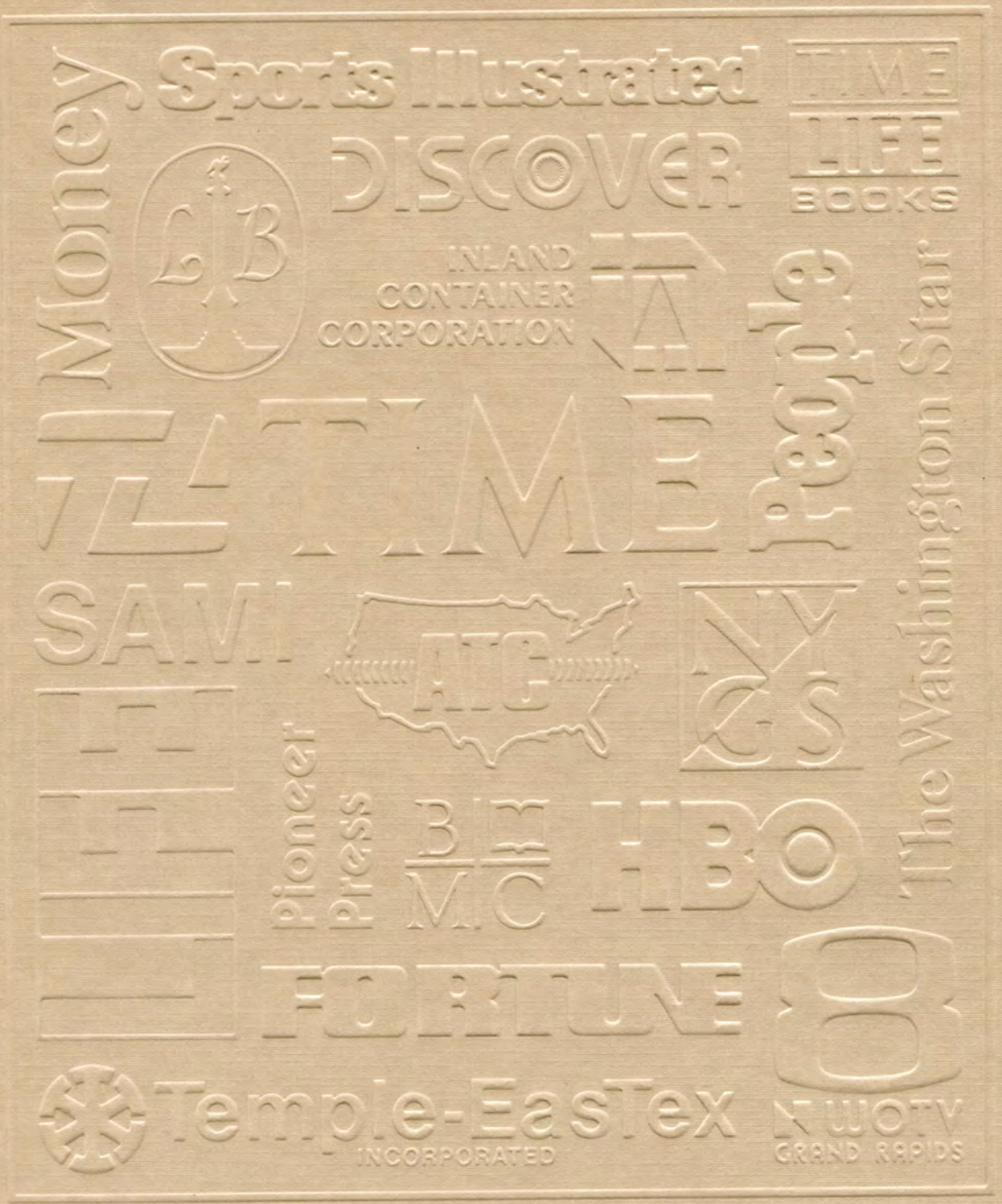
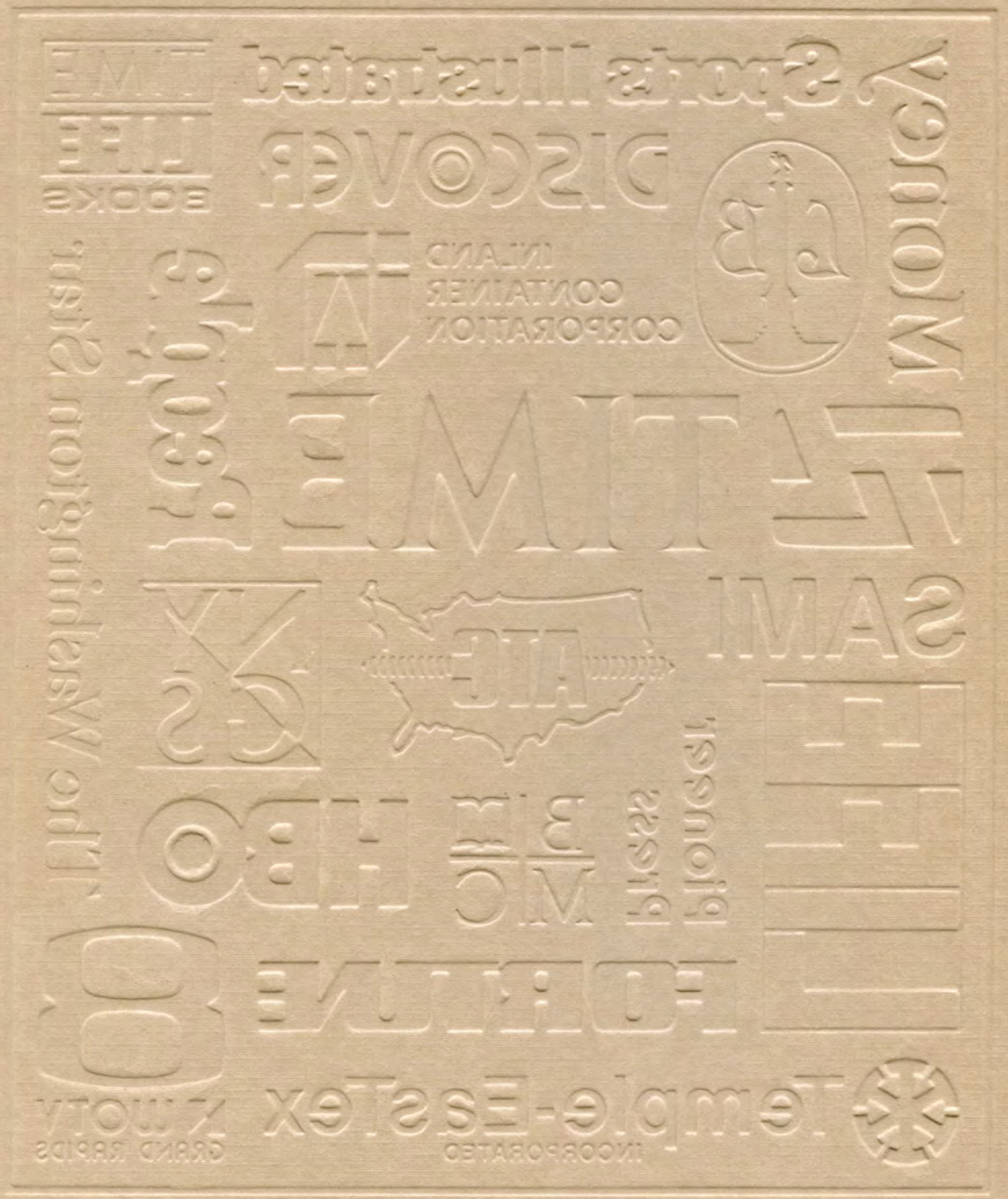
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TIME INCORPORATED

1980 Annual Report

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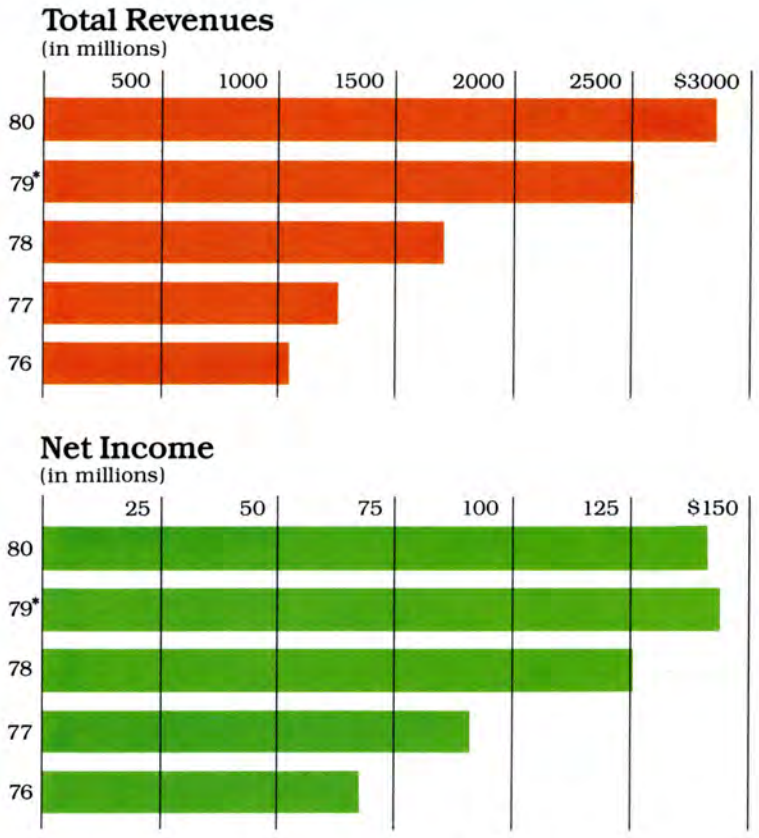


TIME INCORPORATED
A diversified company in the
communications and forest products fields

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Financial Highlights

	1980	1979
	(In thousands except for per share data)	
Revenues	$2,881,783	$2,504,060
Net Income	141,203	143,922
Per Share:		
Net Income	$ 5.02	$ 5.15
Common Shareholders' Equity	39.50	35.33
Dividends	1.765	1.62
Price Range (Common Stock)	38-63⅛	35¾-49⅜



*Includes first full year results of Inland Container Corporation and American Television and Communications Corporation.

Table of Contents

Letter to Shareholders 2
1980: A Journalistic Retrospective 6
Review of Operations 8
Executive Appointments 34
Management's Discussion and Analysis 36
Financial Statements 43
Officers and Operating Executives 56

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Letter to Shareholders



Clifford J. Grum, *executive vice president* Ralph P. Davidson, *chairman of the board*
J. Richard Munro, *president and chief executive officer*

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A new management assumed responsibility for Time Inc.'s operations last year. At the end of September Andrew Heiskell retired from the Company after serving as chairman of the board of directors for 20 years. At the same time James R. Shepley resigned as president but remained as chairman of the executive committee of the board of directors. During the period of their leadership the Company experienced tremendous growth and underwent a fundamental transformation from a magazine publishing firm to a broadly diversified company in the print and video communications fields as well as in the forest products industry. Time Inc.'s revenues last year rose to a record $2.9 billion, more than five times the Company's revenues a decade ago, and net income after taxes was $141.2 million, the second highest in the Company's history. Earnings per share in 1980 were $5.02 as compared to $5.15 in 1979. A detailed discussion of the financial results for 1980 is to be found in Management's Discussion and Analysis on page 36 of this report.

Magazines

Magazine publishing, which was Time Inc.'s original line of business, continues to account for the biggest single segment of the Company's revenues. By any measure Time Inc. is the largest publishing company in the world, and *Time*, our first publication, is the No. 1 magazine in worldwide advertising revenues.

Since the first issue of *Time* was published in 1923, our Company has introduced new magazines whenever new audience demands were perceived. In addition to *Time*, we publish *Fortune*, *Life*, *Sports Illustrated*, *Money*, and *People*. Last year a seventh magazine was added, *Discover*, The Newsmagazine of Science, a monthly journal that explores the fascinating world of science for the educated layman.

During the past decade all of our magazines except *Time* and *SI* have undergone basic changes in either format or periodicity, and we believe that their continuing adaptability to changing times and market demands has been a major reason for their continuing vitality.

The magazine industry's share of total advertising revenues has been rising recently and we believe Time Inc.'s magazines are well positioned to share in these gains in the future.

Books

Over the past two decades Time Inc. has also become a major book publishing company—in total sales probably the largest in the U.S. Our product line now ranges from popular novels to professional textbooks, and in the mail distribution of large volume nonfiction book series, Time Inc. is the undisputed industry leader.

At last count, Time-Life books were being printed in 30 languages. Indeed, foreign sales last year accounted for more than half TLB's total publishing revenues and overseas sales are currently growing faster than domestic book sales.

While we have diversified our book operations significantly since their inception, particularly with the acquisition of Little, Brown and Company and the Book-of-the-Month Club, direct marketing to the consumer continues to be Time Inc.'s particular strength in the book field. This enables us to be flexible in offering new kinds of books as tastes change, and it will permit us to enlarge our international sales rapidly as foreign countries, and particularly developing countries, increase their appetites for books delivered directly to the home. This marketing expertise should also help Time Inc. adapt to the evolving technology of communications, and deliver both print and video information and entertainment directly to the home.

Forest Products

Time Inc. began manufacturing bleached paperboard in 1954, but our Forest Products Group grew most rapidly in the past decade, as a result of mergers and mill expansions.

The acquisition of Temple Industries in 1973 and Inland Container in 1978 completed a management plan to broaden Time Inc.'s paper operations to include other grades of paper besides bleached paperboard. Another objective was to establish a second major Company-owned landholding in the pine timber area of the South and

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the Southeast. As a result of the Inland acquisition, we now own a half interest in 957,000 acres of timberland located in Georgia and Alabama in addition to Temple-Eastex' holdings of over a million acres in East Texas.

Long range, success in the forest products business will depend upon the size and location of our natural resource base—timberlands. Our basic cutting practice is to harvest less timber than we grow over a 35-year cycle. As a result we will always have more fiber available in the future than at present, even if we acquire no new land.

There are regions of the U.S. where more fiber is being harvested than is being replaced, and this overharvesting may limit future expansion of the forest industries in such areas. Companies like ours that have already acquired land and built mills in the South should be in a strong competitive position in the years ahead.

Video

The Video Group last year approached parity with Publishing and Forest Products as a contributor to Time Inc.'s operating profits.

The increasing availability of program choices has rekindled the explosive growth of cable television that faltered in the early 1970's. Cable television is finally moving from the hinterland into major cities. Almost 20 million U.S. homes now receive their television via cable and within ten years we expect that more than twice that number, or more than 40 percent of all U.S. homes, will be served by cable.

Today, more than six million homes in 2,500 cable systems are receiving HBO's network programs for a monthly fee, and we expect that number to more than double in the coming decade. In 1980 alone, HBO added over two million subscribers to its network. ATC, serving 1.3 million subscribers, is about to become the largest cable system operator in the country in terms of subscribers.

The Video Group is striving to keep ahead of the fast changing technology of electronic communications by experimenting with, and engaging in, such varied activities as over-the-air pay TV (subscription TV), program tiering, home security, and, this year, teletext—the combining of print and video techniques for information delivery. We expect that some of these activities may develop into substantial new businesses in the decade ahead.

On the last day of 1980 a federal district judge issued a preliminary injunction against the launching of the Premiere Pay TV Network, a service backed by four major film studios and an oil company. The judge ruled that the proposed network would have precipitated per se violations of the antitrust laws, since it would have withheld films from competitive services, including HBO, for a period of nine months. We are gratified that this boycott on product availability was ruled illegal.

On February 19, 1981, Time Inc. reached an agreement in principle whereby Twentieth Century-Fox Film Corporation will acquire and assume control of most of the assets of the television and motion picture divisions of Time-Life Films. As of the date of this Letter to Shareholders, terms of the transaction are subject to final negotiations and to the approval of the boards of both companies. The agreement does not involve the institutional and consumer video operations of Time-Life Films. Our decision was based largely on a determination of how the Video Group could best use its capital. Both cable television and motion picture production are capital intensive businesses. We have chosen to direct efforts of the Video Group primarily toward the cable television industry.

In its video operations Time Inc. regards itself not primarily as a network or system operator, but as a marketer of cable services ranging from entertainment to two-way information retrieval.

Other Activities

Operations that do not fit conveniently into the preceding groups are administered by the Other Activities Group. These include a very successful information marketing subsidiary called SAMI; Pioneer Press, a group of weekly publications in the Chicago suburbs; and *The Washington Star*,

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the capital's only daily afternoon newspaper. Last year SAMI set a new revenue and profit record for the tenth year running, establishing the longest unbroken series of profit improvements of any Time Inc. operation. On the other hand, the recession last year caused a setback in our effort to turn the *Star* around and restore it to its former stature and profitability.

Capital Expenditures

In 1981 we plan to spend a record $300 million for capital expenditures. Approximately 60 percent of this investment will be for continuing expansion of the Company's video operations, principally cable television. To partially finance this capital spending program the Company, in late January 1981, sold $150 million of Cumulative Convertible Preferred Stock. This equity sale will also provide an equity base for prudent expansion of Time Inc.'s debt to help cover capital expenditures in future years.

Management Changes and Policy

As mentioned above, there were major changes in Time Inc.'s management in 1980. The board of directors of the Company elected J. Richard Munro president and chief executive officer, Ralph P. Davidson chairman of the board, and Clifford J. Grum executive vice president. Two executives with many years of service to the Company retired. Group Vice President Arthur W. Keylor, who had led the Magazine Group since 1974—years that were the most profitable in the Company's history—retired at year-end after 32 years at Time Inc. Vice President Henry Luce III, most recently in charge of the Company's venture capital operations, also retired, but remains a director of the Company. Other executive appointments are reported on page 34 of this report.

While companies often feel obligated to make complimentary remarks about their employees in their annual reports, it is nevertheless true that people are more important to the success of our business than to that of most others. Time Inc. has traditionally been able to attract and retain highly talented people at every level, and to develop future management from within the Company's ranks. One of the new management's most important priorities will be to continue these development programs at Time Inc.

Another vital priority will be affirmative action. Equality of opportunity is a long-standing Time Inc. corporate policy. Of our present employees, 22 percent are members of minority groups and 35 percent are women. Furthermore, 8 percent of our management staff are minority members and 30 percent are women. Each of our business groups is committed to increasing the proportion of women, minorities, and the disabled it employs, with particular emphasis on high-level jobs.

It is also timely for the new management to reaffirm here its dedication to Time Inc.'s long-standing policy with regard to editorial separateness and independence. As the policy is sometimes colloquially paraphrased, there exists at Time Inc. a clear and distinct division between "Church" and "State." That dualism will be maintained.

Outlook

At the moment, the economic outlook appears highly uncertain. Persistent inflation, coupled uncharacteristically with equally persistent unemployment and recession, is causing widespread concern. And yet there are encouraging indications that serious efforts are being made at last to grapple with these problems.

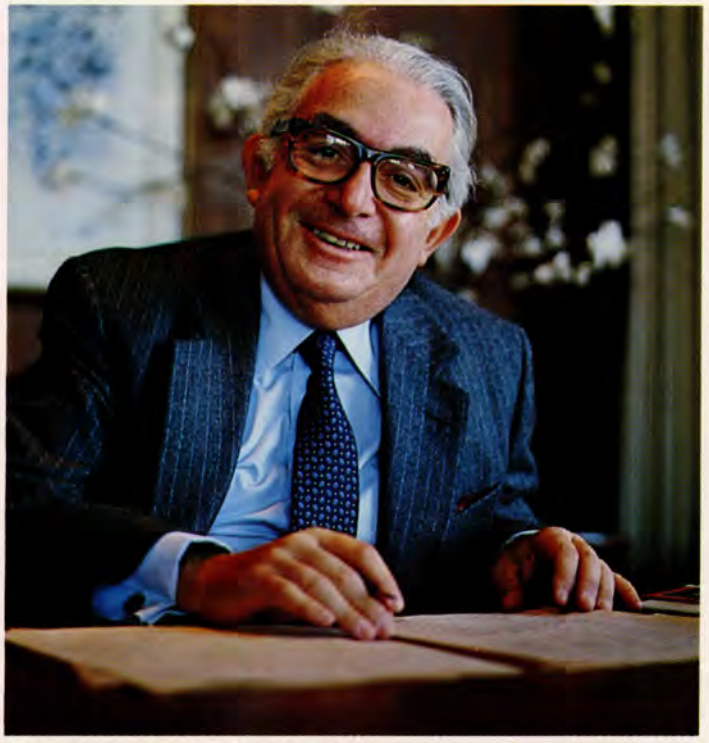
All of Time Inc.'s magazines recently joined to address the challenge of American renewal. Their conclusions were surprisingly sanguine. As businessmen we share that optimism about the future, and predict that Time Inc. will grow more in the coming decade than it has in all the past decades of its history.



J. Richard Munro
President and Chief Executive Officer

February 23, 1981

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Henry A. Grunwald, editor-in-chief

1980: A Journalistic Retrospective

In times when history still moved slowly, events were few and far between...They formed the commonly accepted backdrop for thrilling scenes of adventure in private life... Nowadays, history moves at a brisk clip...it is now the adventure itself." So, last year, wrote a brilliant Czech exile, Milan Kundera, in *The Book of Laughter and Forgetting*.

The observation was certainly true of 1980. For Time Inc. and particularly for its magazines, the adventure of history moved at a dizzying pace, and our journalists tried hard to keep up.

Abroad there was the continuing Iranian hostage crisis and the failed rescue mission, the Russian invasion of Afghanistan, the threatened Russian invasion of Poland, the boycotted 1980 Olympics, civil war in Central America, the trial of China's Gang of Four. At home, journalists had to cope with the election campaign, the influx of Cuban refugees, race riots in Miami, Abscam. Natural and man-made disasters seemed abnormally frequent: devastating earthquakes in Algeria and Italy, the eruption of Mount St. Helens, during which one photo-journalist narrowly escaped being smothered in ash, but kept recording his report, including the memorable line: "It's either dark or I am dead." A *Life* photograph taken inside the volcano was snapped only hours before another eruption.

There were perils of a different sort in covering the news abroad. Reporting various wars as well as terrorist activities in many parts of the world, newsmen faced serious physical danger. Besides, some governments simply made it difficult for newsmen to do their work. Even before the general ban on American reporters last January, two *Time* correspondents were expelled from Iran, a reverse compliment for their coverage.

A dominant fact of 1980 was the worsening of relations between the U.S. and the Soviet Union. Against that background *Time* undertook one of its most ambitious projects, a 55-page special issue on the Soviet Union, which was eight months in the making.

The drama of the American election drew massive press coverage, but the campaign itself was notable chiefly for its length and the failure by journalists and pollsters to predict the massive Republican victory. Contrary to frequent complaints that the press concentrates on personalities and trivialities, *Time* and other publications made serious efforts to cover the issues. This despite a growing, cynical conviction among voters that what candidates say about issues during a campaign bears little relation to what they do in office. Important in Time Inc.'s coverage was *The Washington Star's* widely praised Political Report, a daily section ranging from two to five pages.

There was also much comment during the campaign on the part played by the press (especially television) in the election. As Thomas Griffith, *Time's* press columnist, observed: "Since no one else seems in charge, the nation's news organizations have assumed the role of matchmaker." Not everyone agrees on just how significant the matchmaker (or kingmaker) function of the press really is. Most newsmen tend to minimize it, somewhat nervously. But the growing influence of the press on the political process cannot be denied, and this places even greater responsibility on all journalists.

The political year emphasized the significant competition—as well as the interaction—between the print press and television. Television news and "magazine" shows increased significantly. At Time Inc. our magazine editors joined

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our video executives to explore ways of using the Company's editorial resources on cable TV.

* * *

Covering the continuing economic crisis last year, the press on the whole showed growing competence—although much is still to be desired in economic reporting. The public itself seemed to be increasingly sophisticated about economics, as was suggested by polls showing more concern about fighting inflation and budget cutting than about lowering taxes. In its 50th anniversary year, *Fortune* continued to pioneer in this journalistic field. The magazine completed a ten-part series on the economy of the Eighties, predicting, among other things, that given some "rationally optimistic" assumptions, the Eighties will turn out to be noticeably better than the sobering Seventies. *Money* magazine, which in its early days concentrated heavily on happy ways in which consumers could spend their funds, last year expanded its increasingly important role of advising readers how to cope with difficult times.

Life responded to the rush of events by continuing to present pictures of places and situations not normally accessible to journalists or photographers, from "The Russia They Won't Let Us See" to the memorable series on cancer treatments.

After cresting during the Watergate days, the zeal of the American press for "investigative reporting" (a somewhat dubious term in the view of most professionals) has diminished. But stories about wrongdoing continue to be an essential part of journalism. One of the more acute reports of this sort appeared in *Sports Illustrated*, "The Shame of American Education," which exposed the widespread exploitation of student athletes.

Amid continuing discussion about "celebrity journalism" and its merits, *People* maintained its emphasis on personalities, but also addressed many serious issues, such as the decline of productivity in the U.S. and the politics of abortion. *People's* story on John Lennon's murder, perhaps the most stunning cover story of the year, transcended the usual distinction between a personality feature and "hard" news.

The public displayed a growing interest in science as a vital factor in our survival. This trend inspired the launch of *Discover*, journalistically the most exciting venture for Time Inc. in 1980.

* * *

The role of the press in America continued to be rigorously questioned, as it should be. Earlier fears about more restrictive measures against the press were not borne out in 1980, and the Supreme Court handed down a significant ruling establishing the right of the press—and the public—to have full access to criminal trials. On the other hand, one alarming Gallup poll reported that four in ten Americans believe present curbs on the press are not "strict enough."

A particularly worrisome debate about press freedom is going on at the U.N. and elsewhere. Many Third World countries claim that they are discriminated against by the press of the industrialized countries. They are agitating for a vaguely defined "new international information order." Time Inc. has been monitoring these discussions carefully. In an essay *Time* observed that various proposed restrictive measures—including curbs on access to sources and penalties for "false" reporting—might not only hamstring the Western press, but might do the gravest disservice to the Third World countries themselves.

Perhaps the most significant development of all last year was the stirring of a certain mood in America: growing rejection of the traditional and expensive government remedies for social problems, a backlash against moral rootlessness, worry about American influence in the world. Prompted by these concerns, Time Inc.'s seven magazines started work in May 1980 on a series of articles to explore solutions to America's major problems. These were published in February 1981 under the collective title American Renewal.



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Magazines

It has been 57 years since two young Yale graduates named Henry R. Luce and Briton Hadden began publishing a sprightly weekly magazine called *Time.* In 1930, just as the country began sliding into the great depression, the fledgling Company also began publishing *Fortune,* and in 1936 *Life* was added. It was not until well after World War II, however, that a fourth Time Inc. magazine, *Sports Illustrated,* began publication, in 1954. But in the past decade, three new magazines have been launched by Time Inc.'s Magazine Group—*Money, People,* and, in 1980, *Discover. Life,* meanwhile, began appearing in a new monthly format in 1978.

In the coming decade we will launch new magazines when and if a demand is perceived. For Time Inc. is, and intends to remain, the No. 1 magazine publishing firm in the world.

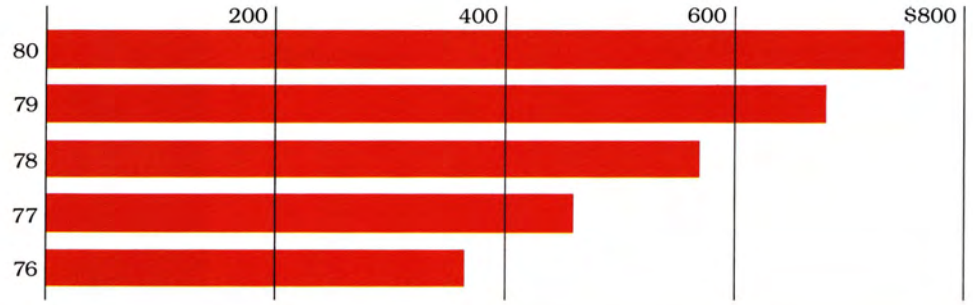
The Magazine Group's advertising revenues rose to a new high last year. Advertising pages, however, declined, particularly in the second half, and this slippage has continued in the early months of 1981. Circulation revenues rose in 1980 and indications are that they will be strong again this year. Operating profits of the Magazine Group were lower last year than in 1979, but this was principally because of start-up costs associated with the launch of *Discover.*



Magazines mean people—writers, researchers, editors, salesmen, copywriters—and Time Inc.'s magazine people are unsurpassed in talent and enterprise. At right, *Time* Correspondent Don Sider (facing camera) goes flat out to cover a story on skydiving.

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Revenues
(in millions)





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TIME For the eleventh consecutive year, *Time*, The Weekly Newsmagazine, led all magazines in worldwide advertising revenues. The Company's flagship publication had ad revenues of $308 million in 1980, 4 percent above the previous record, set in 1979. *Time*'s circulation revenues also set a new record last year, reflecting the magazine's continuing editorial strength.

Time's preeminence was again recognized in 1980 by 39 awards to the magazine and its staff, making it the most honored publication in the magazine industry. To meet rising production and distribution costs the subscription price of *Time* was raised to $35 in October, and the cover price to $1.50. These are the highest prices in the general newsmagazine field.

Nineteen-eighty was the first full year of electronic transmission of editorial text and four-color material to U.S. printing plants, and the innovation is proving a major success. This technological advance gives the editors added flexibility in closing copy and the readers more reliable and quicker delivery schedules. The system, employing satellite and cable transmission of both text and pictures, was extended to Europe and Asia during the year and it will soon be operational in the South Pacific area as well. An interesting result of our satellite link to Hong Kong, which is across the international date line, is that *Time* now appears in Hong Kong a half day before it is published in the U.S.

The international editions of *Time* again produced record revenues and profits in 1980, despite economic and political uncertainty in several market areas. Advertising in the international editions contributed nearly 27 percent of *Time*'s worldwide ad revenues. Regional and demographic advertising editions continued to play an increasingly important role; advertisers in the domestic regional and demographic editions contributed more than one-third of *Time*'s 1980 U.S. ad revenues.

FORTUNE *Fortune* also enjoyed record advertising and circulation revenues in 1980. Continuing growth generated by the change to biweekly publication three years ago, ad revenues reached $55.6 million last year, up 13 percent over 1979. *Fortune*'s subscription price was increased to $30 a year and its single-copy price to $2.50.

A special issue of *Fortune* published in February 1980, celebrating the magazine's 50th anniversary, featured editorial excerpts highlighting its five decades of publication. As a memento of the anniversary, *Fortune* published a complete facsimile reproduction of its first issue, which appeared in February 1930. Later in 1980, a book of reminiscences by nineteen former *Fortune* staff members was also published. The contributors to this volume included such well-known writers as Archibald MacLeish and John Kenneth Galbraith. *Writing for Fortune* is being offered as an alternate selection by the Fortune Book Club, a division of Book-of-the-Month Club.



Fortune turned 50 last year and looked ahead to the Eighties with a distinguished special series. Editor Roy Rowan (with fellow jogger Herbert Hunt at right) scored a coup with his inside story on the Hunt brothers' near corner of the silver market.

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Life, now a handsome monthly, features photographic essays. One of its most poignant in 1980 told about Mother Teresa, who ministers to India's poor.

In 1980, *Fortune* completed a ten-part editorial series on "The Economy of the Eighties." One of the reports in the series, written by Walter Guzzardi, received the prestigious Gerald Loeb Award for distinguished business and financial journalism, while Carol Loomis was honored with the University of Missouri's Business Journalism Award for "How I.T.T. Got Lost in a Big, Bad Forest" (December 17, 1979).

LIFE

In a year of economic uncertainty, *Life* performed admirably. Advertising revenues reached $19 million, an increase of 46 percent over 1979. In July 1980, *Life's* newsstand price was raised from $1.50 to $2, and in April 1981 its advertising rate base will be increased to 1.3 million copies.

On the editorial front, *Life* continues to evolve. In 1980 "Camera at Work" and "The View from Here" were added as regular features. To usher in 1981 the January issue reviewed "The Year 1980 in Pictures." This will be an annual feature.

Life's editorial awards in 1980 included two gold medals and three silvers from the Society of Publication Designers. In addition, it won four merit awards from the New York Art Directors Society, as well as two awards from the American Institute of Graphic Arts.

Life will continue to follow the course that it has set in its first 30 monthly issues: a family magazine of general interest, with stories told boldly on big pages with fine reproduction and plenty of color.

Sports Illustrated

In 1980 *Sports Illustrated* also posted record advertising and circulation revenues. Its ad revenues exceeded $128 million, making SI the fifth largest among all U.S. magazines in terms of advertising revenues. SI raised its subscription price to $36 last year and the single-copy price to $1.50.

Big moments in sports—like the U.S. hockey team's victory in the Winter Olympics—once again provided SI's editors with opportunities to exercise the magazine's unique capability for covering weekend sports, and delivering four-color coverage of the events to its 2,250,000 circulation during that same week.

SI has earned a reputation for covering sports events with more fast-closing color photography than any other magazine. Last year it named the entire U.S. Olympic hockey team its "Sportsmen of the Year."



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Three of *People*'s best-selling covers last year featured *Dallas*' J.R. Ewing, Nancy Reagan, and *The Empire Strikes Back*'s Yoda.

Money

Because of the rising interest in the subjects that *Money* covers—investments, spending, saving, borrowing, careers—the magazine enjoyed by far its most successful year in 1980. New records were set in ad pages (up 13 percent), ad revenues (up 33 percent), and single-copy sales (up 6 percent).



Money enlisted the aid of such economic experts as cover subjects Louis Rukeyser, Jane Bryant Quinn, and Milton and Rose Friedman to help its readers cope.

On many of its covers last year, *Money* featured recognized experts on personal finance and economics: Louis Rukeyser, Milton Friedman, Albert Lowry, and Jane Bryant Quinn. In addition, *Money* began syndicating its articles to over 100 U.S. newspapers, including some of the nation's largest dailies.

Money's circulation rate base was increased from 800,000 to 825,000 in July 1980, and its subscription price went from $17.95 to $19.95. The continued solid demand for the magazine and its financial editorial content enabled *Money* to increase its rate base in February 1981 to 850,000.

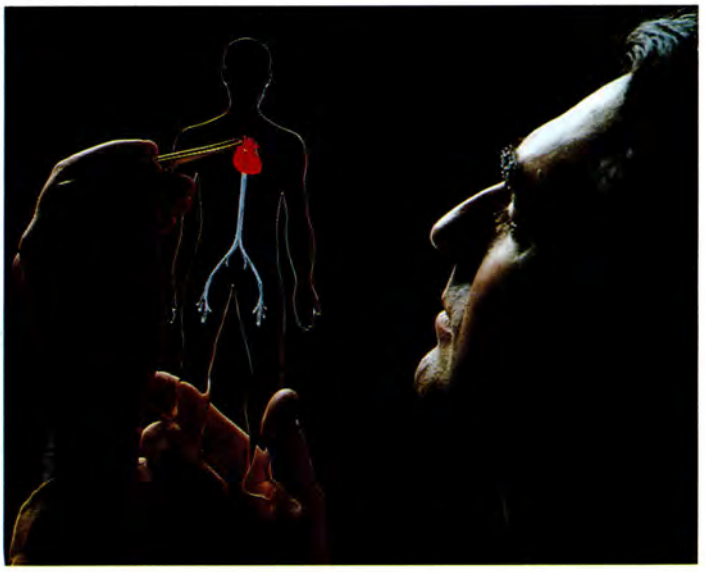
People

In 1980, its seventh year of publication, the advertising revenues of *People* rose to $106 million—an increase of 19 percent over 1979. This places *People* sixth among all U.S. magazines in advertising revenues and fourth in ad pages. *People* continues to attract a wide variety of advertisers, including categories such as cosmetics, fragrances, toiletries, and proprietary drugs that do not appear frequently in other Time Inc. publications.

For 1981 *People* has introduced four regional and four metropolitan editions, which will run in alternate weeks. *People*'s single-copy circulation last year improved over 1979 and subscriptions also increased, resulting in a per issue circulation averaging well above the magazine's 2.3 million rate base. The cover price was raised in October from 75 cents to 95 cents.

In 1980, *People* added two new editorial sections: "Body," a recurring feature on fitness and diet, and "Coping," in which well-known men and women discuss their struggles to overcome personal problems. The magazine also began publishing excerpts from current works of fiction and nonfiction.

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Discover frequently uses three-dimensional models in its illustrations to make scientific subjects understandable and interesting to laymen.

DISCOVER In 1980, Time Inc. launched its seventh magazine, *Discover*, The Newsmagazine of Science. Inspired by the success of *Time* magazine's science stories over the past decade and Time-Life Books' Popular Library of Science series, *Discover* will involve the educated layman in the wonders and fascination of the world of science. A full publishing and editorial staff was assembled during the summer months, and publication began in October 1980, with a cover price of $2.

Despite the existence of several competitive publications in the science field, *Discover* carried 62 pages of advertising in its first issue, a record up to that time for the maiden issue of a national consumer monthly magazine. The initial reader demand for *Discover* also exceeded expectations. As a result, after just three issues, *Discover* announced a 50 percent increase in its rate base to 600,000, to take effect in April 1981.



The Subscription Service Division in Chicago stores millions of subscriber addresses in racks of computer memory tapes.



The Magazine Group's Telephone Response Center in Chicago answered 2.8 million calls last year, which resulted in 1.4 million subscriptions.

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Books

The revenues of Time Inc.'s Books Group reached almost half a billion dollars in 1980 and operating profits were $40 million. Originally a marketer of book series sold by direct mail, the Books Group has increased its revenues and profits over the past two decades not only by introducing new series each year, but also by aggressively developing foreign sales and by expansion into other segments of the publishing business.

In addition to Time-Life Books Inc., the Books Group includes Little, Brown and Company (Inc.), the Book-of-the-Month Club, Inc., the New York Graphic Society Ltd., and minority holdings in a number of foreign firms grouped under Books and Arts Associates.

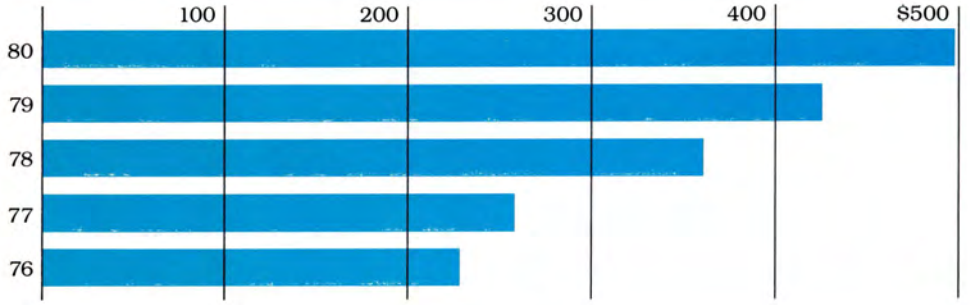
The Books Group's profits in the first half of 1980 were depressed by costs rising faster than book prices. By the second half, however, the impact of price increases made earlier, particularly on book series, began to manifest itself and earnings rose. Time-Life Books' newest series, *The Library of Health*, launched in January 1981, is priced higher than any TLB series to date.



Time-Life books are now sold in more than 80 countries and foreign sales account for more than half of TLB's revenues. At right, a mail carrier in Amsterdam delivers the latest volume of the *Great Cities* series to the home of a subscriber.

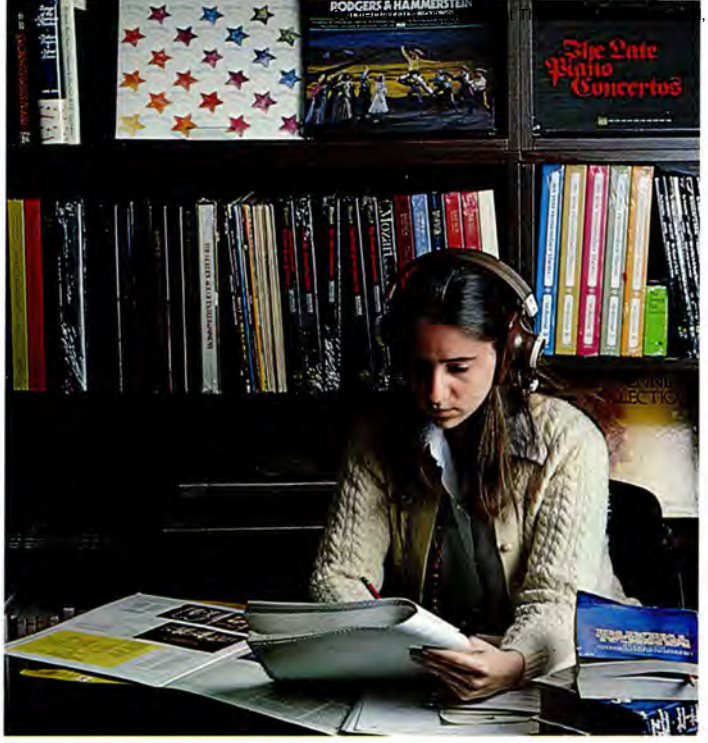
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Revenues
(in millions)





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Time-Life Books has also become a major marketer of phonograph records. At left a researcher monitors a series introduced last year, *American Musicals*, and makes notes for accompanying text.

TIME LIFE BOOKS

Time-Life Books Inc., the first and still largest entity in the Books Group, celebrated its twentieth anniversary in 1980 by setting new records both in revenues and in unit sales. Since the launch of its first series in 1960, TLB has published a total of 603 different titles in 28 series, as well as 84 single titles. Last year it introduced two new series, *The Epic of Flight* and *Classics of the Old West*. In addition, *The Time Reading Program*, consisting of reprints of contemporary fiction and nonfiction, was revived last year in both soft and hard cover editions for the mail-order market.

More than half of TLB's revenues last year came from sales outside the North American market. In the international market Time-Life books are now published in 30 languages, the most recent of which is Thai.

In 1980, Books increased its use of telephone selling in foreign markets, adding sales offices in Australia and France. This year telephone sales offices will be opened in Holland and Switzerland. The international division also expanded its mail-order operations in Sweden, Norway, and Finland last year, marketing a popular series, *The World's Wild Places*.

An increasingly important activity is the marketing of Time-Life records in series form. In the last 15 years Books has produced and marketed 166 record albums of both classical and popular music. The newest series, entitled *American Musicals*, was launched last November with "Rodgers and Hammerstein," an album of original-cast recordings. Succeeding albums will be devoted to the works of other major Broadway composers. In 1980 Time-Life Records introduced a series of LP recordings by Arthur Fiedler and the Boston Pops Orchestra, packaged for sale in supermarkets. The Time-Life Records Billie Holiday album from the *Giants of Jazz* series won the 1980 Grammy award as the best historical retrospective recording.

Time-Life Books expects a strong market in 1981. In January of this year it launched the *Library of Health* and plans to introduce two additional book series later in 1981 under its new Stonehenge Press imprint. Time-Life Records will also offer two new series during 1981.

LB

Little, Brown, which publishes textbooks and professional reference works as well as distinguished fiction and nonfiction titles, had record sales and earnings in 1980. *The Little, Brown Handbook*, a new undergraduate textbook for English composition courses, was introduced and well received in a very competitive market. Its success highlighted strong sales generally from all three textbook divisions of the company—law, medical, and college.

Bestsellers on Little, Brown's trade book list in 1980 included William Manchester's *Goodbye, Darkness* and Ronald Steel's *Walter Lippmann and the American Century*. The 125th anniversary edition of *Bartlett's Familiar Quotations* appeared in September and was one of the major publishing events of the year.



Staffers inspect an exact reproduction of a WWI-vintage Fokker triplane for the Time-Life Books series, *The Epic of Flight*, which was launched in 1980.

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The Book-of-the-Month Club's main selections for 1980 included several bestsellers. BOMC became a subsidiary of Time Inc. in 1977.

BOMC For the Book-of-the-Month Club, 1980 opened and closed with a bang. BOMC's January 1980 selection, *The Brethren*, by Bob Woodward and Scott Armstrong, a book about the Supreme Court, was very successful, and the year ended with another blockbuster, *Cosmos*, by Carl Sagan, a science book made more attractive by the wide exposure it received as a PBS television series. The year actually finished with four very strong selections: *Peter The Great*, a double selection of *Loon Lake* and *Going To Extremes*, *The Key To Rebecca*, and *Cosmos*.

Important contributions to BOMC's 1980 sales growth were also made by two specialty book clubs: the Cooking and Crafts Club and Dolphin, a club for boating enthusiasts. Further contributing to growth was BOMC's first series offering: the Smithsonian Illustrated Library of Antiques, a 12-volume set developed in partnership with the Smithsonian Institution. The seven-year-old Quality Paperback Book Club, the country's only general interest soft-cover book club, also had a good year.

NYGS Although it is the smallest wholly owned subsidiary in the Books Group, the New York Graphic Society Ltd. makes large contributions to the art field.

New York Graphic is the leading publisher of fine art reproductions in the world. In 1980, its 55th year of operation, it published a 572-page hardcover catalogue, *Fine Art Reproductions*, illustrating its entire collection in full color. The catalogue, which sells for $37.50, includes approximately 2,000 reproductions—from Etruscan tomb drawings to the works of contemporary artists. Graphic's reproductions are sold to retailers and wholesalers, framed and unframed.

A New York Graphic subsidiary, Museum Collections Inc., creates and markets reproductions of original art work. The third in a series of Remington bronzes, *The Cheyenne*, released in a limited edition of 1,000 copies, was fully subscribed last year at $1,575 per copy.

Books and Arts Associates

Books and Arts Associates monitors Time Inc.'s minority investments in foreign publishing houses, including Rowohlt Taschenbuch Verlag in Germany, Editions Robert Laffont in France, Organizacion Editorial Novaro in Mexico, and Shingakusha-Time International in Japan. Joint ventures in the medical publishing field were launched in 1978 in France and Japan. These cooperative ventures are a natural extension of Little, Brown's successful medical publishing in the U.S.

"The Search for Alexander," the multimedia project that BAA helped develop over the past three years, was launched in 1980. Its cornerstone is an exhibition of treasures from the period of Alexander the Great (4th century B.C.), which opened at the National Gallery in Washington in November 1980 and will tour Chicago, Boston, San Francisco, New Orleans, and New York through February 1983. Several other Time Inc. subsidiaries are participating in projects related to this exhibition.



The New York Graphic Society, which produces fine art prints, jewelry, and sculpture replicas, has an attractive showroom for the trade on Manhattan's Fifth Avenue.

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Forest Products

Time Inc.'s participation in the forest products industry, though perhaps less familiar to the public than its publishing activities, dates back to 1941. An original investment in the Houston Oil Company in that year eventually led to Time Inc.'s acquisition of timberlands and construction of a paperboard mill in East Texas. But it was the acquisition of Temple Industries in 1973 and Inland Container Corporation in 1978 that lifted our Company to the level of a fully integrated and diversified forest products firm, and put Time Inc.'s revenues and earnings from these sources approximately on a par with revenues and earnings from publishing activities.

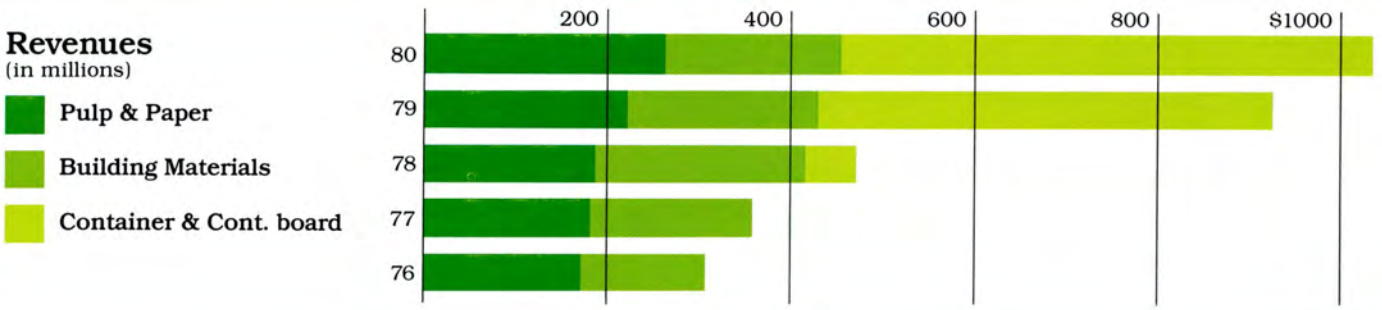
Last year the Forest Products Group contributed one-third of Time Inc.'s revenues and operating profits. The Temple building materials division operated at a loss, but both the Eastex paperboard division and Inland Container earned near record revenues and operating profits.

This year, we expect some improvement in our building materials operations. Moreover, the outlook for paper and paperboard remains good.



Access to timber, one of nature's few renewable resources, is the key to long-term profitability in the forest products business. Time Inc.'s Temple-Eastex and Inland Container subsidiaries own over 1.5 million acres of favorably situated timberland in the South and Southeast.

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A crane at Eastex' paper mill in Evadale, Texas (aerial view), delivers logs to the saw deck. The crane is capable of lifting 10-ton loads.

Temple-EasTex

Temple-Eastex, Time Inc.'s fully integrated forest products subsidiary, produces bleached pulp, paper, paperboard, lumber, hardboard siding, particleboard, plywood, gypsum wallboard, and urethane sheathing. Its natural resource base is 1.1 million acres of timberland strategically located in eastern Texas, which makes Temple-Eastex the largest landholder in the state. In addition, Temple-Eastex designs and manufactures specialty packaging, operates retail building material stores, manufactures nonlumber interior building products, and engages in general contracting and engineering, mortgage banking, real-estate development, and insurance.

Eastex Division

The Eastex Division of Temple-Eastex, which produces bleached pulp, paper, and paperboard, had a good year in 1980. Its markets were strong, and Eastex' mill output of 1,427 tons per day established a record.

A $100 million modernization program at Eastex moved toward completion in 1980. Major accomplishments during the year included the rebuilding of two paper machines and the installation of a new, automated roll-handling system. All of the improvements have greatly enhanced productivity and set the stage for further growth in paperboard production in 1981.

Capital improvements have helped increase productivity per employee at Eastex by more than 60 percent since production began in 1954. With the completion of the recent capital projects we expect even better energy utilization, upgrading of environmental standards at the mill, and an increased volume of pulp and paperboard production.

Eastex Packaging, our folding carton division, which has plants in Charlotte, North Carolina; Memphis, Tennessee; and Madison, Wisconsin, registered an 8 percent increase in revenues during 1980.



The Eastex Division's $100 million capital investment program neared completion in 1980. Among the accomplishments last year was the installation of an automated roll-handling system that has increased the paper mill's productivity substantially.

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Forests Division

The Forests Division manages all of the Temple-Eastex timberlands, satisfies the wood fiber requirements of its converting mills in Diboll, Pineland, and Evadale, Texas, and also oversees an active land acquisition program.

To protect and conserve our timberland assets, Temple-Eastex operates under a perpetual forest management plan. Based on a 35-year growth cycle, the plan essentially provides for harvesting less timber than is grown, thus assuring that over the course of the cycle, our fiber inventory will increase.

During 1980, approximately half the Temple-Eastex fiber requirements were supplied from Company-owned lands, and the balance was purchased from outside local sources. The Forests Division planted more than 30 million pine seedlings on 38,000 acres of Company land in 1980, increasing the total plantation area under cultivation to more than 300,000 acres.

Last year the Forests Division also built another 225 miles of road for logging and forest access. Currently, over 1,600 miles of Company-owned roads run through our timberland.





The Forests Division planted 30 million pine seedlings last year.

Temple Division

The Temple Division manufactures a variety of building products. The depressed level of housing construction during 1980 severely affected the Temple building materials operations.

Declining prices for building materials, coupled with escalating costs of energy, materials, and labor, resulted in financial losses for some Temple operations while others operated at substantially reduced income levels. Production was curtailed at some plants, and reopening of the Diboll plywood plant, which was closed in late 1979, was postponed.

Nineteen-eighty was the first full year of operation for Temple's urethane insulation manufacturing plant in Diboll as well as for the enlarged hardboard siding mill and the new wood-fired boiler, also located there. These units are all operating on schedule and are expected to contribute importantly to the future growth of the Temple Division.

Although most of the Temple Division's building materials operations were depressed by the recession, Temple's new urethane insulation plant operated at full tilt in 1980.

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Other Operations

Temple-Eastex also engages in a number of other activities:

- Temple Associates is a diversified design and general contracting company with special skills in building projects for the forest products industry. Last year its engineering, architectural, and construction services produced revenues of $50 million.

- AFCO Industries produces interior building materials, such as paneling. Even though much of AFCO's product is sold in the do-it-yourself market, the recession reduced home remodeling last year and AFCO's sales were down.

- Lumbermen's Investment Corporation (LIC), a mortgage banking subsidiary, on the other hand, set new records in 1980 for mortgage loan closings, loan servicing volume, and operating profits. Its loan closings totaled $285 million in 1980, while its mortgage portfolio reached $1.6 billion. These record levels were attained despite the highest interest rates in history.

- LIC is also active in the insurance, land development, and commercial real-estate fields. During 1980, the insurance operation enjoyed a record year. Insurance is a growing facet of LIC's operations, and is expected to make an increasing contribution to Temple-Eastex earnings in the future.

- Sabine Investment Company is active in the residential land development field as well as in commercial real-estate development. Sabine's two major development projects at present are Crown Colony in Lufkin, Texas (733 acres), and North West Forest in Beaumont, Texas (645 acres).

INLAND CONTAINER CORPORATION

Inland Container Corporation completed its second full year as a subsidiary of Time Inc. in 1980, with record revenues and operating profits. Revenues reached $579 million while operating profits were $53 million.

In spite of high interest rates, the slump in auto production, and badly depressed housing starts, Inland's corrugated box shipments were strong throughout the year with the exception of midsummer. Shipments of corrugated boxes were 965,000 tons, up 3.3 percent from the previous year.

Inland manufactures corrugated boxes at 28 plants in the United States and Puerto Rico. The principal raw material for these boxes is containerboard, which consists of linerboard (the outside facing material) and corrugating medium (which forms the fluted part of the corrugated box construction).

The linerboard we used in 1980 came principally from mills operated by Georgia Kraft Company, which is 50 percent owned by Inland, while the corrugating medium was produced at three Inland mills. The Inland mills produced over 390,000 tons of containerboard last year.

A number of factors contributed to Inland's outstanding performance in 1980. The export market was strong, which kept industry operat-



A new wood-fired boiler installed at Inland's containerboard mill in New Johnsonville, Tennessee, has eliminated the consumption of natural gas.

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Inland Container manufactures a wide variety of corrugated boxes, some of which are used to ship Time-Life books.

ing rates high despite weakness in the domestic market. Also, Inland's past marketing efforts, plus its new product development and improved product mix, helped increase revenues. In addition, past investments in new equipment and technology have improved Inland's productivity and given it a definite competitive edge in production costs and pricing.

Inland's capital expenditures in 1980 totaled $25.8 million, and late in the year construction was started on a new corrugated box manufacturing plant in Garden City, Kansas. This $8.5 million facility will primarily serve the rapidly growing meat processing industry in Kansas and Colorado.

Georgia Kraft Company

As mentioned above, Inland Container owns 50 percent of Georgia Kraft, which owns approximately 957,000 acres of timberland in Georgia and Alabama and has another 81,000 acres under long-term lease. Georgia Kraft operates three large linerboard mills, a plywood mill, and a sawmill. The linerboard mills produced over 1,300,000 tons of containerboard last year, of which we received 50 percent. This was a record level of production for Georgia Kraft.

Expansion of Georgia Kraft's Macon, Georgia, mill was completed in 1980. Included in the expansion was a second linerboard machine, a wastepaper pulping and cleaning system, a new boiler fueled by wood waste, and a new turbogenerator. The expansion, which cost $74 million, will provide Inland with an additional 78,500 tons of linerboard capacity annually.

Also completed last year was an improvement program at Georgia Kraft's Rome, Georgia, mill. This program, which was started in 1975, included the rebuilding of both linerboard machines and the installation of new lime kilns, washers, causticizers, evaporators, pulp refiners, and precipitators.

Georgia Kraft's capital expenditures including timber and timberland purchases in 1980 aggregated $104 million.

The company's wood products operations provide its linerboard mills with a large volume of wood chips. These chips are raw material for the paper mills, and enable the company to make optimum use of the entire tree—as lumber, wood fiber for pulp, and waste wood for fuel.

The Georgia Kraft wood products group predictably had problems in 1980, which were compounded by the start-up of a new plywood mill at Madison, Georgia. Production at the Madison mill improved during the year, however, and a second shift was started in November. Further complicating Georgia Kraft's problems was the low volume of housing starts which depressed plywood prices throughout the year.

Subsidiaries and Divisions

Operations at other Inland subsidiaries and divisions were excellent during 1980. Anderson Box Company, which is a major supplier of packaging to the egg, poultry, agricultural, and horticultural markets, had a record year. Rexford Paper Company, Inland's tape manufacturing division, also had an excellent year in both sales and earnings.

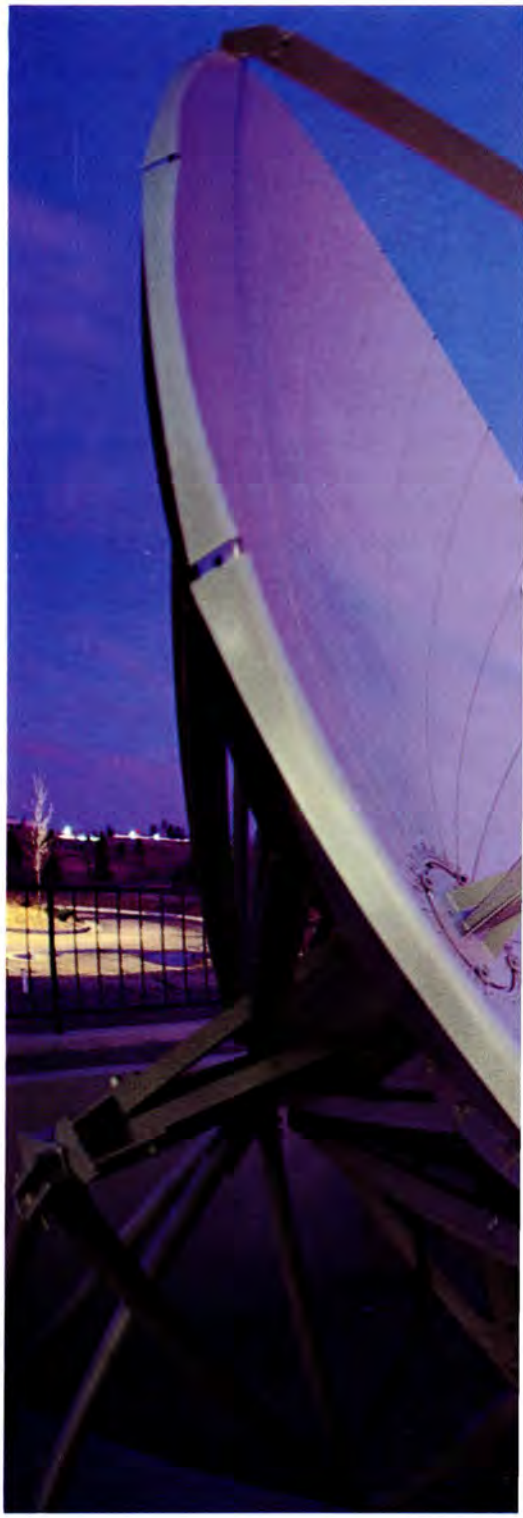
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Video

Pay TV entered an era of explosive growth last year. Cable television systems were finally being franchised and built in many of the nation's largest metropolitan areas and, as a result, the demand for cable and pay-TV programming also mushroomed.

Time Inc.'s Video Group is participating in almost every phase of the new video boom. The group includes American Television and Communications Corporation, a large cable television operating company; Home Box Office, the leading pay-TV programming network; and WOTV, a VHF television station in Grand Rapids, Michigan.

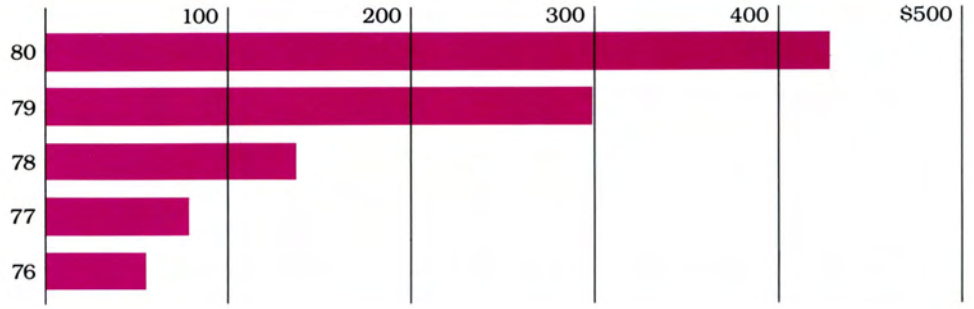
Video operating profits of $73 million in 1980 on revenues of $428 million approached the earnings of our publishing and forest products activities. In the coming year Time Inc. will invest approximately $180 million more in video operations, especially in cable television systems. We expect the Video Group to continue its rapid rate of growth in both revenues and earnings.



In 1975 Time Inc.'s Video Group pioneered the satellite transmission of programming to cable television systems across the country. Today Home Box Office serves over 6 million subscribers.

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Revenues
(in millions)





A multimillion dollar studio facility in mid-Manhattan is the nerve center of HBO's nationwide pay-TV network.

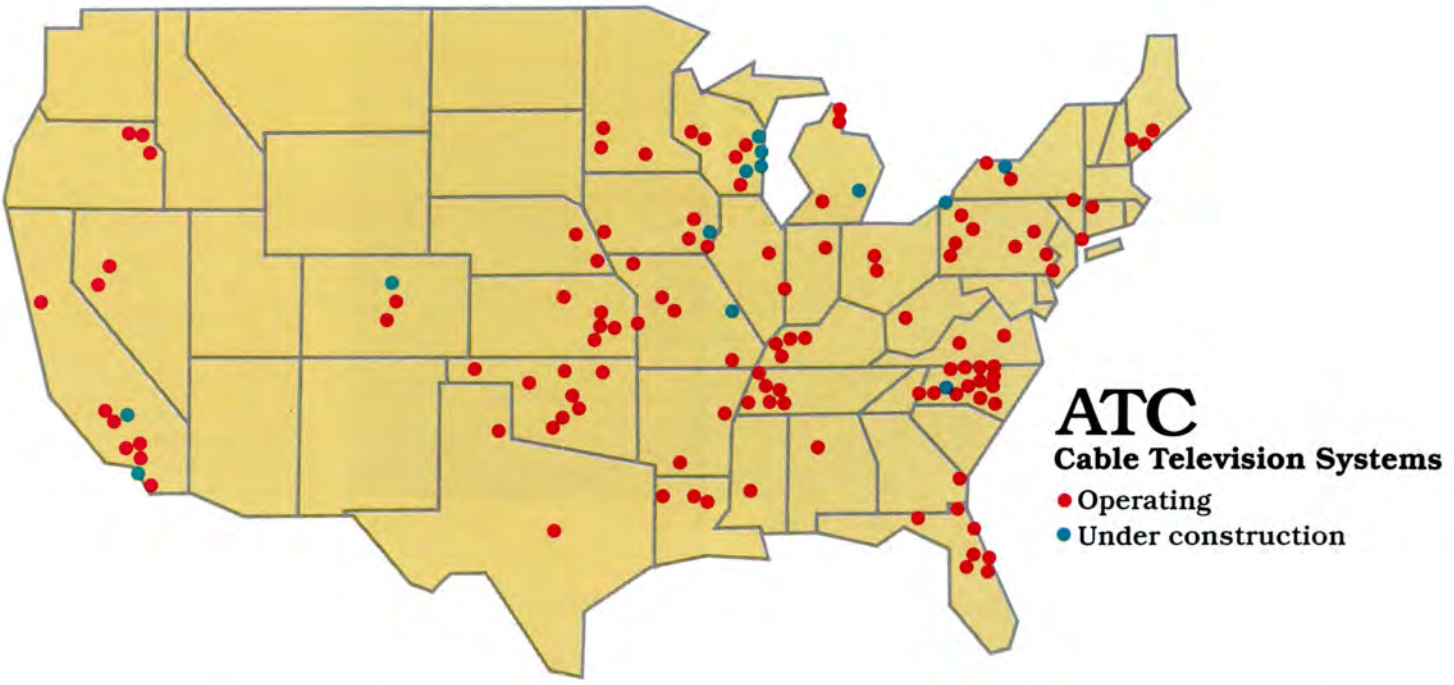
HBO One of every 13 U.S. television homes now receives Home Box Office pay-television network programming. HBO's subscribers increased from four million to over six million in 1980, and by year-end more than 2,500 cable TV systems across the U.S. were receiving HBO programs, mostly via satellite.

Last year HBO's foundation channel continued to offer a careful balance of feature films, original entertainment, and sports programs. According to various audience measurement services, many films presented by HBO, such as *The Deer Hunter, Moonraker,* and *Saturday Night Fever,* drew more viewers in cable subscriber homes than did the commercial networks. Indeed, HBO programming as a whole compared favorably with network offerings in audience ratings, and viewership of HBO programs was consistently higher than that of any other pay-TV service.

In 1980, for the second straight year, HBO programs won National Cable Television Association ACE awards in the three main categories of entertainment, sports, and general programming. During the year, HBO also introduced several new documentary/entertainment programs, thus adding to the number of original cable program formats HBO has pioneered. Two noteworthy successes were *Time Was...,* a retrospective of the past six decades, and a series of consumer information programs produced for HBO by Consumers Union. In 1981, HBO will extend its innovative programming further by offering legitimate stage performances.

During 1980, HBO also launched the pay-TV industry's first national advertising campaign. Intertwined with this $6 million national promotion were local promotions designed to provide support for HBO's affiliates. These efforts included providing local advertising material to

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Innovative program formats introduced by HBO last year included a retrospective series, *Time Was...*, featuring Dick Cavett.

affiliated systems, *TV Guide* listings, periodic free previews of HBO programs, employee training programs, and technical assistance. HBO maintains a person-to-person relationship with every one of its affiliates through regional offices in eight major cities.

As the cable TV industry has become increasingly sophisticated and competitive, cable operators are offering subscribers an increasing number of differently priced packages, or "tiers," of program channels. Usually, each offering is built around two or more pay-TV services. Last August, after a year of research and planning, HBO launched its own second pay channel, an around-the-clock service called Cinemax. This service is specifically structured to complement HBO's foundation program package by offering subscribers additional choices. Cinemax is exclusively a motion picture channel, and its films are tailored to appeal to different audience segments at appropriate times of the day. The initial response to Cinemax has been encouraging, and at the end of 1980 two hundred cable systems were offering Cinemax programming as well as the HBO channel.



American Television and Communications Corporation (ATC), Time Inc.'s cable TV system operating company based in Denver, now owns and operates 125 cable TV systems in 32 states and serves over 1.3 million subscribers. This represents a 22.6 percent increase in subscribers in 1980 alone. ATC, which is already the largest marketer of pay television—it ranks first both in the absolute number of pay subscribers served (800,000) and in the percentage of basic cable customers subscribing to pay TV (62 percent)—is also about to become the largest cable television company in terms of basic subscribers served.

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ATC, soon to be the largest cable system operating company, moved into new headquarters near Denver last year.

The rapid growth of ATC has been accomplished by steadily upgrading channel capacity and program services in existing systems, by building new systems, and by acquiring new franchises in both large and small communities across the country. During 1980, ATC began building new cable systems in such widely scattered cities as Rochester, New York; Kansas City, Missouri; Iowa City, Iowa; and Orange, California. All of these new systems reflect the latest state-of-the-art technology and offer a broad range of programming services, including programming by and for the local community. ATC won new franchises during 1980 in such cities as Erie, Pennsylvania, and Green Bay, Wisconsin, and in the suburbs of Denver, Milwaukee, Detroit, and St. Louis. Early in 1981 ATC was awarded the franchise for Indianapolis, the thirteenth largest city in the U.S. All these new locations added some 394,000 homes to ATC's universe of potential subscribers.

ATC moved into a newly completed headquarters building in Englewood, Colorado, in September 1980. Construction also began last year on a new $1.2 million ATC National Training Center in Denver, where more than 500 employees from ATC systems across the country will be trained each year. Last year ATC became the first cable TV company to form its own construction division, and it built more than 3,500 miles of plant in 18 different projects.

As a pacesetter in local program origination, ATC won several National Cable Television Association ACE awards for programming excellence. The number of ATC local programming studios doubled during the year and will double again in 1981. This effort is backed by the largest corporate programming staff of any cable company in the industry.

Early in 1981, ATC's largest system, Manhattan Cable TV in New York, launched a $20 million capital investment program. This money will be used to increase the system's capacity from 26 to 35 channels, to construct a new master control room and a satellite receiving station, and for rebuilding its existing 300 miles of cable plant.

WOTV in Grand Rapids, Michigan, last year purchased the latest electronic newsgathering (ENG) equipment.



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During 1981 ATC also expects to complete acquisition of Oceanic Cablevision, a 56,000-subscriber cable system in Hawaii, and Capital Cablevision, a 90,000-subscriber system in Austin, Texas. Last year ATC launched its first over-the-air subscription television operation (STV) in Boston with encouraging results. Additional STV pay-TV systems will begin operations this year in Dallas and Cleveland using the SSAVI-1 Decoder developed by ATC. This decoder is the most advanced system for unscrambling over-the-air television signals in the industry.



Time-Life Films' *Fort Apache, The Bronx*, starring Paul Newman and Edward Asner, is currently in theatrical release.

As stated in the Letter to Shareholders, in February, 1981, Time Inc. reached an agreement in principle whereby Twentieth Century-Fox Film Corporation will acquire and assume control of most of the assets of the television and motion picture divisions of Time-Life Films.

TLF's institutional and consumer video operations will be continued. These activities include production of programs for the education, government, and corporate markets. Among the new program series launched last year were "Communication Skills for Managers," featuring Paula Prentiss and Richard Benjamin, "Coping With Serious Illness," introduced by Meryl Streep, and "Time Management for Managers," with Christopher Reeve.

WOTV, Time Inc.'s VHF television station in Grand Rapids, Michigan, again contributed to the Video Group's operating profits in 1980. An affiliate of the NBC network, WOTV set new records for both revenues and earnings last year.

Continuing its innovative leadership in local television station operation, WOTV purchased network quality electronic news-gathering equipment (ENG) and a mobile van for transmitting live video news back to its studio. WOTV is the only TV station in its market with such equipment, which enables it to provide significantly better coverage of community affairs than any competitor.

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Other Activities

Subsidiaries that do not fit conveniently into Time Inc.'s four major operating groups are administered by the Other Activities Group. Other Activities now includes Selling Areas-Marketing, Inc. (SAMI), a consistently profitable marketing information subsidiary; Pioneer Press, a group of weekly papers in the Chicago area; and *The Washington Star*, the capital's only afternoon newspaper, which Time Inc. acquired in 1978.

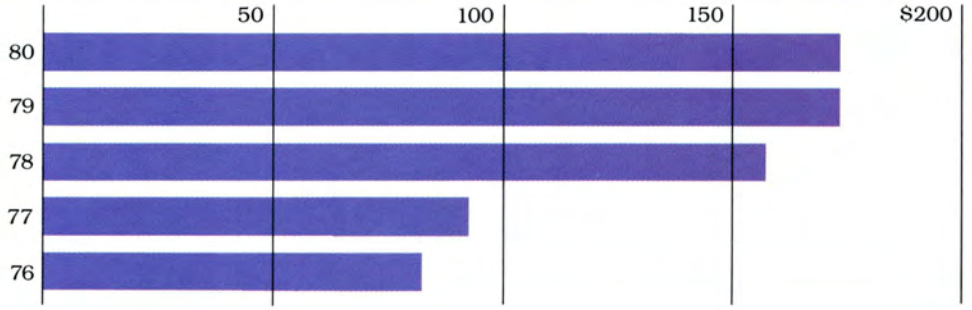
Our Other Activities Group is also responsible for the supervision of most corporate administrative functions and oversees the Company's real-estate holdings. Not all of Time Inc.'s "other activities" are administered by the Other Activities Group, however. In the Lines of Business section of the financial statements of this report, some operations (such as Temple Associates, a part of Temple-Eastex) are included in "Other Activities" although they are not administered by the Other Activities Group.



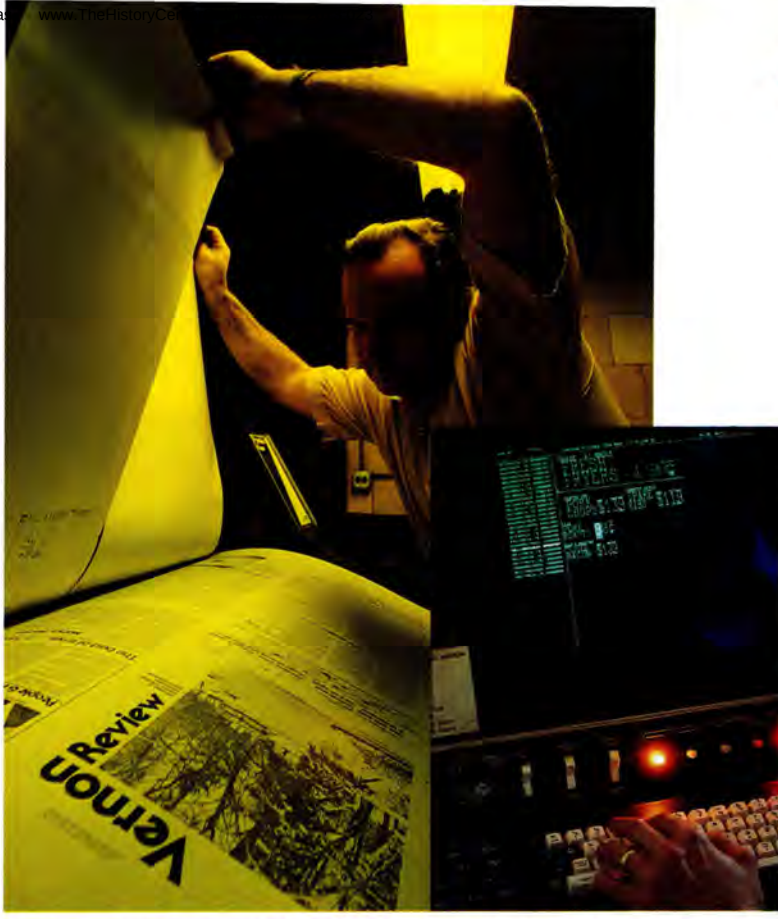
The biggest user of Time Inc.'s huge computer complex in Chicago is not the Magazine or Books Group, but a highly successful marketing information company called SAMI, which now utilizes 50 percent of the computers' time.

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Revenues
(in millions)



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Pressman inspects proof sheets of a Pioneer newspaper prepared on new photocomposition equipment (inset).

SAMI

Time Inc.'s marketing information subsidiary, Selling Areas-Marketing, Inc. (SAMI), provides data on product movement to manufacturers selling goods through U.S. retail grocery stores. In 1980, this company again achieved record sales, and its profits reached a new high for the tenth year running. SAMI's 1980 revenues increased 15 percent over 1979.

SAMI's base information is obtained in electronic data form from the nation's supermarket chains and food-store wholesalers. This data is summarized on Time Inc. computers and reported every four weeks for each of 39 market areas, accounting in the aggregate for 77 percent of total U.S. food-store sales. Over 450 companies now buy SAMI reports to assess the effectiveness of their marketing programs. Last year more than 60 million pages of SAMI data were distributed to its clients.

As demand for these basic reports has grown, SAMI has developed additional services to assist clients further in their marketing activities. SARDI (SAMI Retail Distribution Index), for example, reports on the availability of specific grocery products in stores. SOLO (SAMI On-Line Operations) makes it possible for clients to analyze SAMI data on their own in-house computer terminals, which are linked to a centrally located SAMI data bank. Both of these services enjoyed significant growth in 1980.

SAMI's major new service efforts in 1980 were concentrated in three areas:

SAMI Market Segmentation Services—This new service consists of two report systems that permit manufacturers to subdivide SAMI market data both geographically and by ethnic groups. Thus, data from the present SAMI Baltimore/Washington market is now also available in separate segments as either Baltimore *or* Washington data. Similarly, New York market data can be subdivided to show purchases by food stores in market areas with a predominance of, say, black or Hispanic residents.

SAMI Canada Ltd.—This is a near replication of SAMI's proven U.S. methodology, and SAMI's first foreign operation. Introduced in four major markets early in 1981, this service will be expanded to cover all of Canada by midyear.

SAMI Scanner Service—This experimental service, introduced in 1979, will be extended this year with the introduction of three facilities in Maine, Florida, and Indiana. In each location the service will report the actual consumer purchases recorded by electronic scanning devices installed at supermarket checkout counters.

SAMI is also exploring the possibilities of combining its information gathering expertise with the programming know-how of Time Inc.'s Video Group for testing the effectiveness of various television commercials.

Pioneer Press

Pioneer Press, which publishes 28 weekly newspapers and two controlled circulation periodicals in the northern and western Chicago suburbs, had another record revenue year in 1980. While Pioneer is small in relation to Time Inc.'s other publishing operations, it is a sizable local operation. As a result of its acquisition of the Pickwick group of ten newspapers at the end of 1979, Pioneer's advertising now reaches 196,000 affluent households in the Chicago area.

During 1980, Pioneer doubled the capacity of its three-year-old computerized pre-press system. This system now links 92 terminals in nine local

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The Washington Star, which Time Inc. acquired in 1978, occupies an entire block in southeast Washington, DC.

offices and enables them to feed news and advertising copy into a central production facility in Wilmette, Illinois. This setup provides Pioneer with high local visibility in each of the communities served together with the efficiencies of centralized production and management.

The Pickwick newspapers were redesigned in 1980 to conform to the style of the other Pioneer publications. All Pioneer Press newspapers are now published in tabloid size, stitched and trimmed in magazine format.

Upholding Time Inc.'s tradition of editorial excellence, Pioneer papers last year received awards from the Illinois Press Association, the National Press Photographers Association, Suburban Newspapers of America, and the Suburban Press Club of Chicago.

The Washington Star

The recession and general market uncertainty preceding the presidential elections last year set back Time Inc.'s efforts to rebuild *The Washington Star*'s revenues and circulation. Advertising sales were strong during the first four months of 1980, but in September, Audit Bureau of Circulation figures showed the first drop since Time Inc. purchased the *Star* in 1978. Average net paid circulation was 329,489 for the six months ended September 1980 compared to 342,760 for the same period the previous year.

The rebuilding program went on, however. In 1980 the *Star* completed a graphic redesign that makes it one of the most easy-to-read newspapers in the country. New editorial sections were introduced, including Politics and Real Estate Weekend. The continued emphasis on editorial excellence received recognition as the newspaper won a number of editorial awards.

By year-end, the *Star* had also completed the installation of a 165-terminal computerized editorial and classified ad system. This system, which operates in conjunction with five local offices, helps the paper maintain a strong local news presence.

Real Estate

In 1980, Time Inc.'s real-estate holdings were reduced by the sale of the Paris office building. The building was sold because of gradually diminishing space requirements for our operations there and the sale produced a $9.3 million after-tax gain, equivalent to 33 cents per share of Time Inc. stock. Remaining real-estate operations—including office buildings and warehouses in New York, Alexandria, Chicago, Indianapolis, London, and Amsterdam—continue to be modest but satisfactory contributors to Company profits.



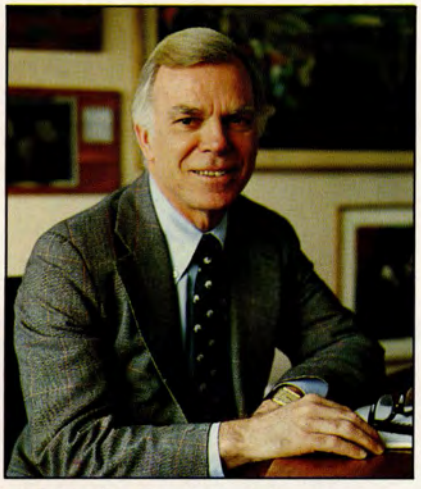
One of the most valuable of Time Inc.'s varied real-estate holdings is the Time & Life Building in Manhattan, which it owns jointly with Rockefeller Center.

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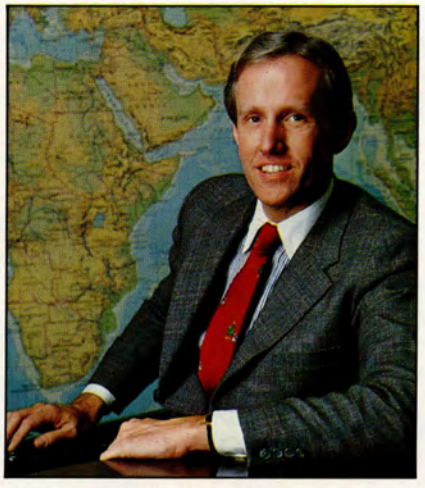
Executive Appointments



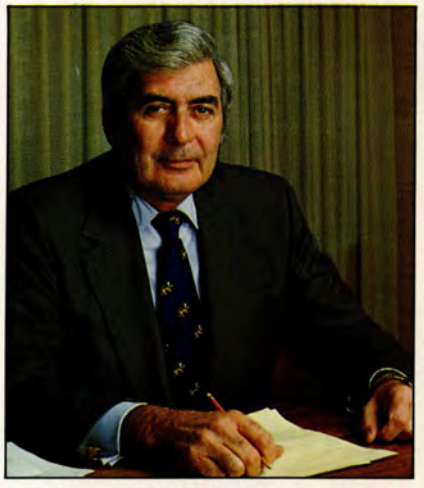
Kelso F. Sutton, Publisher of *Sports Illustrated*, was elected Group Vice President–Magazines.



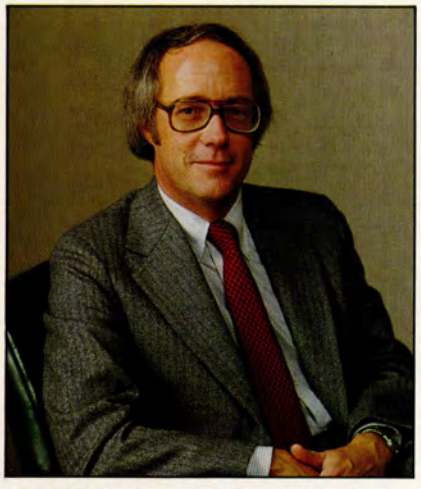
Philip G. Howlett, Advertising Sales Director of *Sports Illustrated*, was named Publisher and elected a Vice President.



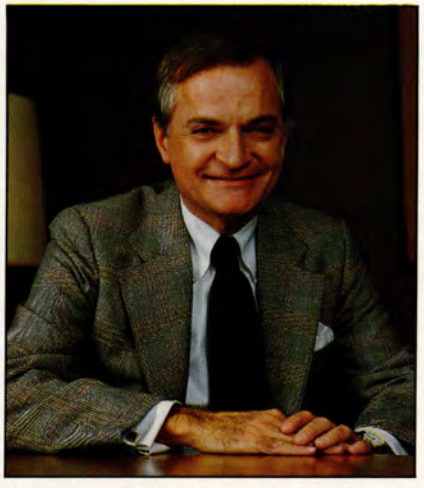
Lawrence M. Crutcher, Director of Circulation, was elected a Vice President.



James J. McCluskey, Director of Manufacturing and Distribution, was elected a Vice President.



Trygve Mhyren, Executive Vice President of American Television and Communications Corp., was named President.

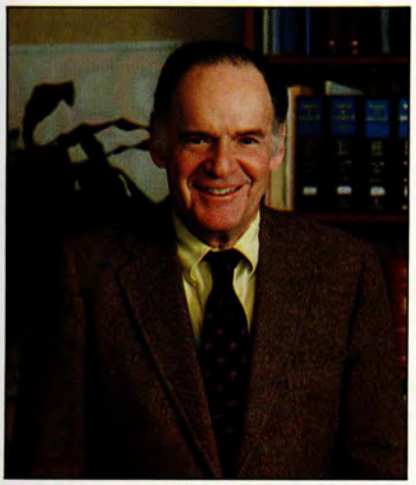


Reginald K. Brack Jr., Associate Publisher of *Time*, became Publisher of *Discover.*



Leon M. Jaroff, Senior Editor of *Time*, was named Managing Editor of *Discover.*

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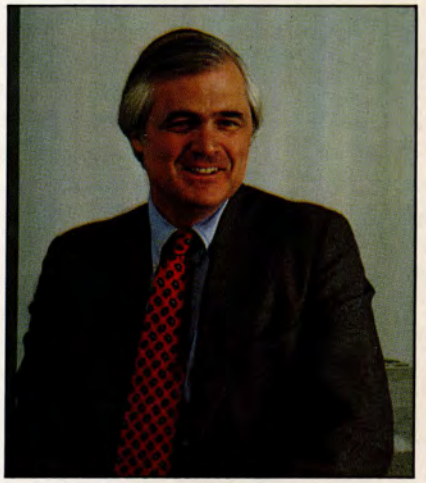
E. Gabriel Perle, Vice President–Law, was named Corporate Vice President–Law.



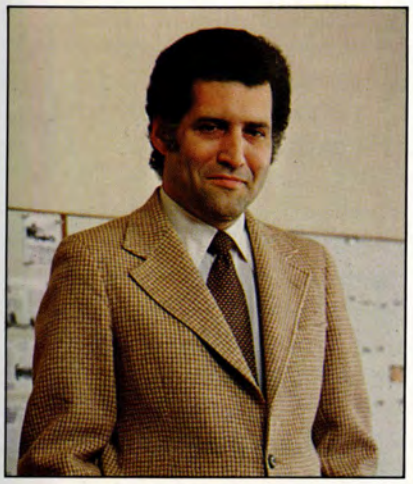
James O. Heyworth, President, Home Box Office, Inc., was elected a Vice President.



John D. McSweeney, President of Time-Life Books Inc., was named Chairman.



Carl G. Jaeger, Executive Vice President of Time-Life Books Inc., was elected President.



William S. Rukeyser, Managing Editor of *Money*, became Managing Editor of *Fortune*.



Marshall Loeb, *Time* Economics Editor, was named Managing Editor of *Money*.



William M. Guttman, Assistant General Counsel, was elected an Assistant Secretary.

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Management's Discussion and Analysis

Results of Operations

On 1980 revenues of almost $2.9 billion, the Company's net income was $141.2 million, about 2 percent less than in 1979. Included in the 1980 results was a $9.3 million after-tax gain from the sale of an office building in Paris. Operating income declined in 1980, principally because of (1) the results of Time-Life Films, a producer of motion pictures and television programming, (2) the start-up costs of the Company's new monthly science magazine, *Discover*, and (3) the building materials operations, which suffered because of depressed housing construction. In addition the Company incurred higher interest expense. These factors were partially offset by gains in pay television, cable television, container and containerboard, and book publishing.

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 components 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 expense.

The Company's effective tax rate in 1980 was 36.6 percent, compared to 37.7 percent in 1979 and 44.4 percent in 1978. The slightly lower rate in 1980 compared to 1979 reflects higher investment tax credits. The decline in the 1979 rate from the prior year 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 and in June 1980 from 41½¢ per share to 45¢ per share. The current annual rate, based on the latter increase, is $1.80 per share.

For a discussion of the impact of inflation on the Company, see "Supplemental Information on the Effects of Changing Prices" in Notes to Financial Statements.

Magazine Publishing

The Company's magazines are *Time*, *Fortune*, *Life*, *Sports Illustrated*, *Money*, *People*, and *Discover*, the last of which began publication in October 1980. The decline in magazine operating profits in 1980 was due to the launch of *Discover*, and to higher production, promotion, and other costs incurred by all the magazines. Advertising revenues were up 9 percent compared to 1979, because of price increases, which more than offset a slight decline in volume, reflecting the effects of the recession. In addition, circulation revenues were up 11 percent, reflecting higher prices.

The increase in operating profits of magazine publishing in 1979 was due to both advertising and circulation revenue gains resulting from price and volume increases. These gains were partially offset by increased costs of paper, printing, and distribution.

Book Publishing

The Company's book publishing operations include Time-Life Books, Book-of-the-Month Club, and Little, Brown and Company, each of which achieved higher revenues and profits in 1980. Overall, operating profits from book publishing increased by 10 percent in 1980. Time-Life Books' profit improvement resulted from price increases of its mail-order book series, which more than offset higher editorial and production costs.

Book publishing operating profits for 1979 had decreased compared to 1978. Two factors had depressed operating profits of Time-Life Books: a period of market weakness during 1979 and the limited ability to offset inflationary costs because books are sold under long-term subscriptions at fixed prices.

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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.

Pulp and paperboard operating profits were up slightly in 1980 on an 18 percent increase in revenues. About 70 percent of the revenue increase resulted from higher prices. Operating profits failed to keep pace with these revenue gains principally because of inflationary pressures on operating costs. However, operating profits in both 1980 and 1979 remained well above the depressed level of 1978 mainly because of stronger product demand, increased production, and the realization of greater efficiencies from the modernization program at the Eastex Division's paper mill.

The sharp decline in U.S. housing starts, from 2.0 million in 1978 to 1.7 million in 1979 and to only 1.3 million in 1980, severely depressed operating results from building materials. Revenues fell for the second year in a row, as shipments showed increasing weakness and selling prices remained relatively flat. In addition, unit costs continued to rise, reflecting inflationary pressures.

Revenues and operating profits for container and containerboard were up substantially over 1979, owing to continued strong product demand and price increases. This improvement occurred despite increased operating costs and start-up expenses at a new plywood mill operated by Georgia Kraft Company, Inland Container's 50 percent owned subsidiary. Inland's yearly volume has remained relatively unchanged since 1978, while product mix in 1980 included additional containerboard exports.

On a pro forma basis, including Inland'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. Strong demand, higher prices, and productivity gains improved 1979 results.

Video

Video includes Home Box Office, a pay-television network; American Television and Communications, a cable television operation; Time-Life Films, a producer of motion pictures and television programming; and WOTV, a television station in Grand Rapids, Michigan.

Operating profits of the Video Group were up 6 percent over 1979, reflecting a strong performance by HBO, where revenues increased significantly because of additional subscribers, now totaling more than six million. ATC's operating profits were also up from 1979, owing to continued growth in the number of cable television subscribers, now over 1.3 million, resulting from ATC's expansion in both existing and newly franchised markets. WOTV set new records in both revenues and operating profits again in 1980 as a result of both volume and rate increases. Largely offsetting the improvements in these components of the Video Group were losses realized by Time-Life Films from write-downs of film inventory, production overruns on made-for-television movies, and costs related to its production of motion pictures.

On February 19, 1981, the Company announced that it had reached an agreement in principle whereby Twentieth Century-Fox Film Corporation will acquire and assume control of most of the assets of the television and motion picture divisions of Time-Life Films. The transaction is subject to negotiation of a definitive agreement and approval by the boards of both companies. In 1980, the Time-Life Films operations that are the subject of this agreement lost approximately $9 million after taxes. At present, the Company cannot estimate what effect the agreement, if consummated, would have on its 1981 earnings, but it expects the loss should be less than in 1980.

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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 two million to four million. On a pro forma basis, including ATC's operating profits for the entire year in 1978, 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.

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; Temple Associates, a contracting firm; and several real-estate and land development activities.

Selected Financial Data

Time Incorporated and Subsidiaries (in millions except for per share amounts)	1980	1979
Revenues	$2,881.8	$2,504.1
Income before discontinued operations and extraordinary items	141.2	143.9
Discontinued operations, net of taxes	—	—
Income before extraordinary items	141.2	143.9
Extraordinary items, net of taxes	—	—
Net income	141.2	143.9
Total assets	2,370.6	2,104.1
Long-term debt	476.0	419.9
Redeemable preferred stock	207.6	229.5
Common shareholders' equity	919.6	796.2
Dividends per common share	$1.765	$1.62
Earnings per share–fully diluted*		
Income before discontinued operations and extraordinary items	$5.02	$5.15
Net income	$5.02	$5.15
Average shares outstanding (000)	28,147	27,958

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

Revenues by Lines of Business 1980

(in millions)



Operating Profits by Lines of Business 1980

(in millions)



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Operating profits of the Other Activities Group declined in 1980. SAMI achieved record earnings, continuing a series of outstanding performances. Pioneer Press incurred higher physical costs, causing operating profits to decline slightly. Declines in circulation and advertising linage continued the losses at *The Washington Star.*

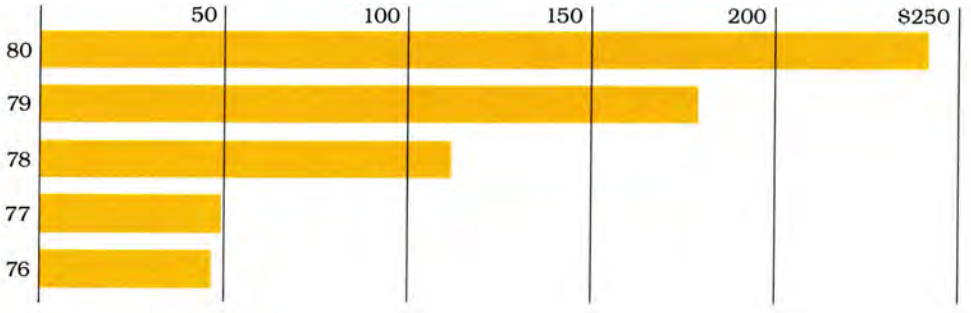
In 1979 both SAMI's and Pioneer Press' operating profits increased over 1978. These gains were more than offset as *The Washington Star*'s losses increased.

Financial Condition

The ability of a company to meet its financial obligations is commonly referred to as liquidity. A number of ratios and other comparisons

1978	1977	1976	1975	1974	1973	1972	1971
$1.697.6	$1,249.8	$1,038.2	$910.7	$825.6	$728.3	$608.6	$544.5
119.0	90.5	67.1	45.1	50.2	49.9	38.3	32.6
—	—	—	—	—	—	(3.5)	(3.4)
119.0	90.5	67.1	45.1	50.2	49.9	34.8	29.2
6.7	—	—	—	—	(2.4)	(3.0)	.9
125.7	90.5	67.1	45.1	50.2	47.5	31.8	30.1
1,801.4	1,053.3	865.8	759.8	745.3	690.1	640.5	639.7
271.3	127.7	138.2	118.2	124.9	110.2	104.0	124.7
230.0	32.6	—	—	—	—	—	—
695.2	518.8	450.4	397.6	370.9	356.3	325.9	308.2
$1.45	$1.2625	$1.075	$1.00	$1.00	$ .95	$ .95	$ .95
$5.31	$4.37	$3.32	$2.26	$2.50	$2.41	$1.85	$1.58
$5.61	$4.37	$3.32	$2.26	$2.50	$2.29	$1.54	$1.46
22,397	20,696	20,192	19,949	20,062	20,760	20,746	20,596

Capital Expenditures
(in millions)



Approximate Number of Equity Shareholders

Title of Class	Number of Record Holders at February 18, 1981
Common Stock, $1 par value	12,437
Series B $1.575 Cumulative Convertible Preferred Stock, $1 par value	4,531
Series C $4.50 Cumulative Convertible Preferred Stock, $1 par value	141

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derived from financial statements are ordinarily used to measure a company's relative liquidity from period to period. These measurements, however, may be distorted by seasonal, economic, or nonrecurring factors.

One general measurement of near-term liquidity is working capital (current assets less current liabilities), which assumes the convertibility of receivables, inventories, and other current assets into cash. From this view of liquidity, cash flows generated from the turnover of current assets during business cycles are adequate to meet the Company's near-term obligations. Working capital was $434 million, $398 million, and $271 million at December 31, 1980, 1979, and 1978, respectively. The Consolidated Statement of Changes in Financial Position provides

(Continued on Page 42)

Lines of Business

Time Incorporated and Subsidiaries For years ended December 31	1980	1979	1978	1977	1976
			(in millions)		
Revenues					
Publishing:					
Magazines	$ 746.6	$ 680.0	$ 571.8	$ 459.9	$ 366.3
Books[1]	498.0	425.0	360.9	258.2	227.6
Forest Products:					
Pulp and paperboard	263.2	222.2	189.7	183.1	174.5
Building materials	192.7	208.6	225.9	176.8	132.4
Container and containerboard	579.4	495.2	55.0	—	—
Video[2]	427.9	299.3	136.9	78.8	54.7
Other Activities[3]	174.0	173.8	157.4	93.0	82.7
Total Revenues	$2,881.8	$2,504.1	$1,697.6	$1,249.8	$1,038.2
Income Before Taxes and Extraordinary Item					
Publishing:					
Magazines	$ 56.5	$ 70.3	$ 66.2	$ 53.3	$ 37.0
Books[1]	40.3	36.7	47.7	44.2	25.7
Forest Products:					
Pulp and paperboard	38.0	37.4	26.4	22.7	36.8
Building materials	(3.8)	15.2	43.1	30.2	14.0
Container and containerboard[4]	53.1	43.3	4.8	—	—
Video[2]	72.5	68.5	24.9	6.1	(1.9)
Other Activities[3]	1.3	3.4	11.2	15.3	12.2
Operating Profit	257.9	274.8	224.3	171.8	123.8
Interest expense	(46.6)	(35.0)	(12.5)	(10.4)	(10.8)
Corporate and other income and expense	(8.7)	(8.9)	5.3	.5	(3.6)
Unusual charge to income	—	—	(3.1)	—	—
Gain on sale of Paris building	20.1	—	—	—	—
Income Before Taxes and Extraordinary Item	$ 222.7	$ 230.9	$ 214.0	$ 161.9	$ 109.4

[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, and industrial contracting.
[4]Includes $21.2 million, $14.6 million, and $1.1 million of Georgia Kraft income for 1980, 1979, and 1978, respectively.

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Lines of Business

Time Incorporated and Subsidiaries For years ended December 31	1980	1979	1978
		(in millions)	
Identifiable Assets			
Publishing:			
Magazines	$ 108.7	$ 104.1	$ 85.1
Books	412.0	375.6	296.1
Forest Products:			
Pulp and paperboard	315.0	250.5	209.6
Building materials	195.2	179.0	159.5
Container and containerboard*	481.1	443.9	410.1
Video	672.4	475.9	377.1
Other Activities	77.8	107.7	118.5
Total	2,262.2	1,936.7	1,656.0
Corporate	41.3	115.9	112.6
Investments in affiliated companies	67.1	51.5	32.8
Total	$2,370.6	$2,104.1	$1,801.4

* Includes the Company's investment in Georgia Kraft.

Results by Geographic Area

Revenues:			
U.S.			
Sales to unaffiliated customers	$2,586.6	$2,249.4	$1,494.4
Transfers between geographic areas	7.8	8.2	7.0
	2,594.4	2,257.6	1,501.4
Foreign Countries:			
Sales to unaffiliated customers	295.2	254.7	203.2
Transfers between geographic areas	6.6	7.4	6.0
	301.8	262.1	209.2
Eliminations	(14.4)	(15.6)	(13.0)
Total	$2,881.8	$2,504.1	$1,697.6
Operating Profit:			
U.S.	$ 215.9	$ 235.9	$ 186.1
Foreign Countries	42.0	38.9	38.2
Total	$ 257.9	$ 274.8	$ 224.3
Identifiable Assets:			
U.S.	$2,044.9	$1,766.7	$1,533.2
Foreign Countries	217.3	170.0	122.8
Total	$2,262.2	$1,936.7	$1,656.0
Liabilities:			
U.S.	$1,150.5	$ 998.7	$ 824.4
Foreign Countries	93.0	79.6	51.8
Total	$1,243.5	$1,078.3	$ 876.2

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the components of changes in working capital.

Longer-term measures of liquidity usually center upon the relationship of a company's long-term financing to other balance sheet components. The Company's working capital as a percentage of long-term debt was 91 percent, 95 percent, and 100 percent at December 31, 1980, 1979, and 1978, respectively. The trend of this ratio primarily reflects the increase in long-term debt used to finance a portion of the Company's increased capital expenditures and for other long-term cash requirements.

The Company has carried out a program of planned growth and diversification that was exemplified by the acquisitions of ATC and Inland Container at the end of 1978. During 1979 and 1980, the modernization and expansion of facilities at Temple-Eastex and Inland Container and ATC's accelerated growth through the development of cable television systems substantially increased capital expenditures for plant and equipment from the 1978 level of $112 million ($161 million on a pro forma basis including ATC and Inland Container for all of 1978) to $179 million in 1979 and $242 million in 1980.

During 1979 and 1980, the increased expenditures for property and equipment and other capital needs were in excess of internally generated funds. Additional funds were provided in April 1979 when the Company sold $150 million of 9⅜ percent debentures due in 2009. In addition, during 1979 and 1980 the Company financed a portion of its cash requirements through the sale of commercial paper, which was supported by a bank credit facility providing for revolving credit loans of up to $250 million convertible on February 28, 1983, to a five-year term loan. At December 31, 1980, $131 million of the Company's commercial paper was outstanding. In addition, the Company had another credit agreement with a group of domestic banks, which provides for revolving credit loans of up to $50 million, convertible on June 30, 1982, to a four-year term loan. At December 31, 1980, there were no borrowings under these bank credit facilities.

The change in the mix of capital resources, as shown below, reflects the impact of financing the Company's increased capital expenditures.

	As of December 31,					
	1980		1979		1978	
	(in millions)					
Long-Term Debt	$ 476	30%	$ 420	29%	$ 271	23%
Redeemable Preferred Stock	208	13%	230	16%	230	19%
Common Shareholders' Equity	919	57%	796	55%	695	58%
Total Capitalization	$1,603	100%	$1,446	100%	$1,196	100%

During the first quarter of 1981 the Company sold, at $50 per share, 3 million shares of Series C $4.50 Cumulative Convertible Preferred Stock. Each share of Series C Preferred Stock is convertible, at any time, into Common Stock of the Company at an initial conversion price of $66. The net proceeds of approximately $145.6 million will be used to partially finance the Company's 1981 capital expenditure program, estimated to be about $300 million. Approximately 60 percent of the capital expenditures will be used for the continuing expansion of the Company's video operations, principally cable television. The remaining cash requirements are expected to be financed from internally generated funds and from borrowings, including borrowings under the bank credit facilities referred to above.

Summary of Quarterly Results of Operations (Unaudited)

	Three Months Ended			
1980	March 31	June 30	Sept. 30	Dec. 31
	(in thousands except for per share amounts)			
Revenues	**$664,010**	**$699,726**	**$699,865**	**$818,182**
Gross Profit	**214,115**	**249,637**	**223,110**	**288,092**
Net Income	**28,307**	**40,654**	**33,026***	**39,216**
Earnings per share—fully diluted	**1.00**	**1.45**	**1.18***	**1.39**
1979				
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—fully diluted	.95	1.52	1.14	1.54

*Includes $9.3 million or $.33 a share from sale of Paris building

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Financial Statements

Consolidated Statement of Income

Time Incorporated and Subsidiaries For years ended December 31	1980	1979	1978
	(in thousands except for per share amounts)		
Revenues	$2,881,783	$2,504,060	$1,697,585
Costs and Expenses			
Editorial, production, manufacturing, and distribution	1,906,829	1,664,302	1,060,315
Selling, administrative, and general	754,988	602,992	437,980
Total Costs and Expenses	2,661,817	2,267,294	1,498,295
Operating Income	219,966	236,766	199,290
Other income–net	49,382	29,118	27,223
Interest expense	46,645	34,962	12,492
Income Before Taxes and Extraordinary Item	222,703	230,922	214,021
Taxes on income	81,500	87,000	95,000
Income Before Extraordinary Item	141,203	143,922	119,021
Extraordinary item	—	—	6,721
Net Income	141,203	143,922	125,742
Preferred dividends	10,912	11,351	2,615
Net Income Less Preferred Dividends	$ 130,291	$ 132,571	$ 123,127
Earnings Per Share			
Primary			
Income Before Extraordinary Item	$5.02	$5.15	$5.47
Net Income	$5.02	$5.15	$5.78
Fully Diluted			
Income Before Extraordinary Item	$5.02	$5.15	$5.31
Net Income	$5.02	$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 As of December 31	1980	1979
	(in thousands)	
Assets		
Current Assets		
Cash	$ 21,439	$ 47,577
U.S. Government and other short-term securities–at cost (approximately market)	12,887	26,994
Receivables, less allowances of $57,948,000 in 1980 and $47,858,000 in 1979	397,561	347,753
Inventories–at lower of cost or market:		
Work in process and finished goods	168,097	159,758
Paper and other materials	94,750	90,398
Prepaid expenses	170,144	121,574
Total Current Assets	864,878	794,054
Investments		
Affiliated companies	67,128	51,500
Others	12,223	27,385
Total Investments	79,351	78,885
Property and Equipment–at cost		
Buildings	162,740	161,601
Machinery and equipment	1,033,686	842,615
	1,196,426	1,004,216
Less allowances for depreciation and amortization	(365,155)	(304,842)
	831,271	699,374
Timber and timberlands, less depletion	74,854	66,792
Georgia Kraft–mill operating properties and timberlands	203,870	186,752
Land	17,009	19,027
Total Property and Equipment	1,127,004	971,945
Cable Television Franchises, less amortization	39,042	32,248
Goodwill, less amortization	150,252	154,368
Other Assets	110,103	72,579
TOTAL ASSETS	$2,370,630	$2,104,079

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

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	1980	1979
Liabilities and Shareholders' Equity	(in thousands)	
Current Liabilities		
Accounts payable and accrued expenses	$ 339,840	$ 313,307
Employee compensation and benefits	39,080	36,667
Taxes on income	14,546	3,360
Loans and current portion of long-term debt	37,516	42,603
Total Current Liabilities	430,982	395,937
Unearned Portion of Paid Subscriptions	173,738	148,517
Long-Term Debt	476,002	419,945
Deferred Federal Income Taxes	115,524	81,766
Other Liabilities	47,206	32,147
Redeemable Preferred Stock		
Series B $1.575 Cumulative Convertible Preferred Stock–$1 par value; authorized 12,500,000 shares; issued and outstanding 6,554,700 shares in 1980 and 7,213,900 in 1979, convertible into .72 shares of common stock.	6,555	7,214
Additional paid-in capital	201,035	222,319
Total Redeemable Preferred Stock	207,590	229,533
Common Shareholders' Equity		
Common Stock–$1 par value; authorized 70,000,000 shares in 1980 and 35,000,000 shares in 1979; issued 23,307,800 in 1980 and 22,699,300 in 1979.	23,308	22,699
Additional paid-in capital	154,997	124,897
Retained income	741,787	651,941
Treasury stock, at cost; common shares–27,500 in 1980 and 159,300 in 1979	(504)	(3,303)
Total Common Shareholders' Equity	919,588	796,234
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,370,630	$2,104,079

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Consolidated Statement of Common Shareholders' Equity

Time Incorporated and Subsidiaries	Common Stock	Additional Paid-in Capital	Retained Income	Treasury Stock	Common Shareholders' Equity
			(in thousands)		
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
Net Income	—	—	141,203	—	141,203
Stock options exercised	113	8,236	—	2,799	11,148
Conversion of preferred stock into common stock	496	21,864	—	—	22,360
Dividends paid on Series B preferred stock–$1.575 per share	—	—	(10,912)	—	(10,912)
Dividends paid on common stock–$1.765 per share	—	—	(40,445)	—	(40,445)
Balance at December 31, 1980	$ 23,308	$154,997	$741,787	$ (504)	$919,588

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

Increases (Decreases) in Components of Working Capital

For years ended December 31	1980	1979	1978
		(in thousands)	
Cash	$(26,138)	$ (571)	$ 15,279
U.S. Government and other short-term securities	(14,107)	(8,778)	(95,174)
Receivables	49,808	73,598	98,896
Inventories	12,691	53,367	70,289
Prepaid expenses	48,570	26,188	33,129
Increase in Current Assets	70,824	143,804	122,419
Accounts payable and accrued expenses	26,533	28,476	161,317
Employee compensation and benefits	2,413	4,379	13,027
Taxes on income	11,186	(20,787)	(18,119)
Loans and current portion of long-term debt	(5,087)	4,563	28,259
Increase in Current Liabilities	35,045	16,631	184,484
Increase (Decrease) in Working Capital	$35,779	$127,173	$(62,065)

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Consolidated Statement of Changes in Financial Position

Time Incorporated and Subsidiaries For years ended December 31	1980	1979	1978
		(in thousands)	
Sources of Funds			
From Operations:			
Income Before Extraordinary Item	$141,203	$143,922	$119,021
Charges (credits) not affecting working capital:			
Depreciation, amortization, depletion	83,170	64,071	39,427
Amortization of intangibles	6,316	6,237	2,194
Deferred federal income taxes	33,758	16,253	16,015
Equity in earnings of affiliated companies	(27,641)	(17,865)	(7,534)
Total from operations exclusive of extraordinary item	236,806	212,618	169,123
Extraordinary Item	—	—	6,721
Total from Operations	236,806	212,618	175,844
Additions of long-term debt resulting from acquisitions	—	2,528	118,855
Increase in long-term debt	80,158	219,586	42,082
Increase in other liabilities	15,059	6,461	15,137
Increase in unearned portion of paid subscriptions	25,221	14,129	19,518
Investments reclassified for businesses consolidated	—	—	27,674
Dispositions of investments	25,907	12,248	21,168
Dispositions of property and equipment	20,782	9,726	7,133
Issuance of preferred stock	417	634	196,983
Issuance of common stock	6,407	—	80,144
Issuance of treasury stock	4,741	9,533	3,979
Conversion of preferred stock into common stock	22,360	1,079	—
Miscellaneous	—	—	498
Total Sources of Funds	437,858	488,542	709,015
Applications of Funds			
Dividends paid to shareholders	51,357	47,782	33,088
Purchase of property and equipment	241,501	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	—
Conversion of preferred stock into common stock	22,360	1,079	—
Goodwill from acquisitions	1,684	3,002	126,057
Additions to investments	16,383	18,214	11,451
Repayment of long-term debt	24,101	73,464	17,331
Increase in other assets	37,524	22,291	—
Miscellaneous	7,169	5,813	—
Total Applications of Funds	402,079	361,369	771,080
Increase (Decrease) in Working Capital	$ 35,779	$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 46.

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Notes to Financial Statements

Summary of Significant Accounting Policies

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries (except its mortgage banking and real-estate investment subsidiaries). Unconsolidated subsidiaries and companies 20 percent to 50 percent owned are referred to as affiliated companies and are reflected in the financial statements on the equity basis.

Inventories. Cost of inventories amounting to $62,644,000 in 1980 and $42,405,000 in 1979 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $200,203,000 in 1980 and $207,751,000 in 1979 was determined principally by the first-in, first-out method (FIFO). All inventories are carried at either cost or market, whichever is lower.

During 1980, the Company changed its method of determining cost from the FIFO method to the LIFO method for certain of its forest products inventories. The Company believes the LIFO method will more fairly present its results of operations by reducing the effect of inflationary cost increases in inventories and thus match current costs with current revenues. The effect of the change for the year ended December 31, 1980, was to reduce inventories by approximately $1,900,000 and net income by approximately $1,025,000 ($.04 per share).

If the FIFO method of inventory accounting had been applied to those inventories which were costed on the LIFO method, inventories would have been $26,140,000 and $18,710,000 higher than reported at December 31, 1980 and 1979 respectively.

The LIFO tax basis of inventories of a subsidiary is $8,530,000 less than the amount reported in the consolidated financial statements due to the allocation of purchase price.

Depreciation, Amortization, and Depletion. Depreciation and amortization is computed primarily 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 because they depreciate primarily through use rather than merely through elapsed time. This change did not have an effect on net income for 1979 and the cumulative effect of the change on retained income at December 31, 1978, was not material. 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 (net of amortization of $11,182,000 and $6,978,000) is being amortized principally over 40 years.

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.

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.

Investments in Affiliated Companies

The Company's 50 percent investment in Georgia Kraft Company 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 the Company's linerboard 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.

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Board of Directors

The 22 directors of Time Inc. pictured on the following pages were elected to the board in the years shown under their names. Sol M. Linowitz, Senior Partner, Coudert Brothers, and Thomas J. Watson Jr., Chairman Emeritus, International Business Machines Corp., were re-elected to the board in February 1981.



J. Richard Munro
President and Chief Executive Officer
(1978)



Ralph P. Davidson
Chairman of the Board
(1980)

Under a long-term purchase contract, the Company is obligated to purchase one-half of the linerboard production of Georgia Kraft at prices which provide Georgia Kraft with a recovery of all costs and expenses and a stated return on its net equity.

The Company's purchases of Georgia Kraft output were $137,869,000 in 1980 and $113,402,000 in 1979. The Company's current account payable to Georgia Kraft was $26,848,000 in 1980 and $18,387,000 in 1979.

Summary financial information for Georgia Kraft Company is as follows:

	1980	1979	1978*
		(in thousands)	
Total revenues	$377,313	$297,303	$ 31,252*
Income before taxes	42,756	36,012	2,944*
Net income	35,014	28,103	2,176*
Total assets	507,689	407,879	300,366
Total liabilities	291,615	226,819	147,410

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

Leases

	1980	1979	1978
		(in thousands)	
Total rental expense	$35,022	$24,203	$24,024
Less sublease rental income	3,525	1,962	3,275
Net rental expense	$31,497	$22,241	$20,749

The future minimum lease payments, as of December 31, 1980, under capital leases and non-cancellable operating leases were as follows:

	Capital Leases	Operating Leases
	(in thousands)	
1981	$ 4,903	$ 25,902
1982	3,605	24,302
1983	2,845	20,902
1984	1,573	16,565
1985	1,125	15,650
Thereafter	8,772	51,167
Net minimum lease payments	22,823	$154,488
Less amount representing interest	(5,998)	
Present value of net minimum lease payments	$ 16,825	
Aggregate future sublease rentals		$ 11,615

The Company's capital leases are included in the Consolidated Balance Sheet as follows:

	1980	1979
	(in thousands)	
Property and equipment—at cost	$ 21,091	$ 18,177
Less accumulated depreciation	8,718	6,127
Assets recorded under capital leases	$ 12,373	$ 12,050

Long-Term Debt

The $150 million 9⅜ percent debentures are subject to a mandatory sinking fund beginning April 1990 and are redeemable, subject to certain conditions, at the option of the Company.

The Company has a revolving credit agreement with a group of banks aggregating $250 million, a portion of which was used to support the Company's commercial paper borrowings of $131 million as of December 31, 1980. The Company can convert any portion of the $250 million into a five-year term loan on February 28, 1983. In addition, the Company has another credit agreement with a group of banks which provided for revolving credit loans of up to $50 million, convertible on June 30, 1982, to a four-year term loan. At December 31, 1980, these bank credit facilities were unused.

At December 31, 1980, consolidated net current assets were approximately $217 million in excess of the minimum requirements under the most restrictive provisions of the Company's loan agreements, and approximately $231 million of consolidated retained income was unrestricted as to the payment of dividends. Property and equipment of approximately $253 million was subject to liens at December 31, 1980.

Certain consolidated and unconsolidated subsidiaries are restricted from the payment of dividends to the parent company in excess of certain specified amounts. At December 31, 1980, the aggregate of such restricted retained income included in consolidated retained income was not material.

The Company's share of undistributed earnings of its affiliated companies included in retained income was $56.2 million and $30.7 million at December 31, 1980 and 1979, respectively.

Total interest incurred was $52.1 million and $36.2 million of which $5.5 million and $1.2 million was capitalized in 1980 and 1979, respectively.

Aggregate maturities of long-term debt (including capital leases) during the next five years are as

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Louis Banks
Adjunct Prof. of Management, Alfred P. Sloan School of Management, M.I.T. (1973)



Charles B. Bear
Group Vice President and Secretary (1977)



James F. Beré
Chairman and Chief Exec. Officer, Borg-Warner Corp. (1979)



Joe C. Denman Jr.
Group Vice President (1979)

follows: 1981—$37,516,000; 1982—$18,017,000; 1983—$17,637,000; 1984—$39,012,000; 1985—$38,155,000.

	1980	1979
	(in thousands)	
9⅜% Sinking Fund Debentures due 2009	$150,000	$150,000
7⅞% Notes due 1986	50,000	50,000
Commercial paper—supported by a revolving credit agreement with banks	131,000	59,700
7.9% Promissory Notes due through 1994	20,640	22,200
10.95% Notes due through 1991	19,200	21,120
8½% Notes due through 1989	15,700	18,050
9½% Subordinated debentures due through 1995	9,800	10,500
6% Revenue bonds due 2001-2007	10,000	10,000
5⅜% Sinking fund first-mortgage bonds due 1985	13,200	16,500
6½% Mortgage notes due through 1990	14,469	15,641
Lease obligations due through 1997	13,015	15,763
Other notes, weighted average interest rate of 10.95%, due through 2015	28,978	30,471
	$476,002	$419,945

Redeemable Preferred Stock

Each share of Series B Preferred Stock is entitled to one vote, 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 Series B Preferred Stock on July 1 of each year commencing with 1984, at $30 per share ($10,746,000 in 1984 and 1985). Additionally, commencing on July 1, 1986, the Series B Preferred Stock becomes redeemable 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.

If the Company defaults in the payment of six quarterly dividends on the Series B Preferred Stock, the holders of Preferred Stock, voting as a separate class, will have the right to elect two directors until all dividends in default have been paid.

The stated redemption requirement and involuntary liquidation preference was $196,641,000 in 1980 and $216,417,000 in 1979.

Changes in Redeemable Preferred Stock are as follows:

	1980	1979	1978
		(in thousands)	
Balance at January 1	$229,533	$229,978	$ 32,602
Stock options exercised	417	634	128
Conversion to Common Stock	(22,360)	(1,079)	—
Acquisition of Inland Container Corporation	—	—	62,177
Acquisition of American Television and Communications Corporation	—	—	135,071
Balance at December 31	$207,590	$229,533	$229,978

Stock Options

Options granted under shareholder approved qualified and non-qualified plans are 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 ten years from date of grant. There were 172,350 and 169,450 common shares available for granting of options at December 31, 1980 and 1979, respectively. There were no charges or credits to income in connection with options exercised. A summary of activity under all plans is presented below:

	Common Stock		Preferred Stock	
	Number of Shares	Price Per Share	Number of Shares	Price Per Share
1980				
Balance at January 1	1,449,183	$19-45	140,615	$ 4-21
Granted	10,000	$47-53	—	—
Exercised	(229,048)	$19-53	(27,710)	$ 4-21
Surrendered	(71,550)	$19-45	(3,680)	$11-21
Terminated	(12,900)	$39-45	(8,095)	$11-21
Balance at December 31	1,145,685	$19-53	101,130	$ 4-21
Exercisable at December 31	1,071,375		72,114	
1979				
Exercised	68,216	$19-44	72,390	$ 4-16
Exercisable at December 31	1,025,903		76,879	
1978				
Exercised	116,405	$15-34	10,972	$ 4-20

Taxes on Income

The components of domestic and foreign income before taxes and extraordinary item consisted of the following:

	1980	1979	1978
		(in thousands)	
Domestic	$163,249	$194,356	$177,050
Foreign	59,454	36,566	36,971
Total	$222,703	$230,922	$214,021

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Michael D. Dingman
Chairman, Pres., and Chief Exec. Officer, Wheelabrator-Frye Inc. (1978)



Henry C. Goodrich
Chairman and Chief Exec. Officer, Southern Natural Resources Inc. (1978)



Ralph Graves
Editorial Director (1979)



Clifford J. Grum
Executive Vice President (1980)

Taxes on income before extraordinary item consisted of the following:

	1980		1979		1978	
	Current	Deferred	Current	Deferred	Current	Deferred
			(in thousands)			
Federal	$ 16,338	$ 35,676	$ 31,003	$ 30,471	$ 66,143	$ 11,320
Foreign	13,194	87	11,898	216	9,219	(192)
State and local	16,205	—	13,412	—	8,510	—
	$ 45,737	$ 35,763	$ 56,313	$ 30,687	$ 83,872	$ 11,128

The differences between the consolidated effective income tax rate and the federal statutory income tax rate of 46 percent for 1980 and 1979, and 48 percent for 1978 include the following:

	1980	1979	1978
		(in thousands)	
Taxes on income at statutory rate	$102,443	$106,224	$102,730
Investment tax credits	(23,914)	(18,834)	(5,752)
Tax benefit of capital gains, mainly from the harvesting and sale of fee-owned timber	(9,255)	(10,507)	(5,575)
Effect of state and local income taxes	8,750	7,243	4,425
All other	3,476	2,874	(828)
	$ 81,500	$ 87,000	$ 95,000

The Company's share of Georgia Kraft's tax related items included above for 1980 and 1979 were: investment tax credits of $3,794,500 and $3,488,000; tax benefit of capital gains of $1,251,100 and $1,505,000; tax effect of state and local taxes of $482,000 and $527,000.

The amount of unremitted earnings of foreign subsidiaries, considered permanently reinvested to finance operations in foreign countries, was approximately $18 million (after reduction for available foreign tax credits) at December 31, 1980.

Deferred income taxes have been provided for certain items of income and expenses that are recognized at different times for tax and financial reporting purposes as follows:

	1980	1979	1978
		(in thousands)	
Accelerated depreciation	$ 19,696	$ 13,796	$ 5,773
Reserve for litigation	—	9,152	—
Unremitted foreign earnings	13,100	—	5,100
All other	2,967	7,739	255
	$ 35,763	$ 30,687	$ 11,128

The Company's share of Georgia Kraft's deferred tax resulting from accelerated depreciation included above was $3,286,000 and $2,057,000 in 1980 and 1979, respectively.

Investment tax credits have been accounted for primarily as reductions in current income tax expense.

Other Income—Net

	1980	1979	1978
		(in thousands)	
Dividends	$ 381	$ 724	$ 1,338
Interest income	7,890	5,854	9,008
Net realized gain on securities	5,661	3,709	6,291
Equity in income of affiliated companies*	4,746	5,715	9,530
Royalties and ancillary sales	5,355	5,756	3,919
Gain (loss) on sale of land, property, and equipment	4,440	4,903	(983)
Gain on sale of Paris building**	20,068	—	—
Litigation expense	—	—	(3,100)
Miscellaneous	841	2,457	1,220
	$49,382	$29,118	$27,223

*Excluding Georgia Kraft.
**The gain, net of taxes, was $9,300,000 or $.33 per share.

Extraordinary Item

The Company's 1978 gain from the involuntary sale of timberlands to the U.S. Government was $9,602,000, less taxes of $2,881,000.

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 $23.6 million in 1980, $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.

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Henry A. Grunwald
Editor-in-Chief (1979)



Alexander Heard
Chancellor, Vanderbilt University (1968)



Matina S. Horner
President, Radcliffe College (1975)



David T. Kearns
Pres. and Chief Operating Officer, Xerox Corporation (1978)

Accumulated benefit information, as estimated by consulting actuaries, and net assets for the Company's retirement plans as of January 1, 1980 (the date of the latest actuarial valuation) were as follows:

	(in thousands)
Actuarial present value of accumulated plan benefits:	
Vested	$151,909
Non-vested	15,154
	$167,063
Net assets available for benefits	$147,539

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent.

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. These settlements have been approved by the Court, but various parties have appealed such approval. The appeals are pending. A number of purchasers of corrugated containers have elected to exclude themselves from the settlement and approximately eighteen 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 in 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, and that decision is presently on appeal. 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.

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.

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.

Subsequent Events

In February 1981, the Company sold 3,000,000 shares of Series C $4.50 Cumulative Convertible Preferred Stock, par value $1. The net proceeds of approximately $145.6 million are expected to be used to partially finance 1981 capital expenditures, which are estimated to be approximately $300 million. Additional funds necessary to finance such capital expenditures will be provided by internally generated funds and existing borrowing facilities.

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Robert T. Keeler
Partner, Taft, Stettinius & Hollister (1975)



Henry Luce III
President, The Henry Luce Foundation, Inc. (1967)



Joan D. Manley
Group Vice President (1978)



Richard B. McKeough
Chief Financial Officer (1973)

Business Segment Information

Refer to "Lines of Business" on pages 40 and 41 for information relating to revenues, operating profits, identifiable assets, and foreign activities of the Company's principal lines of business.

	1980		1979		1978	
	Depreciation, Depletion, and Amortization	Capital Expenditures	Depreciation, Depletion, and Amortization	Capital Expenditures	Depreciation, Depletion, and Amortization	Capital Expenditures
	(in millions)					
Lines of Business						
Publishing:						
Magazines	$ 2.9	$ 4.2	$ 2.1	$ 5.9	$ 2.1	$ 4.9
Books	3.1	5.0	1.8	4.2	1.7	3.1
Forest Products:						
Pulp and paperboard	19.3	61.8	15.5	59.7	13.3	33.7
Building materials	12.3	13.9	9.8	28.3	9.5	41.9
Container and containerboard	15.4	25.8	12.3	23.7	1.1	315.7*
Video	25.2	123.3	17.8	57.2	6.9	123.3**
Other Activities	4.5	6.7	4.6	4.2	4.2	25.8
Corporate	.5	.8	.2	.8	.6	2.9
	$ 83.2	$241.5	$ 64.1	$184.0	$ 39.4	$551.3

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

Acquisitions

Inland Container Corporation and American Television and Communications Corporation were acquired on November 14, 1978, for approximately $272 million and $180 million, respectively, through a combination of cash and securities. The excess of purchase price over the fair value of the net underlying assets of ATC 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 date of acquisition. Below is pro forma financial information for the year ended December 31, 1978, combining the consolidated income statement of the Company and the acquisitions for the entire year.

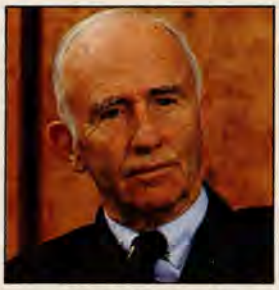
	1978
	(in thousands except for per share amounts)
Revenues	$2,153,465
Net Income (including extraordinary item):	
Total	139,640
Per Share	5.00

Supplemental Information on the Effects of Changing Prices (Unaudited)

Statement of Net Income Adjusted for Changing Prices

Year ended December 31, 1980 (in thousands)		
Net income as reported in the statement of income		$141,203
Adjustments to restate costs for the effect of general inflation:		
Production and manufacturing costs	$(26,513)	
Depreciation, amortization, and depletion	(23,906)	(50,419)
Net income adjusted for general inflation		90,784
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs):		
Production and manufacturing costs	$ 14,743	
Depreciation, amortization and depletion	(7,407)	7,336
Net income adjusted for changes in specific prices		$ 98,120
Increase in specific prices (current cost) of inventories, property and equipment held during the year		$103,664
Effect of increase in general price level		224,836
Excess of increase in general price level over increase in specific prices (current cost)		$121,172

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Frank Pace Jr.
Pres. and Chief Exec. Officer, International Exec. Service Corp. (1960)



Donald S. Perkins
Chairman of the Executive Committee, Jewel Companies, Inc. (1979)



James R. Shepley
Chairman of the Executive Committee (1969)



Arthur Temple
Vice Chairman of the Board and Chmn., Temple-Eastex Inc. (1973)

Notes to Supplemental Information on the Effects of Changing Prices (Unaudited)

Basis of Supplemental Data. This supplementary financial information discloses certain effects of inflation on inventories and property and equipment.

The effects of inflation have been measured in two ways. The first was determined by using the Consumer Price Index (CPI) for all Urban Consumers prepared by the Bureau of Labor Statistics of the U.S. Department of Labor. The second approach (Current Cost) measures inflation by specific price changes of certain assets.

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

Adjustments to restate costs for the effects 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 constant dollars and remain unchanged from those amounts in the primary financial statements.

Adjustments to restate costs for the effects of changes in specific prices represent the historical amounts of production and manufacturing costs, and depreciation, amortization, and depletion adjusted to reflect current cost at the date of sale and the average current cost depreciation of property and equipment restated to reflect current cost, respectively. Current cost was computed using appropriate external cost indices, appraisals and direct pricing methods. The current cost of timber and timberland and related depletion was based on estimated reforestation costs and forest management expenditures required to bring a newly harvested area to the existing maturity of present timberland holdings. Pending further recommendations of the Financial Accounting Standards Board, theatrical and television production inventories and related costs have been adjusted using the constant dollar method only, and the resulting amounts have been included in both the constant dollar and current cost computations. The depreciation, amortization, depletion, and inventory accounting methods used to develop this supplementary financial information are the same as the methods used by the Company in its 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. 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.

Increases in Specific Prices of Inventories, Plant and Equipment Held During the Year. Under current cost accounting, increases in specific prices of inventories, plant and equipment held during the year are not included in net income but are presented separately. The current cost increase is adjusted by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and plant and equipment.

Effects of Inflation. The economy has experienced relatively high rates of inflation for a number of years, and current indications are that this trend will continue. In order to offset the resulting rise in the costs of operations the Company has attempted to adjust selling prices to maintain profit margins over the years and currently expects to continue this approach to cope with future cost changes.

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Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices (stated in average 1980 dollars) (unaudited)

	1980	1979	1978	1977	1976
		(in thousands except for per share amounts)			
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION					
Revenues	$2,881,783	$2,842,695	$2,144,135	$1,699,475	$1,502,863
Net Income	90,784	115,819			
Net Income Per Common Share—fully diluted	$3.23	$4.14			
Net Assets at Year-End*	1,500,000	1,600,000			
CURRENT COST INFORMATION					
Net Income	98,120	119,783			
Net Income Per Common Share—fully diluted	3.49	4.28			
Excess of Increase in General Price Level of Inventories, and Property and Equipment Over Increase in Specific Prices	121,172	159,810			
Net Assets at Year-End*	1,800,000	1,700,000			
OTHER INFORMATION					
Purchasing Power Gain From Holding Net Monetary Liabilities During the Year	65,937	62,438			
Cash Dividends Declared Per Common Share	$1.765	$1.84	$1.83	$1.71	$1.56
Market Price Per Common Share at Year-End	$59.82	$50.59	$52.01	$52.38	$52.39
Average Consumer Price Index	246.8	217.4	195.4	181.5	170.5

*Net assets represent the historical cost amounts reported in the primary financial statements adjusted for the effects of general inflation and changes in specific prices, respectively, on inventories and property and equipment.

At December 31, 1980 and 1979 the current cost of inventories was $282,533,000 and $300,583,000, and property and equipment, net of accumulated depreciation was $1,706,845,000 and $1,582,015,000, respectively. Adjustments to reflect the difference between general inflation and changes in specific prices were $9,262,000 for production and manufacturing costs and ($5,298,000) for depreciation, amortization and depletion in 1979. The increase in specific prices of inventories, and property and equipment held during the year 1979 was $64,394,000.

Management's Responsibilities for Financial Reporting

The accompanying consolidated financial statements including the notes thereto have been prepared by management in conformity with generally accepted accounting principles, and necessarily include some amounts that are based on management's best estimates and judgments.

The Company maintains a system of internal accounting controls designed to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management. Further, because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Nevertheless, management believes that a high level of internal control is maintained by the Company through the selection and training of qualified personnel, the establishment and communication of accounting and business policies, and its internal audit program.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with management, and with the Company's internal auditors and independent certified public accountants to review matters relating to the quality of financial reporting and internal accounting control and the nature, extent and results of their audits. The independent certified public accountants have free access to the Audit Committee.

J. Richard Munro
President and Chief Executive Officer

Richard B. McKeough
Chairman of the Finance Committee and Chief Financial Officer

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, 1980 and 1979, and the related consolidated statements of income, common shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. 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, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

New York, New York
February 18, 1981

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Officers

J. Richard Munro
President and Chief Executive Officer

Ralph P. Davidson
Chairman of the Board

Clifford J. Grum
Executive Vice President

Arthur Temple
Vice Chairman of the Board

James R. Shepley
Chairman of the Executive Committee

Charles B. Bear
Group Vice President and Secretary

Joe C. Denman Jr.
Group Vice President

Gerald M. Levin
Group Vice President

Joan D. Manley
Group Vice President

Kelso F. Sutton
Group Vice President

Richard B. McKeough
Chief Financial Officer

E. Gabriel Perle
Corporate Vice President–Law

Donald M. Wilson
Vice President–Corporate and Public Affairs

Clinton G. Ames Jr.
Vice President

William E. Bishop
Vice President

Lawrence M. Crutcher
Vice President

David H. Dolben
Vice President

Richard J. Durrell
Vice President

Robert P. Fisler
Vice President

Edward E. Fitzgerald
Vice President

James O. Heyworth
Vice President

Peter S. Hopkins
Vice President

Philip G. Howlett
Vice President

Edward Patrick Lenahan
Vice President

James J. McCluskey
Vice President

John D. McSweeney
Vice President

John A. Meyers
Vice President

Samuel J. Moss
Vice President

N.J. Nicholas Jr.
Vice President

Monroe M. Rifkin
Vice President

Herbert D. Schutz
Vice President

P. Peter Sheppe
Vice President

Ira R. Slagter
Vice President

Robert M. Steed
Vice President

John L. Steele
Vice President

Arthur H. Thornhill Jr.
Vice President

John A. Watters
Vice President

J. Winston Fowlkes
Treasurer

Olga Curcio
Assistant Treasurer

Kevin L. Dolan
Comptroller and Assistant Secretary

Eugene F. Farro
Assistant Comptroller

William M. Guttman
Assistant Secretary

Carolyn K. McCandless
Assistant Secretary

Corporate Editorial Executives

Henry A. Grunwald
Editor-in-Chief

Ralph Graves
Editorial Director

Magazine Executives

Kelso F. Sutton
Group Vice President

John A. Meyers
Publisher, Time

Ray Cave
Managing Editor, Time

Edward Patrick Lenahan
Publisher, Fortune

William S. Rukeyser
Managing Editor, Fortune

Philip G. Howlett
Publisher, Sports Illustrated

Gilbert L. Rogin
Managing Editor, Sports Illustrated

John U. Crandell
Publisher, Money

Marshall Loeb
Managing Editor, Money

Richard J. Durrell
Publisher, People

Richard B. Stolley
Managing Editor, People

Charles A. Whittingham
Publisher, Life

Philip B. Kunhardt Jr.
Managing Editor, Life

Reginald K. Brack Jr.
Publisher, Discover

Leon M. Jaroff
Managing Editor, Discover

Lawrence M. Crutcher
Director of Circulation

James J. McCluskey
Director of Manufacturing and Distribution

Christiana D. Walford
Director of Editorial Services

Eileen Mulcahy
Administrator

Forest Products Executives

Arthur Temple
Vice Chairman of the Board, Time Inc.

Temple-Eastex Incorporated

Joe C. Denman Jr.
President and Chief Executive Officer

W. Wayne McDonald
Executive Vice President

Ward R. Burke
Vice President and General Counsel

Gex P. Condit
President, Eastex Division

Henry H. Holubec Jr.
President, Temple Division

Glenn Chancellor
President, Forests Division

W. Ray Frye
Chairman, AFCO Industries, Inc.

Kenneth M. Jastrow II
President, Lumbermen's Investment Corp

Don V. Hackney
President, Temple Associates

C. Tom Sumner
Vice President–Finance and Treasurer

Inland Container Corporation

Clifford J. Grum
Chairman of the Board

Clinton G. Ames Jr.
President and Chief Executive Officer

B.J. Lancashire
Executive Vice President

U.L. Uebelhoer
Senior Vice President–Finance and Administration

Video Executives

Gerald M. Levin
Group Vice President

N.J. Nicholas Jr.
Vice President–Video Chairman of the Board, Home Box Office, Inc.

James O. Heyworth
President, Home Box Office, Inc.

Austin O. Furst Jr.
President, Time-Life Films, Inc.

Monroe M. Rifkin
Chairman and Chief Executive Officer American Television and Communications Corp.

Trygve Myhren
President American Television and Communications Corp.

Marvin R. Chauvin
General Manager, WOTV

Books Executives

Joan D. Manley
Group Vice President

Edward E. Fitzgerald
President, Book-of-the-Month Club, Inc.

John D. McSweeney
Chairman, Time-Life Books Inc.

Carl G. Jaeger
President, Time-Life Books Inc.

Jerry Korn
Managing Editor, Time-Life Books Inc.

Zachary P. Morfogen
Managing Director, Books and Arts Associates

Herbert D. Schutz
President, New York Graphic Society

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

Executives of Other Activities

Charles B. Bear
Group Vice President

P. Peter Sheppe
Vice President and Deputy

Murray J. Gart
Editor, The Washington Star

William M. Guttman
Assistant General Counsel and Assistant Secretary

Peter S. Hopkins
Vice President, Real Estate

George W. Hoyt
Publisher, The Washington Star

Carolyn K. McCandless
Assistant Secretary

Samuel J. Moss
Director of Information Systems Group

E. Gabriel Perle
Corporate Vice President–Law

David Simonson
President and Publisher, Pioneer Press Inc.

Ira R. Slagter
Director of Subscription Services

Robert M. Steed
Director of Personnel

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

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ANNUAL MEETING

Thursday, April 16, 1981, 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 1980 and 1979

(New York Stock Exchange-Symbol: TL)
(London Stock Exchange-Symbol: TIMEINC)

PRICE RANGE		High	Low
1980	First Quarter	53¼	38
	Second Quarter	48¾	38½
	Third Quarter	62	44⅞
	Fourth Quarter	63⅛	53⅞
	YEAR	**63⅛**	**38**
1979	First Quarter	44⅞	37⅝
	Second Quarter	40⅜	35¾
	Third Quarter	49⅜	39¼
	Fourth Quarter	47⅞	40⅞
	YEAR	**49⅜**	**35¾**

DIVIDENDS		1980	1979
	First Quarter	$ .415	$ .375
	Second Quarter	.45	.415
	Third Quarter	.45	.415
	Fourth Quarter	.45	.415
	YEAR	**$1.765**	**$1.62**

The payment of dividends is subject to the restrictions described in Notes to Financial Statements—"Long-Term Debt."

SERIES B PREFERRED STOCK PRICES 1980 and 1979

(New York Stock Exchange-Symbol: TLPRB)

PRICE RANGE		High	Low
1980	First Quarter	38¼	28
	Second Quarter	35½	27½
	Third Quarter	44¾	32¼
	Fourth Quarter	45¼	39
	YEAR	**45¼**	**27½**
1979	First Quarter	32⅞	28
	Second Quarter	30	26½
	Third Quarter	35¾	28⅝
	Fourth Quarter	34¾	30
	YEAR	**35¾**	**26½**

The dividend rate for the Series B 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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