3,519
Conversion of preferred stock into common stock	24	1,055	—	—	1,079
Acquisitions of treasury shares	—	—	—	(5,720)	(5,720)
Issuance of treasury shares for acquisition	—	343	—	5,671	6,014
Dividends paid on Series B preferred stock— $1.575 per share	—	—	(11,351)	—	(11,351)
Dividends paid on common stock $1.62 per share	—	—	(36,431)	—	(36,431)
Balance at December 31, 1979	$22,699	$124,897	$651,941	$(3,303)	$796,234

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

Increases (Decreases) in Components of Working Capital

For years ended December 31	1979	1978*
	(in thousands)	
Cash and short-term securities	$ (9,349)	$(79,895)
Receivables	73,598	98,896
Inventories	53,367	70,289
Prepaid expenses and other current assets	26,188	33,129
Increase in Current Assets	143,804	122,419
Accounts payable and accrued expenses	28,476	161,317
Employee compensation and benefits	4,379	13,027
Taxes on income	(20,787)	(18,119)
Loans and current portion of long-term debt	4,563	28,259
Increase in Current Liabilities	16,631	184,484
Increase (Decrease) in Working Capital	$127,173	$(62,065)

*Reclassified for comparative purposes.

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Consolidated Statement of Changes in Financial Position

Time Incorporated and Subsidiaries

For years ended December 31	1979	1978
Sources of Funds	(in thousands)	
From Operations:		
Income Before Extraordinary Item	$143,922	$119,021
Charges (credits) not affecting working capital:		
Depreciation, amortization, depletion	64,071	39,427
Amortization of intangibles	6,237	2,194
Deferred federal income taxes	16,253	16,015
Equity in earnings of affiliated companies	(17,865)	(7,534)
Total from operations exclusive of extraordinary item	212,618	169,123
Extraordinary Item	—	6,721
Total from Operations	212,618	175,844
Additions of long-term debt resulting from acquisitions	2,528	118,855
Increase in long-term debt	219,586	42,082
Increase in other liabilities	6,461	15,137
Increase in unearned portion of paid subscriptions	14,129	19,518
Investments reclassified for businesses consolidated	—	27,674
Dispositions of investments	12,248	21,168
Dispositions of property and equipment	9,726	7,133
Issuance of preferred stock	634	196,983
Issuance of common stock	—	80,144
Issuance of treasury stock	9,533	3,979
Miscellaneous	—	498
Total Sources	487,463	709,015
Applications of Funds		
Dividends paid to shareholders	47,782	33,088
Purchase of property and equipment	179,071	111,878
Additions of property and equipment resulting from acquisitions	4,933	439,431
Additions of franchises resulting from acquisition of American Television and Communications Corporation	—	31,844
Purchase of common stock for treasury	5,720	—
Goodwill from acquisitions	3,002	126,057
Additions to investments	18,214	11,451
Repayment of long-term debt	73,464	17,331
Increase in other assets	22,291	—
Miscellaneous	5,813	—
Total Applications	360,290	771,080
Increase (Decrease) in Working Capital	$127,173	$(62,065)

The accompanying notes are an integral part of this financial statement. Details of increases and decreases in components of working capital are on page 38.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation. 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 percent to 50 percent owned are reflected in the financial statements on the equity basis.

Inventories. Cost of inventories amounting to $42,405,000 in 1979 and $34,901,000 in 1978 was determined by the last-in, first-out method. The cost of the remaining inventories of $207,751,000 in 1979 and $161,888,000 in 1978 was determined principally by the first-in, first-out method. All inventories are carried at either cost or market, whichever is lower.

The LIFO tax basis of inventories of a subsidiary is $8,637,000 less than the amount reported in the consolidated financial statements due to the allocation of purchase price.

Depreciation, Amortization, and Depletion. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets; starting in 1979, certain properties are being depreciated based on operating hours (See—"Accounting Change"). Amortization of cable franchise costs is computed principally by the straight-line method over the lives of the franchises. Charges for timber depletion are based on the unit cost of timber harvested during the year.

Goodwill. Excess of purchase prices over net assets of acquired properties of $148,009,000 (net of amortization of $6,978,000) is being amortized principally over 40 years. The remaining balance of this asset is not being amortized because the related businesses were acquired prior to 1970, and, in the opinion of management, there has been no decrease in their value.

Unearned Portion of Paid Subscriptions. Paid magazine subscriptions are deferred at the time of sale. As magazines are delivered to subscribers, proportionate shares of the gross subscription price are credited to revenues. Costs connected with the procurement of subscriptions are expensed within the year incurred.

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

Foreign Operations. The Company translates the financial statements of foreign operations at appropriate exchange rates. Net translation gains and losses are included in operations in the period in which they occur. Net foreign exchange (losses) gains were approximately ($2,683,000) and $3,310,000 in 1979 and 1978, respectively. Included in the consolidated financial statements are the following data for foreign operations:

	1979	1978
	(in thousands)	
Revenues	**$254,708**	$203,219
Net Income	**23,304**	27,494
Assets	**170,001**	122,825
Liabilities	**79,570**	51,817

Earnings Per Share. Primary earnings per share was based on the weighted average shares of outstanding common stock during each year, plus common stock equivalents beginning in the fourth quarter of 1978 because their dilutive effect was immaterial prior to that time. Common stock equivalents include convertible preferred stock outstanding from November 14, 1978, plus outstanding stock options.

Fully diluted earnings per share was based on the weighted average shares of outstanding common stock, convertible preferred stock, and stock options during each year. Net income before preferred dividends was used in determining fully diluted earnings.

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INVESTMENTS IN AFFILIATED COMPANIES

The Company's investments in affiliated companies exceeded its equity in their related net assets by $3,000,000 at December 31, 1979, and $2,600,000 at December 31, 1978.

The Company's 50 percent investment in Georgia Kraft Company, which was acquired as part of Inland Container Corporation in 1978, is classified as Property and Equipment since that company's underlying net assets are primarily mill operating properties and timberlands, which are the principal sources of Inland's raw material requirements. Likewise, the Company's equity in operating income of Georgia Kraft is recorded as a reduction of manufacturing costs and its share of related income taxes is included in Taxes on Income. The Company's investment exceeds its equity in Georgia Kraft's net assets by the amount of purchase price allocated to Georgia Kraft less amortization.

Certain financial information relating to Georgia Kraft Company follows:

	1979	1978
	(in thousands)	
Total Revenues	**$297,303**	$ 31,252*
Income Before Taxes	**36,012**	2,944*
Net Income	**28,103**	2,176*
Total Assets	**407,879**	300,366
Total Liabilities	**226,819**	147,410

*Amounts are from the date of acquisition on November 14, 1978.

ACQUISITIONS

The acquisition of Inland Container Corporation, a manufacturer of corrugated shipping containers, was completed on November 14, 1978, for approximately $272 million, which included $127.2 million in cash, 1,891,300 shares of Common Stock, and 1,891,300 shares of Series B Preferred Stock.

The acquisition of American Television and Communications Corporation, a cable television system operator, was also completed on November 14, 1978. The Company, which previously owned approximately 26 percent of ATC's common stock, paid $17.4 million in cash and 4,185,700 shares of Series B Preferred Stock for the remaining ATC shares. The entire transaction was valued at $179.6 million, including the pre-1978 investment of $24.4 million. The excess of purchase price over the fair value of the net underlying assets is being amortized over a 40-year period.

Each of these acquisitions was accounted for as a purchase, and respective financial results are included in the financial statements from the dates of acquisition. Below is pro forma financial information for the year ended December 31, 1978, combining the consolidated income statements of the Company and the acquisitions for the entire year.

	1978
	(in thousands except for per share amounts)
Revenues	**$2,153,465**
Net Income (including extraordinary item):	
Total	**139,640**
Per Share	**5.00**

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LEASES

Total rental expense, including contingent rentals that were not material, reduced by sublease rental income of $1,962,000 and $3,275,000, was $22,241,000 and $20,749,000 for 1979 and 1978, respectively.

The future minimum rental commitments for all non-cancellable operating leases (which are primarily for office space), reduced by an aggregate of $5,312,000 for rentals to be received from existing non-cancellable subleases at December 31, 1979, are as follows:

1980	$ 20,928,000
1981	18,516,000
1982	17,450,000
1983	15,111,000
1984	13,332,000
Thereafter	132,529,000
TOTAL	$217,866,000

ACCOUNTING CHANGE

Effective January 1, 1979, the Company adopted a method of depreciation based on operating hours for certain of its forest product manufacturing facilities which had previously been depreciated based on the straight-line method. This change was made to recognize the fact that certain machinery and equipment depreciate primarily through use rather than merely through elapsed time. Accordingly, this change was made in order to achieve a better matching of costs and revenues over the estimated useful lives of such equipment and did not have an effect on net income for 1979. The cumulative effect of the change on retained income at December 31, 1978, is not material.

LONG-TERM DEBT

In April 1979 the Company issued $150 million 9⅜ percent thirty-year sinking fund debentures due April 15, 2009, which are redeemable, subject to certain provisions, at the option of the Company. The debentures are subject to a mandatory sinking fund beginning April 1990.

The Company has a revolving credit agreement with a group of banks aggregating $100 million, which was used to support the Company's commercial paper borrowings of $59.7 million as of December 31, 1979. The revolving credit agreement provides for the conversion of outstanding amounts into a term loan.

At December 31, 1979, consolidated net current assets were approximately $185 million in excess of the minimum requirements under the most restrictive provisions of the Company's loan agreements, and approximately $225 million of consolidated retained income was unrestricted as to the payment of dividends. Property and equipment of approximately $220 million was subject to liens at December 31, 1979.

Aggregate maturities of long-term debt during the next five years are as follows: 1980—$34,500,000; 1981—$18,600,000; 1982—$17,100,000; 1983—$16,000,000; 1984—$27,100,000.

LONG-TERM DEBT (Excluding Current Portion)

	1979	1978
	(in thousands)	
9⅜% Sinking Fund Debentures due 2009	$150,000	$ —
Revolving credit agreements	—	40,730
7⅞% Notes due January, 1986	50,000	50,000
Commercial paper—supported by a revolving credit agreement with banks	59,700	—
7.9% Promissory Notes due 1980-1994	22,200	23,760
10.95% Notes due 1980-1991	21,120	23,040
8½% Notes due 1980-1989	18,050	20,400
9½% Subordinated debentures due 1980-1995	10,500	11,200
6% Revenue bonds due 2001-2007	10,000	10,000
5⅜% Sinking fund first-mortgage bonds due 1985	16,500	19,800
6½% Mortgage notes due 1980-1990	15,641	16,739
Lease obligations due 1980-1997	15,763	11,240
Other notes, weighted average interest rate of 9.7% due through 2000	30,471	44,386
	$419,945	$271,295

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REDEEMABLE PREFERRED STOCK

Starting in 1979, the Securities and Exchange Commission required that redeemable preferred stock be excluded from shareholders' equity; therefore the Company has changed the financial statement presentation of its preferred stock.

Each share of the Company's Series B $1.575 Cumulative Convertible Preferred Stock (Preferred Stock) is entitled to one vote per share, voting with Common Stock as a single class, and is redeemable pursuant to a mandatory sinking fund commencing on July 1, 1984. The Company is required to redeem 358,200 shares of Preferred Stock on July 1 of each year commencing in 1984, at $30 per share ($10,746,000 in 1984). Additionally, commencing on July 1, 1986, the Preferred Stock will be redeemable, in whole or in part, at the option of the Company at prices ranging from $30.90 per share in the 12-month period beginning July 1, 1986, to $30 per share on and after July 1, 1989. The conversion rate is subject to adjustment upon the occurrence of certain events of dilution.

There are certain restrictions on the Company upon default of dividends or mandatory sinking fund payments. If the Company defaults in the payment of six quarterly dividends on the Preferred Stock, the holders of the Preferred Stock, voting as a separate class, will have the right to elect two directors until all dividends in default have been paid.

On April 19, 1979, the shareholders approved an amendment to the Company's Certificate of Incorporation to change its 1,098,698 shares of outstanding Series A $1.575 Cumulative Convertible Preferred Stock into the same number of Series B Preferred Stock.

The stated redemption requirement and involuntary liquidation preference was $216,417,000 in 1979 and $215,247,000 in 1978.

Changes in Preferred Stock during the two years ended December 31, 1979, are as follows:

	Preferred Stock (in thousands)
Balance at December 31, 1977	$ 32,602
Stock options exercised	128
Acquisition of Inland Container Corporation	62,177
Acquisition of American Television and Communications Corporation	135,071
Balance at December 31, 1978	229,978
Stock options exercised	634
Conversion to Common Stock	(1,079)
Balance at December 31, 1979	$229,533

STOCK OPTIONS

The shareholders approved stock option plans in 1975 and 1978 for key employees. Under the 1978 plan, only non-qualified options may be granted. At December 31, 1979, both qualified and non-qualified options were outstanding under these plans and under stock option plans assumed by the Company in connection with acquisitions. There were 169,450 and 239,050 common shares available for granting of options at December 31, 1979 and 1978, respectively. Options are granted at the fair market value on the date of the grant. Options granted for common and preferred shares are exercisable at various dates, but no later than five years from date of grant for qualified options and no later than ten years from date of grant for non-qualified options. There were no charges or credits to income in connection with options exercised. A summary of activity under all plans is presented below:

	1979		1978	
	Number of Shares	Price Per Share	Number of Shares	Price Per Share
Common Stock				
Balance at January 1	1,471,649	$19.35-43.88	817,505	$14.94-36.69
Granted*	92,250	$38.44-44.82	816,079	$20.23-43.88
Exercised	(68,216)	$19.35-43.88	(116,405)	$14.94-34.38
Surrendered	(19,900)	$19.35-33.88	(34,250)	$19.35-33.88
Terminated	(26,600)	$33.07-43.88	(11,280)	$33.07-43.88
Balance at December 31	1,449,183	$19.35-44.82	1,471,649	$19.35-43.88
Exercisable at December 31	1,025,903		717,140	
Preferred Stock				
Balance at January 1	225,405	$ 3.87-20.65	20,927	$11.50-19.63
Exchanged*	—	—	215,450	$ 3.87-20.65
Exercised	(72,390)	$ 3.87-16.00	(10,972)	$ 3.87-19.63
Terminated	(12,400)	$ 8.23-20.65	—	—
Balance at December 31	140,615	$ 3.87-20.65	225,405	$ 3.87-20.65
Exercisable at December 31	76,879		95,980	

*Options granted in 1978 include options for 9,329 shares of common stock to replace outstanding Inland Container stock options. The outstanding stock options of ATC were exchanged for options for 215,450 shares of preferred stock.

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TAXES ON INCOME

Taxes on income before extraordinary item consisted of the following:

	1979		1978	
	Current	Deferred	Current	Deferred
	(in thousands)			
Federal	$31,003	$30,471	$66,143	$11,320
Foreign	11,898	216	9,219	(192)
State and local	13,412	—	8,510	—
	$56,313	$30,687	$83,872	$11,128

The differences between the consolidated effective income tax rate of 37.7 percent in 1979 and 44.4 percent in 1978 and the federal statutory income tax rate of 46 percent and 48 percent for 1979 and 1978, respectively, include the following:

	1979	1978
	(in thousands)	
Taxes on income at statutory rate	$106,224	$102,730
Investment tax credits (including $3,488,000 of Georgia Kraft in 1979)	(18,834)	(5,752)
Tax benefit of capital gains, mainly from the harvesting and sale of fee-owned timber (including $1,505,000 of Georgia Kraft in 1979)	(10,507)	(5,575)
Effect of state and local income taxes (including $527,000 of Georgia Kraft in 1979)	7,243	4,425
All other	2,874	(828)
	$ 87,000	$95,000

The Company plans to continue to finance its operations in foreign countries by retention of a substantial portion of undistributed earnings of its foreign subsidiaries in such countries. The amount of unremitted earnings, considered permanently reinvested for the foregoing purpose, was approximately $26 million (after reduction for available foreign tax credits) at December 31, 1979.

Certain items of income and expenses are recognized at different times for tax and financial reporting purposes. Deferred tax accruals and reversals are provided to account for these differences. Tax depreciation in excess of book depreciation created a deferred tax of $13,796,000 in 1979 (including $2,057,000 of Georgia Kraft) and $5,773,000 in 1978. During 1979 a deferred tax benefit was reversed and a current tax benefit realized for $9,152,000 relating to a previously accrued litigation reserve. Other timing differences resulted in additional tax deferrals of $7,739,000 in 1979 and $5,355,000 in 1978.

OTHER INCOME—NET

	1979	1978
	(in thousands)	
Dividends	$ 724	$ 1,338
Interest income	5,854	9,008
Net realized gain on securities	3,709	6,291
Equity in income of affiliated companies*	5,715	9,530
Royalties and ancillary sales	5,756	3,919
Gain (loss) on sale of land, property, and equipment	4,903	(983)
Litigation expense	—	(3,100)
Miscellaneous	2,457	1,220
	$29,118	$27,223

*Excluding Georgia Kraft

EXTRAORDINARY ITEM

In 1978, the Securities and Exchange Commission required gains from involuntary conversions to be included in the income statement. As a result, the Company's 1978 gain from the involuntary sale of timberlands to the U.S. Government of $9,602,000, less taxes of $2,881,000, was recorded as an extraordinary item in 1978.

PENSION PLANS

The Company and its subsidiaries have several pension plans covering substantially all employees, including those in foreign countries. Total pension expense was approximately $20.2 million in 1979 and $14.5 million in 1978, which includes amortization of past service cost over periods ranging from 10 to 30 years. The Company's policy is to fund pension cost accrued.

As of the most recent valuation dates, the actuarially computed value of vested benefits under the pension plans exceeded the market value of total fund assets of such plans and balance sheet accruals by approximately $11.4 million in 1979 and $5.7 million in 1978.

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CONTINGENCIES

Since 1977 Inland Container Corporation and numerous other corporate defendants have been named in private antitrust actions, most purporting to be class actions, alleging a nationwide combination and conspiracy to fix, raise, maintain and stabilize the prices of corrugated containers in violation of the Sherman Act. During 1979 separate settlement agreements with the class action plaintiffs were reached pursuant to which Inland paid an aggregate of $34,600,000. Approximately $2 million of Inland's payment is subject to final court approval. A number of purchasers of corrugated containers have elected to exclude themselves from the settlement and approximately twenty-two have filed separate antitrust treble damage actions against Inland and others.

In addition, on July 10, 1978, Inland was served with a complaint as one of numerous corporate defendants in a class action filed in the Spartanburg County, South Carolina State Court, alleging a conspiracy among defendants to fix prices of corrugated containers and sheets in violation of South Carolina statutes and seeking $200 million damages. The action was transferred to the United States District Court for the Southern District of Texas which has enjoined further proceedings in the state court. Further, on March 22, 1979, a complaint was filed in the Superior Court of California, San Francisco County, against Inland and numerous other corporate defendants on behalf of a class of indirect purchasers of corrugated containers, alleging a conspiracy among defendants to fix prices of corrugated containers and sheets in violation of California statutes and seeking treble damages in an unspecified amount. The action has been removed to a Federal court.

An unrelated private antitrust action, purporting to be a class action, was filed in September 1977, in the United States District Court for the Eastern District of Pennsylvania, by certain purchasers of kraft linerboard used in the manufacture of corrugated boxes against fourteen manufacturers, including Inland, of both kraft linerboard and corrugated boxes. The action alleges a nationwide combination and conspiracy to fix the prices of kraft linerboard and corrugated boxes and to monopolize the manufacture, distribution, sale and shipment of corrugated boxes. The complaint seeks injunctive relief, treble damages in an unspecified amount, but alleged to be in the millions of dollars, and the divestiture of certain corrugated box manufacturing plants.

At the time of the Company's acquisition of Inland Container Corporation, a provision was made for the liability incurred as a result of the class action settlements. Therefore, the settlements had no material impact on earnings in 1979, and management does not anticipate any material impact on future earnings.

In addition, there were pending against the Company and its subsidiaries lawsuits and claims arising in the regular course of business.

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 financial position of the Company and its subsidiaries.

BUSINESS SEGMENT INFORMATION

Refer to "Lines of Business" on page 30 for information relating to revenues, operating profits, identifiable assets, and foreign activities of the Company's principal lines of business.

Below is additional information required by FASB Statement No. 14:

	1979		1978	
	Depreciation, Depletion, and Amortization	Capital Expenditures	Depreciation, Depletion, and Amortization	Capital Expenditures
	(in millions)			
Lines of Business				
Publishing:				
Magazines	$ 2.1	$ 5.9	$ 2.1	$ 4.9
Books	1.8	4.2	1.7	3.1
Forest Products:				
Pulp and paperboard	15.5	59.7	13.3	33.7
Building materials	9.8	28.3	9.5	41.9
Container and containerboard	12.3	23.7	1.1	315.7*
Video	17.8	57.2	6.9	123.3**
Other Activities	4.6	4.2	4.2	25.8
Corporate	.2	.8	.6	2.9
	$64.1	$184.0	$39.4	$551.3

*Container and containerboard includes $137.8 million and $171.7 million resulting from the acquisition of Inland Container Corporation and the Company's investment in Georgia Kraft, respectively.

**Video includes $109.8 million resulting from the acquisition of American Television and Communications Corporation.

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SUPPLEMENTAL INFORMATION ON THE EFFECTS OF GENERAL INFLATION (UNAUDITED)

STATEMENT OF NET INCOME ADJUSTED FOR GENERAL INFLATION

Year ended December 31, 1979
(in thousands)

Net income as reported in the statement of income		$143,922
Adjustments to restate costs for the effect of general inflation:		
Production and manufacturing costs	$(15,500)	
Depreciation, amortization, and depletion	(26,400)	(41,900)
Net income adjusted for general inflation		$102,022

NOTES TO SUPPLEMENTAL INFORMATION ON THE EFFECTS OF GENERAL INFLATION (UNAUDITED)

Basis of Supplemental Data. This supplementary financial information discloses certain effects of inflation on the Company's inventory and property and equipment as required by the Financial Accounting Standards Board Statement No. 33 "Financial Reporting and Changing Prices."

The Consumer Price Index for All Urban Consumers (CPI), prepared by the Bureau of Labor Statistics of the U.S. Department of Labor, is used to measure the effects of general inflation in the United States.

Net Income. The Company's primary financial statements are prepared on the historical basis of accounting.

Adjustments to restate costs for the effect of general inflation represent the historical amounts of depreciation, amortization, and depletion, and that portion of production and manufacturing costs determined under the FIFO method of inventory, adjusted to reflect the change in the level of CPI that has occurred since the date the related properties and inventories were acquired. Production and manufacturing costs, as determined under the LIFO method of inventory, already approximate average 1979 constant dollars and remain unchanged from those amounts in the primary financial statements.

Income Taxes. No adjustments to, or allocations of, the amount of income tax expense in the primary financial statements were made in the computation of the supplemental information. Present tax laws do not allow for higher cost adjustments for the effects of inflation.

Purchasing Power Gain from Holding Net Monetary Liabilities During the Year. When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, liabilities are associated with a gain of general purchasing power because the amount of money required to settle the liabilities represents dollars of diminished purchasing power. The amount has been calculated based on the Company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such amounts do not represent funds available for distribution to shareholders.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTAL FINANCIAL DATA ADJUSTED FOR EFFECTS OF GENERAL INFLATION (stated in average 1979 dollars) (unaudited)

	1979	1978	1977	1976	1975**
		(In thousands except for per share amounts)			
Revenues	$2,504,060	$1,888,715	$1,497,025	$1,323,835	$1,228,147
Net income	102,022				
Net income per share—fully diluted	$ 3.65				
Purchasing power gain from holding net monetary liabilities during the year	55,000				
Net assets at year-end*	1,400,000				
Cash dividends paid per common share	$ 1.62	$ 1.61	$ 1.51	$ 1.37	$ 1.35
Market price per common share at year-end	$44.56	$45.81	$46.14	$46.15	$41.02
Average consumer price index	217.4	195.4	181.5	170.5	161.2

*Net assets represent the historical cost amounts reported in the primary financial statements adjusted for the effects of general inflation on inventory and property and equipment.

**Per share amounts adjusted for two-for-one stock split in 1976.

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ASSET REPLACEMENT COST (UNAUDITED)

The Company's Annual Report on Form 10-K (a copy of which is available upon request) contains information with respect to the estimated replacement cost of inventories, plant and equipment, and timberlands at December 31, 1979 and 1978 and the approximate effect of such costs on cost of sales and depreciation expense for those years.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a substantially greater dollar expenditure than was required for the original purchase of such assets. This reflects the cumulative impact of inflation on the long-lived nature of these assets. This inflationary increase has been somewhat offset by technological improvements, which have resulted in increasing the productivity of the newer asset additions. The Company's timberlands were acquired some years ago. Prices of comparable timberlands (when available) today are substantially higher than original cost. The Company has attempted to adjust selling prices to maintain profit margins over the years and will continue this practice.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 1979 and 1978:

	Three Months Ended			
1979	March 31	June 30	Sept. 30	Dec. 31
	(in thousands except for per share amounts)			
Revenues	**$536,090**	**$629,589**	**$621,426**	**$716,955**
Gross Profit	**160,402**	**216,749**	**213,950**	**248,657**
Net Income	**26,608**	**42,340**	**31,847**	**43,127**
Earnings per share				
Primary	**.95**	**1.52**	**1.14**	**1.54**
Fully diluted	**.95**	**1.52**	**1.14**	**1.54**
1978				
Revenues	$343,455	$404,485	$407,675	$541,970
Gross Profit	128,746	151,631	157,826	199,067
Income before extraordinary item	21,433	34,487	26,009	37,092
Extraordinary item, net of taxes	—	6,721	—	—
Net Income	21,433	41,208	26,009	37,092
Earnings per share				
Primary				
Income before extraordinary item	1.03	1.65	1.25	1.54
Net income*	1.03	1.98	1.25	1.54
Fully diluted				
Income before extraordinary item	1.00	1.60	1.20	1.51
Net income	1.00	1.90	1.20	1.51

*The sum of earnings per share for the four quarters does not equal annual earnings per share because of the significant amount of stock issued during the fourth quarter.

REPORT OF ERNST & WHINNEY, INDEPENDENT AUDITORS

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, 1979 and 1978 and the related consolidated statements of income, common 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, 1979 and 1978, 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 applied on a consistent basis.

Ernst & Whinney

New York, New York
February 21, 1980

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TIME INC. BOARD OF DIRECTORS 1979

In 1979 the Board of Directors of Time Inc. was composed of 12 officers of the company and 12 outside members. The dates in parentheses in the caption at right indicate the year of each director's election to the board.

Front row, seated, left to right: Andrew Heiskell, *Chairman of the Board and Chief Executive Officer (1959)*; James R. Shepley, *President and Chief Operating Officer (1969)*; Arthur Temple, *Vice Chairman of the Board and Chairman, Temple-Eastex Inc. (1973)*; Henry A. Grunwald, *Editor-in-Chief, Time Inc. (1979)*; Matina S. Horner, *President, Radcliffe College (1975)*; Frank Pace Jr., *President and Chief Executive Officer, International Executive Service Corps (1960)*.

James F. Beré, *Chairman and Chief Executive Officer, Borg-Warner Corporation (1979)*, was not present. Sol M. Linowitz resigned from the board in February, 1980.

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Second row, standing: Charles B. Bear, *Group Vice President and Secretary (1977);* Louis Banks, *Adjunct Professor of Management, Alfred P. Sloan School of Management, Massachusetts Institute of Technology (1973);* Joe C. Denman Jr., *Group Vice President (1979);* J. Richard Munro, *Executive Vice President (1978);* David T. Kearns, *President and Chief Operating Officer, Xerox Corporation (1978);* Joan D. Manley, *Group Vice President, Chairman, Time-Life Books Inc. (1978);* Sol M. Linowitz, *Senior Partner, Coudert Brothers (1969);* Gaylord Freeman, *Honorary Chairman of the Board, The First National Bank of Chicago (1962);* Robert T. Keeler, *Partner, Taft, Stettinius & Hollister (1975).*

Third row: Arthur W. Keylor, *Group Vice President (1972);* Richard B. McKeough, *Chief Financial Officer (1973);* Henry Luce III, *Vice President (1967);* Ralph Graves, *Editorial Director, Time Inc. (1979);* Alexander Heard, *Chancellor, Vanderbilt University (1968);* Donald S. Perkins, *Chairman of the Board and Chairman of the Executive Committee, Jewel Companies, Inc. (1979);* Michael D. Dingman, *President and Chief Executive Officer, Wheelabrator-Frye Inc. (1978);* Henry C. Goodrich, *President and Chief Administrative Officer, Southern Natural Resources, Inc. (1978).*

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Fortune magazine's fascinating 50th Anniversary series of articles on the 1980's prompted me to reread a similar series published in 1955 on the occasion of Fortune's 25th birthday. That series was entitled *The Fabulous Future: America in 1980*. In retrospect, I must report, the articles confirm the view that predicting, under the best of auspices, is a perilous business.

One of the 1955 articles, for example, forecast that by 1980 "Superabundance and some kind of global order will have been established." John von Neumann, the founder of games theory, opined that by 1980 energy and power would be "free like the unmetered air." RCA's David Sarnoff foresaw "technological progress unprecedented in kind and volume"—atomic batteries and generators in homes, desalination plants that would make deserts flourish, guided missiles to transport mail, fleets of personal helicopters.

Fortune itself predicted that productivity would rise 3 percent a year in the ensuing quarter century, an impressive 50 percent faster than in the past. *Fortune* also estimated that family income, then averaging $4,000 a year, would climb to $8,000 by 1980. Well, U.S. family income *has* risen to $18,700 a year, in fact—but not in 1955 dollars. In constant dollars, taking inflation into account, family income had risen only to $6,500 last year! As for productivity, far from accelerating, it slowed in the Seventies, increasing less than 1 percent a year, and in 1979 productivity actually declined. So much for soothsaying!

And yet, it is irresistibly tempting to look ahead. If our Company did so well in the dismal Seventies, how will it fare in the uncertain Eighties? If our revenues were to double at the rate they have in recent years, Time Inc.'s revenues would exceed $20 billion by 1990. Heady stuff. But if this lofty level is reached largely as a result of inflation, the achievement will be of dubious value. In any case, there is little to be gained from such simplistic arithmetic projections.

There are certain forecasts about Time Inc. that can be made with some degree of assurance, however. As far as our publishing operations are concerned, I think it is safe to say that more people will be reading more of our magazines and books a decade from now. New communications technology, as it always has in the past, will whet rather than dampen the appetite for the written word. Video communications, currently in a state of violent eruption, will expand dramatically as well, and Time Inc. will be an active participant in this revolution, too.

There may be no technological breakthroughs in the 1980's of the magnitude of $E=mc^2$—or even of television or the transistor. But the interaction of existing computer and communications technology and the miniaturization of electronic circuitry will almost certainly have a greater impact on our everyday lives in the decade ahead than the riving of the atom has had since World War II. Fission's practical applications, after all, remain largely unfulfilled promises and, indeed, matters of considerable dispute and discord.

More important than technological change in the coming decade, I would submit, will be the social and economic changes that will occur or fail to occur. These are less matters for prediction than for resolve. With inflation seemingly now endemic to the economy and with 75 percent of federal expenditures now classified as "uncontrollable," the economic prospects are, to say the least, challenging. But what may be even more challenging and indeed crucial to the perpetuation of economic society as we know it, will be what happens to the corporation itself in the next ten years.

When I joined Time Incorporated in 1937, it was a quasi-proprietorship, the stock owned largely by the founder and a group of his associates. Its board of directors consisted of seven men, all directly or indirectly concerned with the operations of the Company. It was a vibrant, exciting company. Although its magazines exerted considerable influence, Time Inc. was a small and intimate company.

Now, 43 years later, Time Inc. is still a vibrant and exciting enterprise but a very different one in form and structure and in terms of the environment in which it operates. It is also quite changed in terms of the number of its employees, shareholders, and directors. As the portrait on the preceding pages shows, the Time Inc. board now consists of 23 men and women, 11 of whom are distinguished "outsiders," several of them from the academic world.

Where Time Inc. numbered 1,300 employees when I signed on, it now has 25,000, located all over the world. Where there were a handful of shareholders, there are now over 16,000 of record. But what has changed most, I think, is the intrinsic nature of the corporate organism.

There is quite a different perception of what Time Inc.'s responsibilities and obligations are and what its self-interest requires today. It is not that our Company is any less motivated toward profit than it was in that earlier time. It is simply that the pursuit of profit has become infinitely more complicated and conditioned by considerations of moral and social obligation.

There is a growing recogition in the business community that corporations, and more particularly large corporations such as Time Inc. has become, must play a larger role in the non-business aspects of society. They must do so for a single, simple, selfish reason: to survive. Corporate social responsibility has evolved from a well-intentioned platitude to a recognized imperative.

Business in general is not in good repute today. It never has been widely loved, of course, and in the past probably with more cause than now. But in the 1930's the intellectual and governmental attacks upon the underlying *concept* of the corporation were just getting under way. The New Deal could be—and was—decried by businessmen as an unconstitutional outrage. Beginning in 1933 with Berle and Means' first comprehensive documentation of the structural problems of corporate society (*The Modern Corporation and Private Property*), a body of opinion gradually formed questioning the motives and morality and even the effectiveness of the large legal entities we call corporations.

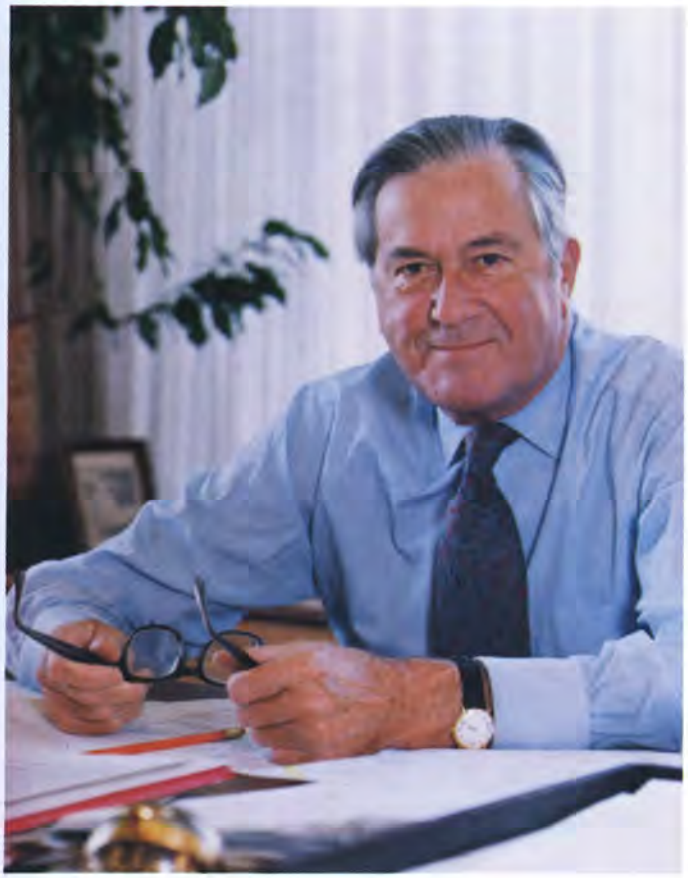
Justified or not, the attacks of the Naders and Common Causes and public interest lobbies—to say nothing of the special interests—have led to ever more regulation and

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control, and this has already had a numbing effect on the venturesomeness and innovativeness of some corporations. To prevent a further erosion of their vitality, a new perception of the corporate organism must be evoked.

The corporation must see itself, and be seen by others, for what it is—not "Big Business," but a community of individuals, banded together to serve society. In the process, of course, those individuals also benefit, in terms of wages and profits. Regulation will continue to be needed to prevent abuses, and tax-supported welfare will be required to ensure minimum social justice. But the corporations themselves should assume a much larger role in the attainment of social as well as economic goals. As Kenneth Dayton of Dayton-Hudson in Minneapolis, one of America's largest retailers, put it, "We believe that there's only one reason for business and that is to serve society, and if society doesn't perceive that business is doing it, it won't tolerate business."

Dayton's company, incidentally, is one of 45 corporations in Minneapolis that give 5 percent of their pretax income to charity—the legal limit. The average U.S. corporation, by comparison, gives about 1 percent, a not inconsiderable sum in total dollars (an estimated $2.3 billion last year), but a more or less static percentage over the past decade. Corporate giving, in fact, accounts for only 4.6 percent of all philanthropy in the U.S. today, and only one corporation in four even takes a tax deduction for contributions to charity.



Time Inc., I am happy to report, has increased its own corporate contributions significantly in recent years and has established goals for increasing them further. But corporate giving is only one relatively easy way for corporations to do more to serve the public interest. The people who work for the corporation, as employees and managers, can do a great deal as individuals. More than 300 corporations have set up employee volunteer programs, encouraging employees to engage in social service activities on company time. In 1980 Xerox Corporation will have 25 employees on social service leaves.

Executives, too, can contribute more—and not necessarily to projects directly related to their corporate interests. Just recently, for example, Coy Eklund, president of Equitable Life and our next-door neighbor here in Manhattan, announced the formation of a National Business Council for ERA, composed of 50 top corporate leaders. The group will attempt to persuade state legislators to put the Equal Rights Amendment over the top.

There are many opportunities for corporations to play a more active role. Matching grant programs to encourage employees to make their own contributions to causes of their choice. Sabbatical leaves to permit members of the corporate community to take on temporary assignments in the education, welfare, or even government segments of society. Affirmative action and youth training programs. The possibilities are endless, provided the corporation has the will and its shareholders lend their support.

Surveys show that shareholders will, in fact, support management on such matters, providing management discharges its primary obligation of running profitable operations. So there would seem to be no valid reason for corporations not to assume a larger role in education, social welfare, civic affairs, and all the other areas of human intercourse that have fallen by default to government action.

It was perhaps appropriate for Calvin Coolidge to observe in 1925 that the business of America is business. It seems even more appropriate today to maintain that the business of business is America.

Andrew Heiskell

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ANNUAL MEETING
Thursday, April 17, 1980, 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 & REGISTRAR
Morgan Guaranty Trust Company of New York
30 West Broadway, New York, N.Y. 10015

CO-TRANSFER AGENT & CO-REGISTRAR
(common stock only)
Republic National Bank of Dallas
P.O. Box 2964, Dallas, Texas 75221

COMMON STOCK PRICES AND DIVIDEND COMPARISON
1979 and 1978
(New York Stock Exchange-Symbol: TL)
(London Stock Exchange-Symbol: TIMEINC)

PRICE RANGE		High	Low
1979	First Quarter	44⅞	37⅝
	Second Quarter	40⅜	35¾
	Third Quarter	49⅜	39¼
	Fourth Quarter	47⅞	40⅞
1979	**YEAR**	**49⅜**	**35¾**
1978	First Quarter	40⅛	33¾
	Second Quarter	49	39⅛
	Third Quarter	50¾	40
	Fourth Quarter	49	37⅝
1978	**YEAR**	**50¾**	**33¾**

DIVIDENDS		1979	1978
	First Quarter	$ .375	$ .325
	Second Quarter	.415	.375
	Third Quarter	.415	.375
	Fourth Quarter	.415	.375
	YEAR	**$1.62**	**$1.45**

PREFERRED STOCK PRICES
1979 and 1978
New York Stock Exchange Symbol—TLPRB

PRICE RANGE		High	Low
1979	First Quarter	32⅞	28
	Second Quarter	30	26½
	Third Quarter	35¾	28⅝
	Fourth Quarter	34¾	30
1979	**YEAR**	**35¾**	**26½**
1978	Fourth Quarter	32	28⅜

The Series B Preferred Stock commenced trading in the fourth quarter of 1978. Dividend rate for the preferred stock is $1.575 per year, payable quarterly.

Questions and communications regarding lost stock certificates, changes of address, dividend checks, consolidation of accounts, and transfer of certificates should be sent to: Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015.

Copies of SEC Form 10K will be available to shareholders after April 30, on written request to Carolyn K. McCandless, Assistant Secretary, Time Inc., Time & Life Building, Rockefeller Center, New York, N.Y. 10020.














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