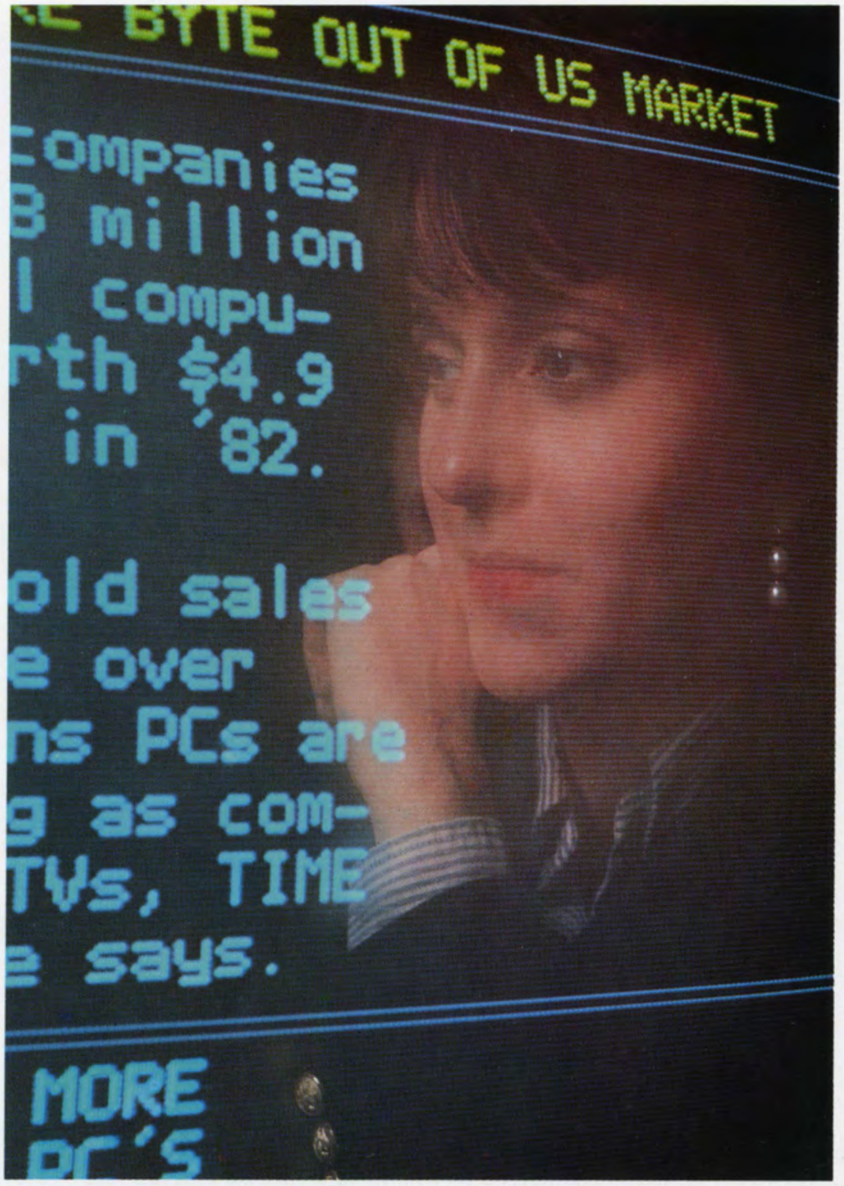
TIME
INCORPORATED



1982 ANNUAL REPORT

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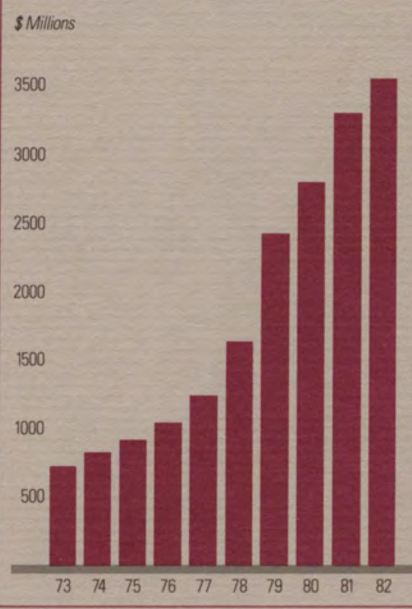
On the cover: *Print and video are combined with increasing frequency by Time Inc. Here a young woman reads a teleframe of printed information delivered to her home via satellite and cable.*

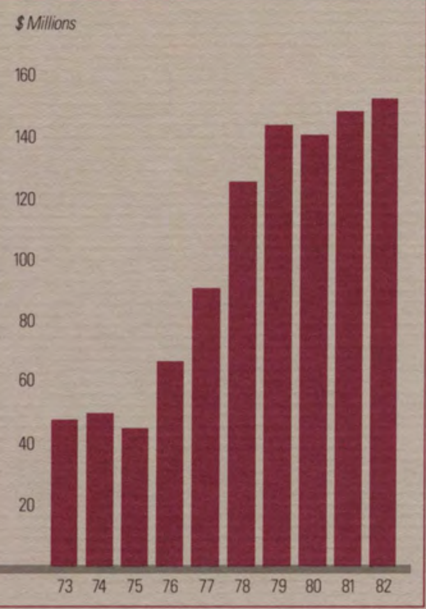
FINANCIAL HIGHLIGHTS

	1982	1981
	(In thousands except for per share data)	
Revenues	$3,564,328	$3,296,382
Income from Continuing Operations	156,115	184,568
Net Income	153,115	148,821
Return on Average Equity	11.9%	13.9%
Per Share		
Income from Continuing Operations	$ 2.50	$ 3.02
Net Income	2.45	2.43
Common Shareholders' Equity	23.96	21.64
Dividends per Common Share	1.00	.95
Price Range (common stock) High	52.38	41.38
Low	25.50	26.63

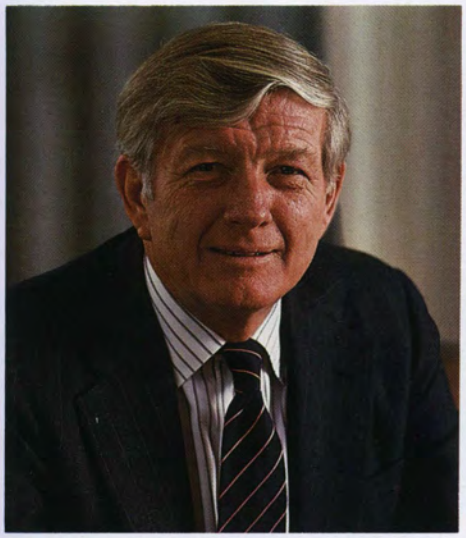
TOTAL REVENUES



NET INCOME

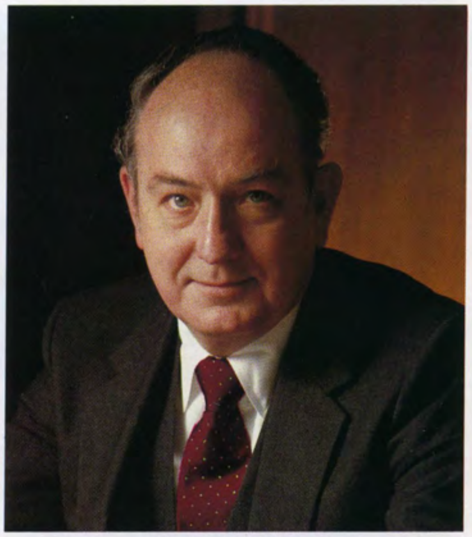


TIME / PEOPLE
SPORTS
ILLUSTRATED
LIFE / MONEY
FORTUNE
DISCOVER / HOME
BOX OFFICE
AMERICAN
TELEVISION AND
COMMUNICATIONS
TIME-LIFE BOOKS
BOOK-OF-THE-
MONTH CLUB
LITTLE, BROWN
SAMI / PIONEER
PRESS / TEMPLE-
EASTEX / INLAND
CONTAINER
LUMBERMEN'S
INVESTMENT
CORP. / GEORGIA
KRAFT (50%)



Ralph P. Davidson
Chairman of the Board

J. Richard Munro
President and Chief Executive Officer



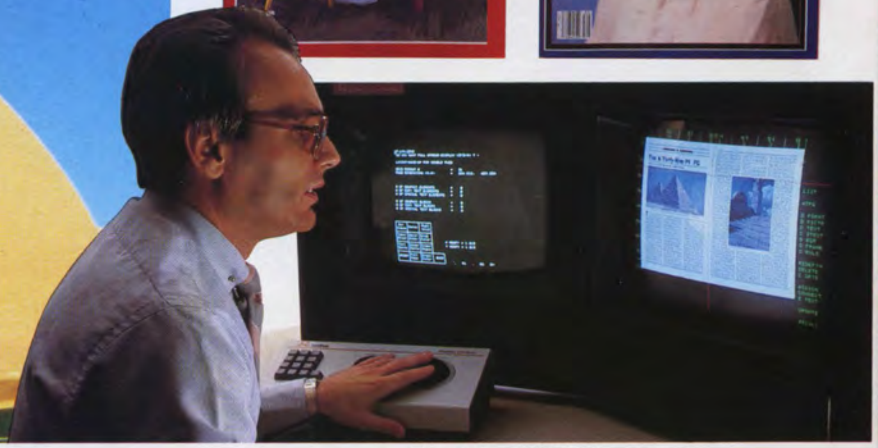
Clifford J. Grum
Executive Vice President

"Emphasis on improving return on investment is the cornerstone of Time Inc.'s policy. We are dissatisfied with our recent rate of return and deeply committed to improving it."

TIME INC.

A diversified company in the video, publishing, and forest products fields

Magazine copy travels via satellite



Page being laid out by computer

ATC pole climbing class

11.5 million subscribers

Manhattan Cable technician

Teletext weather display

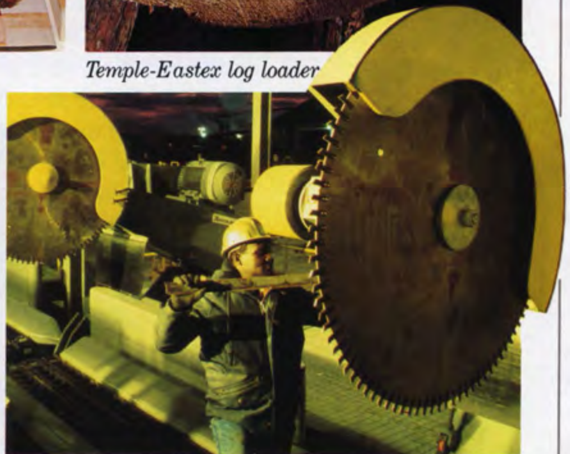
Manhattan Cable antennas

BENCHMARK YEARS

1982 bestsellers

Temple-Eastex log loader

Search for Alexander exhibit



Computerized log processor

Addresses, addresses

Compression test at Inland Container

1923	TIME Magazine published
1928	Revenues top $1 million First Man of the Year: Lindbergh
1930	FORTUNE published First dividend declared
1931	March of Time aired
1933	Profits top $1 million
1936	LIFE published
1942	LIFE becomes largest magazine
1952	Eastex Pulp & Paper founded
1954	SPORTS ILLUSTRATED published
1955	First FORTUNE 500 Directory
1961	Time-Life Books founded
1964	Stock listed on NYSE
1966	SAMI started
1968	Little, Brown acquired Revenues top $500 million
1969	Pioneer Press acquired
1972	MONEY published LIFE suspends publication HBO launched
1973	Temple Industries acquired
1974	PEOPLE published
1975	HBO begins satellite transmission
1976	Revenues top $1 billion
1977	Book-of-the-Month Club acquired
1978	Inland Container acquired ATC acquired LIFE published as monthly
1980	DISCOVER published Cinemax launched
1981	Revenues top $3 billion
1982	Video largest contributor to earnings

LETTER TO SHAREHOLDERS

"Time Inc. has applied technology to serve its customers far more than is generally realized."

Although the relentless recession cut Time Inc.'s profits in 1982, it also demonstrated our new operating strengths in a harsh economy. This resistance to recession resulted, I believe, from two important new factors:

Time Inc. magazines showed an independence of the business cycle that we once considered impossible. On top of an 81 percent earnings increase in 1981, magazines achieved still another record high last year.

In the new mix of Time Inc.'s business, earnings of the Video Group have grown to major importance. The group's performance also confirmed what we suspected—our relatively new cable TV business is largely resistant to economic downturn.

Each of these factors reflects in no small part the Company's vigorous application of technological advances to the advantage of its operations and its customers. That's more readily apparent in video, but no less important in magazines and other products.

Time Inc.'s growing profits in the video area come from two outstanding performers: American Television and Communications Corporation (ATC), one of the largest cable TV companies in the country, and Home Box Office (HBO), the nation's biggest pay-cable programmer. The preeminence of each, however, goes well beyond size.

ATC, for example, was one of two cable operators that initially used the now familiar dish antenna for pulling in satellite transmissions. Late last year ATC announced an agreement with the Toshiba Corporation to produce a more advanced converter, which will work primarily outside the home. ATC holds patents on a multi-service addressable converter manufactured and sold under a royalty arrangement by the Zenith Corporation. All of this technology has one purpose: to provide ATC subscribers with the finest, most dependable cable service in the country.

ATC aggressively markets its technological edge. Equally important, as the cost of acquiring new cable franchises rose to unacceptable heights, ATC dropped out of much of the frenetic franchise bidding and developed a marketing concept of operating cable systems in clusters—that is, contiguous systems. In the Rochester, New York, area, for instance, ATC is adding to its core franchise more than a dozen other nearby towns and municipalities, more than doubling the number of subscribers in the cluster. This will give ATC the potential of reaching almost every home in metropolitan Rochester.

Clustering reduces the investment required to serve the same number of homes in more widely scattered systems. It reduces the cost of installation, maintenance, and promotion while facilitating the introduction of additional services.

HBO, the other side of Time Inc.'s video coin, rocketed the entire cable industry into successful orbit when it pioneered the use of a communications satellite in 1975. Since then HBO has stayed close to the cutting edge of cable technology, working with high-tech companies in the U.S. and abroad to fulfill its needs. This summer HBO's completely new 14-acre Satellite Communications Center on Long Island will give it greater transmission flexibility, digitally composed pictures of higher quality, stereo sound, and security against program theft through encryption methods that rival those of the military in sophistication.

On the marketing side, HBO's objective has changed from selling the concept of cable and pay cable to marketing its own programming, emphasizing the differences that set it apart from other pay services. In January, for example, HBO began transmitting a weekly series especially made for cable. In May it will show its first feature movie made for pay viewers, with eight more in production. A partnership with Columbia Pictures and CBS to launch a new studio for the production and distribution of movies will also guarantee HBO feature film exclusives.

Last November, almost exactly ten years to the day after HBO began business, Time Inc. began testing a different kind of cable service, known as teletext. Rather than entertainment, teletext emphasizes information on the home TV

"...magazines showed an independence of the business cycle that we once considered impossible."

screen. A keypad allows Time teletext subscribers to call up information from a 5,000 teleframe bank of news, sports, financial, and feature reports constantly updated 24 hours a day. This information is brightened by a special style of writing and by a profusion of graphics created for Time Inc.'s teletext service.

Teletext is really a new medium, the offspring of a marriage between print and video, areas where Time Inc. has unmatched experience. Although our teletext operation is still developmental, we believe it could be a major step toward making cable as vital for information as it already has become for entertainment.

The fit between cable and print is further demonstrated by the scheduled launch in April of Time Inc.'s eighth magazine, *TV-Cable Week*. Two-thirds of *TVCW*—64 pages of different program listings for each cable system—will be collected, organized, and transmitted entirely by the magazine's computers, which each week will compose more editorial pages than all seven of our other magazines combined.

In announcing *TVCW*, I pointed out that startup costs could run as high as $100 million before it becomes profitable. Once *TVCW* goes into the black, however, it could well become Time Inc.'s most profitable publication.

While this latest launch requires our greatest utilization of computer and communications technology, all of our magazines take full advantage of the opportunities technology presents. They computerize and digitize, they employ satellites, word processors, data storage, and image controls to cut the time between final edit and first reading.

Technology, along with less inflationary costs for printing and postage, has played a part in the new resistance of our magzines to downturns in the business cycle. So have consistently higher levels of editorial excellence. Equally important has been a marketing phenomenon—the country's transition from a production to a service economy. With that transition has come broad recognition that stop-and-go advertising is inefficient and that over the long term those companies which maintain their advertising during recessions do much better than those which reduce it. In this new era our own marketing effort to advertisers and their agencies has also become more precise and persuasive. As the decline in network TV viewing continues to open up additional opportunities for consumer magazines, our Magazine Group has been accelerating its research on the demographic and spending patterns of our subscribers. This expanded information should give us an effective marketing tool not only in advertising sales, but in our subscription selling as well.

Advertising continues to provide the larger of Magazines' two revenue streams, but the other, circulation, has narrowed the gap considerably in the last ten years. As inflation has slowed, however, so has the trend to significantly higher cover and subscription prices. Yet we plan on raising subscription prices on five of our present seven magazines during 1983. The other two were raised in the latter part of 1982.

Our other major publishing operation, Books, reported lower earnings in 1982 largely because of a poor performance by the Books Group's largest component, Time-Life Books. Little, Brown and Company resisted the economic downturn with moderate success, and Book-of-the-Month Club achieved record earnings as well as a new high in membership.

The problems of Time-Life Books, which clearly go beyond recession, have proved more difficult to solve than we had anticipated. After an intensive examination of their causes, we are in the process of correcting them. A major restructuring of TLB, begun in 1982, has now been stepped up. We have not yet found the answers to all TLB's problems, but we have enough to make me believe 1983 will show improvement.

Unfortunately, no amount of marketing skill or applied technology could significantly offset the recession's effect on our Forest Products Group. Like copper or cocoa, forest products are essentially commodities whose selling prices are closely tied to the business cycle. In 1982, lower prices inevitably hurt the group's earnings.

Yet, despite the worst housing market since

LETTER TO SHAREHOLDERS

"Overall, I believe we have crossed a threshold into an era of exceptional opportunity and increased reward."

World War II, our building materials division combined technology with production engineering to manage a marginally increased profit. Although pulp and paperboard prices were severely depressed, our pulp and paperboard complex in East Texas operated full out, producing record tonnage that helped amortize heavy fixed costs. In the corrugated box business, industry shipments were lower for the year but ours were higher. However, reduced market prices caused us to operate far less profitably than in 1981.

More than any of our other operations, the Forest Products Group suffered last year from the nation's need to wring inflation out of the economy. But there is increasing evidence that the group touched bottom in 1982. Moreover, its performance in a deep recession gives us confidence that in even moderately good times the group will once again make a major contribution to earnings. If the current recovery in housing continues, our higher levels of productivity will bring greater profitability this year and in the foreseeable future.

Before looking ahead to that future, I want to thank three exceptional executives whose services we lost in the past six months. James R. Shepley served this company as president and chief operating officer for 11 years, during which he played a leading role in the Company's growth and particularly in the creation of its Video Group. I doubt if any other journalist ever made the transition to top management of a major company so effectively as Jim Shepley. In January, Arthur Temple retired as vice chairman of the Company. He was the architect and builder of our integrated Forest Products Group, and his dedication to new technology was matched only by his devotion to human and minority rights, on a terrain where that could be especially difficult.

In January, too, Richard B. McKeough took early retirement. As chief financial officer over the past ten years, he contributed a great deal to our financial health. It is far easier to acknowledge the services of all three men than to express the great personal esteem in which I and my colleagues held and hold them.

The recession that began in mid-1981 stimulated rigorous examination of all our operations. We have increased the demands on our managers and asked them to apply more exacting disciplines all the way down the line. Tightening our belts was a reflex. Sharpening our management is policy. That policy includes renewed emphasis on improving return on equity—on the investment you have in Time Inc. We are dissatisfied with our recent rate of return and deeply committed to improving it.

Our confidence in the years ahead is clearly shown by the Company's undiminished commitment to research and development, and by our planned capital investment, which in 1983 will be the second highest in Time Inc.'s history.

Overall, 1983 seems less a year of great expectations than of good ones. We look for continuing strength in our cable and magazine operations and better results from forest products and books. All together they should produce a marked earnings improvement and the beginning of a move toward higher return on equity.

Further ahead, our expectations soar. In a technological society, Time Inc. has applied technology to serve its customers far more than is generally realized. In a marketing economy we have demonstrated our marketing leadership. And in what has come to be called the Communications Age, we are in many respects the world's leading communicator. Overall, I believe we have crossed a threshold into an era of exceptional opportunity and increased reward.

My thanks to you and all our shareholders for making that possible. And my thanks to the devoted, talented Time Incers who are already at work turning possibility into reality.

J. Richard Munro

J. Richard Munro
President and Chief Executive Officer

REVIEW OF OPERATIONS

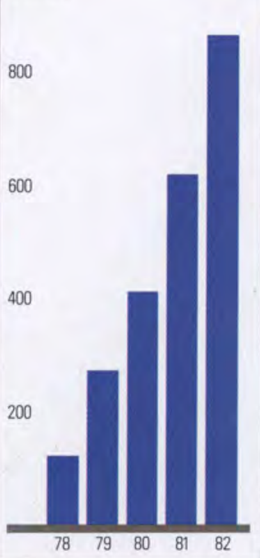
REVIEW OF OPERATIONS

The 220,000-home Denver cable television franchise was awarded to an ATC-affiliated company last year.

Nineteen eighty-two was a watershed year for Time Inc. In the Company's sixtieth year its relatively new video business, for the first time, contributed more to operating profit than did publishing. In 1981, video and publishing profits were almost identical, with each activity accounting for approximately one-third of Time Inc.'s total operating profits. But in 1982, as book publishing and forest products earnings declined, and video earnings continued to rise, video contributed almost half of Time Inc.'s operating income.

VIDEO REVENUES

$ Millions



VIDEO

Both of Time Inc.'s major video operations continued their rapid growth in 1982. Home Box Office (HBO), the largest pay-television network in the U.S., further consolidated its leadership position. American Television and Communications Corporation (ATC) moved out front as the cable television company with the most basic cable and pay television subscriptions. And 1982 was also the year the Video Group began testing an information and entertainment service using the new teletext technology.

ATC

ATC, which operates cable television systems in more than 400 municipalities in 33 states, increased its basic cable television subscriptions to 2.1 million in 1982 and its pay-television subscriptions to 1.9 million. Last year, ATC and companies with which it is affiliated won a number of new cable television franchises, the largest of which was Denver, Colorado, encompassing some 220,000 homes.

However, ATC became more concerned about the escalating demands being made of bidders for many urban franchises. Consequently, last year ATC withdrew from franchise battles in a number of urban markets rather than submit bids that had little chance of producing an adequate return on investment. Until municipal demands become more acceptable economically, ATC has decided to focus instead on growth opportunities in its own backyard.

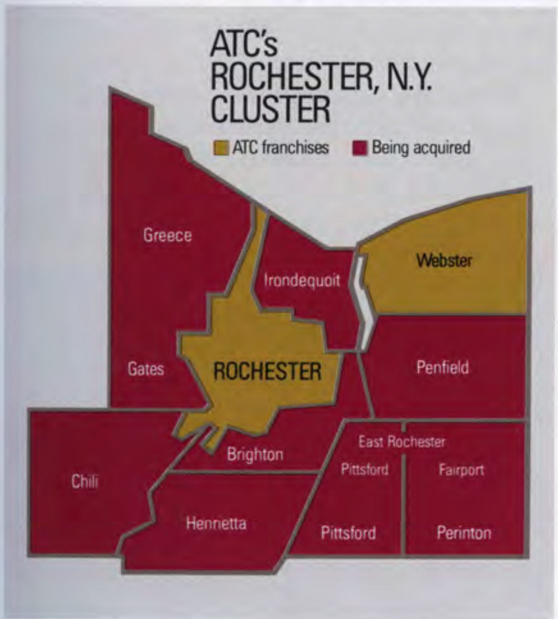
ATC has adopted a cluster strategy that involves acquiring existing cable systems contiguous to its holdings. For example, ATC, which already serves Rochester, New York, has agreed to purchase a cable company that passes some 90,000 homes in 12 communities around Rochester.

Such clustering will significantly improve ATC's marketing effectiveness. Using mass media advertising is often uneconomical for single cable systems because the area covered by the advertising medium is so much larger than the area covered by the cable system. With clustering, it becomes feasible to use local television, radio, and newspapers to build cable subscriptions. Clustering also offers sizable, well-defined markets to advertisers.

Clustering will also assist ATC in developing a strong regional position against competitive telecommunications technologies. The clusters will realize economies of scale and be better able to afford the expensive computer hardware and software essential to the delivery of new entertainment and nonentertainment services.

ATC is also strengthening its market position by staying abreast of technological progress. Late in 1982, ATC signed an agreement with Japan's Toshiba Corporation to develop a multi-unit addressable decoding device for pay TV. This unit, to be mounted high up on telephone poles or elsewhere outside the home, will decrease the danger of equipment theft and tampering by subscribers, and, being addressable, will also help cable systems tailor their basic and pay-TV services to the needs and desires of individual customers.

Another way ATC is meeting subscriber needs is through local programming. In 1982, over 8,200 community program producers graduated from ATC's video workshops. These producers were responsible for providing close to 36,000 hours of original local programming on ATC systems.



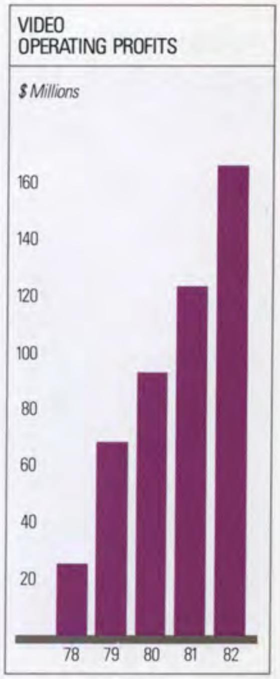
Last year, ATC actively pursued its new business development program and tested several concepts that take advantage of the flexibility of its cable television plant. ATC experimented with local advertising in several markets and expanded its testing of home security systems that use cable. It also experimented with pay-per-view programming, a concept that offers consumers the opportunity to order and pay for programming on a single-event basis.

ATC and Japan's Toshiba Corp. plan to develop addressable cable television hardware jointly.

HBO

HBO celebrated its 10th anniversary in 1982. During its initial decade, HBO was the first pay-TV network to go up on the satellite, the first to offer original programming, and the first to make a profit. In terms of revenues and subscribers, HBO is larger than any other pay network, and its companion service, Cinemax, is one of the fastest growing pay channels. During 1982, the number of HBO subscribers rose to 11.5 million in 4,500 systems located in all 50 states. For the fourth year in a row, HBO added more than two million subscribers. Cinemax, which was launched in 1980, increased its subscriber count from one million at the beginning of 1982 to two million at year end.

Motion pictures remain the most important ingredients in both the HBO and Cinemax program schedules. Over 600 different movies were shown on the two services last year. To assure a flow of reasonably priced, high-quality films, HBO last year further extended its policy of obtaining pay-TV rights to movies by helping to finance their production. For example, an existing financing agreement with Columbia Pictures Industries was extended to cover films produced by that studio through mid-1986. Under the terms of this agreement, HBO will advance a portion of the production cost of each film and pay license fees based on the film's theatrical performance. HBO entered into a similar arrangement in 1982 with Orion Pictures Corpora-



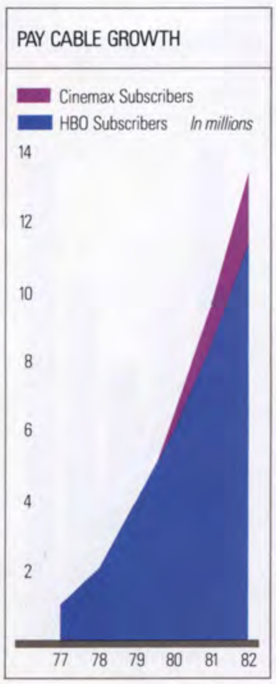
REVIEW OF OPERATIONS

An ATC retail cable store in an Austin, Texas, shopping mall was so successful in signing up new subscribers that others are planned.

tion (formerly Filmways, Inc.) and also made a $10 million investment in that company. HBO also "pre-buys" sole pay-distribution rights in the United States to such hit movies as *Ragtime* and *On Golden Pond*. Among the current films to which HBO will have exclusive pay-TV rights are *Tootsie* and *Sophie's Choice*. Near the end of 1982 HBO joined with CBS and Columbia Pictures Industries to form a major new film studio for the production and distribution of theatrical motion pictures.

But HBO is more than theatrical films. It currently has several made-for-pay-television movies in production or development. Many of these made-for-pay-TV programs will feature the best known talent of film and television, such performers as Elizabeth Taylor and Carol Burnett in *Nobody Makes Me Cry* (working title) and Bette Davis and Jimmy Stewart in *Right of Way*.

In 1982, HBO also continued to develop other types of quality programming. *Fraggle Rock*, which went into production in 1982, is an original children's series featuring Jim Henson's newest crop of Muppets, the Fraggles. Early in 1983, HBO launched its first comedy series, *Not Necessarily the News*, which features a repertory company presenting material that certainly won't be seen on the evening news.



HBO programming was recognized in the annual Awards for Cable Excellence competition. For the fourth year in a row, HBO won the largest number of ACE awards, and also won the first Peabody Award ever given to a pay-TV network, for a documentary on women's rights, *She's Nobody's Baby*.

But subscriber acceptance is the best measure of HBO's success. In 1982, HBO drew large enough audiences to qualify for measurement on A.C. Nielsen's national metered sample of television viewing. It frequently drew larger prime-time audiences in HBO-serviced homes than any of the three commercial television networks. And HBO made pay-TV history when its premiere showings of *On Golden Pond* and *Fort Apache, The Bronx*, outdrew all three commercial networks combined in HBO homes.

A key element in the HBO pay-television plan is Cinemax, where the programming strategy is to offer a wider variety of films than HBO. Cinemax programming includes films that appeal to more specialized audiences than HBO's, but generate high levels of subscriber interest and satisfaction.

Excellence in programming is not, by itself, enough to acquire and retain subscribers. HBO and Cinemax are, therefore, actively marketed both to cable operators and to consumers. The two services spent close to $25 million on adver-

Remote handset permits subscribers to Time Inc.'s teletext system to call up information on their TV screens.

Artist's rendering of new HBO Satellite Communications Center under construction in Hauppauge, Long Island.

tising in 1982, and they plan to spend considerably more in 1983. HBO used national television advertising for the first time in 1981, and in 1983 both HBO and Cinemax will be promoted extensively on television.

In 1983, HBO will place more emphasis on cooperative advertising in which HBO buys space in local media for groups of HBO-affiliated cable systems clustered in one area. The cable systems, HBO and Cinemax coordinate their marketing campaigns including local media purchases. Like ATC's cluster strategy, this targeted area marketing program provides more efficient use of local media.

Other Video Activities

Teletext was the Video Group's major development project in 1982. Teletext is an information and entertainment service that allows the consumer to use a television set to gain access to printed and graphic information on demand. Through the use of "smart" home terminals and computer-like software, the subscriber can select and manipulate the data. Material is prepared in New York and transmitted by satellite to affiliated or company-owned cable systems, where it is combined with material supplied by local newspapers, then sent by one-way cable to the subscriber's home.

Using a remote-control keypad, the consumer can call up any one of 5,000 pages of information. The home terminal also permits the user to manipulate the data to obtain his or her personal stock portfolio and utilize the system in other ways—to play games, for example.

By the end of last year, teletext market tests had begun in San Diego, California, and Orlando, Florida. This year will be devoted to testing teletext's content, consumer appeal, and attractiveness as an advertising medium.

In 1981, Time Inc. purchased a one-third interest in the USA Network, an advertiser-supported cable programming service that offers sports, movies, women's daytime programming, and children's shows. This investment has provided the Company with valuable insights into commercial television advertising. Last year USA's audience base rose from 10 million homes to 15 million and the USA program day was expanded to a full 24 hours.

Our experience to date with over-the-air subscription television (STV) has been disappointing. STV is characterized by high initial fixed

ATC's Construction Division built and activated 3,100 miles of cable in 1982.

Popular Time *television commercial featured determined dogs.*

costs that result from decoder box investment, station rental, and marketing costs. None of the Company's three STV stations, in Dallas, Cleveland, and Boston, reached breakeven in 1982. Time Inc.'s Dallas operation was sold in September to Golden West STV of Dallas, Inc.

WOTV, the last television station in the Time-Life Broadcast Group, was sold in 1982 to LIN Broadcasting Corporation. The $32 million sale is subject to Federal Communications Commission approval of the transfer of the station's license and is expected to be completed in 1983.

MAGAZINES

The Magazine Group again increased its profits in 1982, in the face of one of the deepest recessions since World War II. Our seven magazines earned $105 million before taxes despite the expenses associated with the start-up of a new magazine, *TV-Cable Week*. For the second year running, the Company's magazine revenues (before agency discounts) exceeded one billion dollars, an all-time high for a magazine publishing company. Time Inc.'s magazines also increased their share of total magazine advertising, accounting for nearly one of every five magazine advertising dollars.

The first issue of Time Inc.'s newest magazine will appear in April 1983.

For the magazine industry as a whole, there was a slight decline in advertising pages in 1982 and a 5 percent increase in ad revenues. Time Inc.'s magazines performed considerably better. In addition, six of our seven magazines increased their prices to readers and five increased their advertising rate bases.

The Performance Story

Time continued to lead all magazines in worldwide advertising revenues. In its 60th year of publication, *Time* had a record $350 million in ad revenues, to stay out front for the 13th consecutive year. Within Time Inc., the weekly newsmagazine accounts for approximately 43 percent of total magazine advertising revenues. In January 1983 *Time* again raised its domestic circulation rate base, this time by 100,000 to a new high of 4.5 million copies a week.

Sports Illustrated retained its fourth-place rank in ad revenues with a solid increase from $154 million to $163 million. Supported by record editorial coverage and a number of journalistic scoops, *SI* increased its circulation rate base by 75,000 to 2,325,000 and raised its subscription price from $36 to $41 a year.

People's advertising growth continued, rising from $136 million to $159 million, which placed it fifth among all magazines. *People* also lifted its rate base by 75,000 to 2,425,000 and its cover price from 95 cents to $1.25.

Fortune, in its fifth year as a biweekly, raised its advertising revenues to more than $76 million, while *Life,* our largest monthly, also improved its financial position and announced a rate-base increase of 50,000 to 1,350,000.

Money, which celebrated its tenth anniversary in 1982, made tremendous strides in contributing to the Magazine Group's profits. The personal finance monthly had substantial increases in both advertising and circulation revenues, setting records in both categories. It also made strong pro-

TIME INC. MAGAZINES

	Rate Base *(thousands of copies as of 1/83)*	1982 Gross Advertising Revenues* *(millions)*
Time (worldwide)	5,811	$349.6
Sports Illustrated	2,325	162.9
People	2,425	159.3
Fortune	670	76.2
Money	1,100	32.9
Life	1,300	23.2
Discover	850	9.6

*PIB, Rome Report, and MAC estimates

gress in gaining subscribers and newsstand buyers, boosting its rate base from 875,000 to 950,000 in January, to 1 million at midyear, and to 1,100,000 in January 1983.

Discover achieved its goal of becoming the largest circulation science magazine in the country when it raised its rate base to 850,000 early in 1983. Equally impressive, *Discover* increased its advertising revenues last year by 82 percent.

Evolution and Innovation

The Company's magazines are continually evolving and improving to adapt to changes in the world they cover and to anticipate trends of interest to their readers. *Fortune* introduced a new logo—the ninth in its 52-year history—and a new format. The intent of the redesign is to give a clean, bold, well-organized, and clearly recognized character to its editorial material. *Fortune* also added a new department, "The Washington Connection," to report on news from the nation's capital, an area of increasing importance to the business community. In January 1983, *Fortune* brought out a new overseas edition. *Fortune International* will contain most of the articles in the domestic edition, plus an international business section written and reported abroad.

Time magazine recognized the growing impact of electronics by introducing a new section, "Computers," to keep its readers informed of the changes, sociological as well as technological, that computers are bringing to our society.

Money issued its first single-subject publication, a special guide to IRAs. Sold primarily on newsstands, *Money's* comprehensive guide to Individual Retirement Accounts was well received by readers.

Sports Illustrated published a special issue devoted entirely to a preview of the college and professional football seasons. It set single-issue records for advertising revenues and newsstand sales.

Discover's most visible new venture has been a syndicated television show entitled *"Discover:* The World of Science," with Peter Graves as host. It has been lauded by television critics and has found a receptive audience.

For all our magazines, 1982 saw a substantial reduction in physical costs resulting from the Company's ability to take advantage of new technologies and aggressively carry out cost savings programs. The Corporate Manufacturing and

Sports Illustrated *writer transmits story from hotel room directly to New York computer.*

Distribution Division increased the electronic transmission of our magazines' editorial material and four-color graphics to printing plants around the world, further shortening the time between editors' pencils and the delivery of magazines to readers. The Company also achieved substantial cost reductions and other efficiencies by completing the transition from letterpress to offset printing for our weekly magazines. These changes enhanced color printing quality, permitted the use of more editorial color, and allowed for later editorial deadlines at efficient cost and with on-time delivery.

TV-Cable Week

Our magazines are in excellent financial health and we expect that they will grow vigorously in the coming years. But to ensure future growth, the Company is always investigating new magazine ideas and intends to continue to invent new publications. We believe that *TV-Cable Week*, our latest publishing venture, is the right idea at the right time.

TV-Cable Week will first appear in April in a few selected cable television systems. It is designed to provide cable viewers with a weekly 64-page program listing that is tailored for individual cable systems, coupled with 32 pages of feature articles on television personalities, news, sports, and specials. It will be marketed by cable system operators and will carry both local and national advertising. No such cable TV magazine exists at present, and our surveys of both

Fortune *redesigned its format for the ninth time since its 1930 launch.*

Money *celebrated its tenth anniversary with a promotional revue that toured the country.*

cable viewers and system operators indicate a wide demand for one.

The potential market for *TV-Cable Week* is quite large and growing rapidly. There are more than 5,000 cable systems serving over 27 million subscribers in the U.S., a number that is expected to reach 58 million by the end of this decade. As a result, we believe that within ten years *TV-Cable Week* could become Time Inc.'s largest magazine in terms of both subscribers and revenues.

TV-Cable Week is a vastly different kind of publishing enterprise from our other magazines. It marks the Company's entry into data-based publishing and is our most ambitious publishing venture to date. Because a separate edition will be created for each cable system, publishing the magazine will be a very complex logistical operation. In effect, the start-up of each new edition will be like a magazine launch in microcosm. Time Inc.'s determination to make this new venture succeed can be measured by its declared intention to spend as much as $100 million in pretax dollars during *TV-Cable Week*'s first five years.

Outlook

Time Inc.'s magazine publishing operations are in their sixty-first year, yet they remain youthful, with unlimited potential for growth. We are constantly refining—and sometimes reinventing—our magazines to anticipate changes in society and the shifting needs of our readers. New technologies not only offer more efficient ways of producing our existing magazines but also create opportunities for publishing initiatives. We now have a small full-time staff responsible exclusively for exploring new magazine possibilities. Thus prepared, we believe that the Magazine Group is poised for a period of continuing growth and significant contributions to the Company.

Time Distribution Services representative checks magazines displayed at supermarket check-out counter.

BOOKS GROUP

The Books Group consists of Time-Life Books Inc., which is engaged primarily in the creation and marketing of book series for distribution by mail; Little, Brown and Company, the 146-year old Boston publishing firm; and Book-of-the-Month Club, acquired in 1977. Of the three, only Book-of-the-Month had a good earnings year in 1982, and for the Books Group as a whole, operating income declined sharply for the second year in a row.

A number of circumstances contributed to the continuing difficulties of book operations. The weakness of the economy damaged book sales generally, and the softness of most foreign currencies in relation to the dollar seriously curtailed the dollar value of foreign book sales, which now account for about a third of the Books Group's total revenues. As a result, although the Time Inc. Books Group is probably the largest book publishing operation in the world, with revenues of nearly half a billion dollars, the group contributed little to Time Inc.'s operating income in 1982.

Time-Life Books

Time-Life Books Inc., which is by far the largest entity in the Books Group in terms of revenues, faced the largest problems. Although it sold more than 20 million books in the U.S. last year and over 10 million books in foreign markets, TLB operated at a loss in 1982. The reduction in unit and dollar sales was not offset by a commensurate reduction in operating costs.

To rectify this situation and cope with problems that had become apparent in 1981, a major reorganization, including new management of this important subsidiary, has been undertaken. Efforts to reduce editorial, marketing, and production costs were redoubled in 1982 and these measures are continuing this year. In addition, a great deal more market research is being conducted in an effort to position our book offerings better in today's market.

The number of book series being actively marketed by TLB, for example, has been reduced from 25 to 12. New products other than books are under consideration as possible commodities to be marketed through our worldwide direct-mail organization.

TLB's problems were compounded by circumstances in the international marketplace. Its extensive operation in Mexico, for instance, was badly hurt by the drastic devaluation of the Mexican peso. In Japan sales of books marketed directly to the consumer declined substantially. To improve return on investment abroad, TLB is reviewing all of its foreign activities, and those that do not show long-range promise are being cut back.

Computerized image processor allows TLB artist to change car color and alter details (e.g., eliminate license plate) without touching the original photo.

Despite these difficulties, TLB continues to be a major force in the book publishing field. Last year it introduced 58 new titles, bringing its total list since 1961 to 770 books. It also launched two new series in 1982: *Planet Earth* in the domestic and international markets and *Peoples of the Wild* in the international market only.

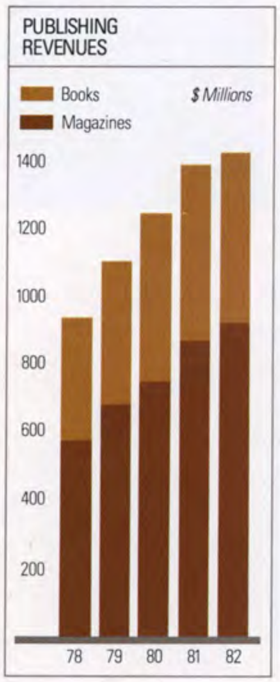
TLB is making a determined effort to reduce costs and to improve its financial performance. It is also adopting new technology. For example, an image processing system has been purchased to produce four-color film separations. This system is entirely electronic and completely computerized, with the result that all pre-plating functions previously performed by hand, such as cutting, pasting, and stripping in, are now performed electronically.

The year 1983 should produce some positive results with the introduction of two new series for the U.S. market. Time-Life Books will launch its latest series, *Civil War*; and Time-Life Music (formerly known as Time-Life Records) will introduce a new series on *The Big Bands*.

BOMC

The Book-of-the-Month Club fared far better than its sister book companies last year, perhaps because its members tend not to be swayed by

The Book-of-the-Month Club editorial board meets monthly to select books to be offered members. From left: David W. McCullough, John K. Hutchens, Clifton Fadiman, Mordecai Richler, Wilfrid Sheed.



the vicissitudes of the economic cycle. Studies show that 20 percent of the population buys 80 percent of all books sold, and BOMC members fall within this heavy reader category. Last year BOMC achieved the highest net sales and earnings in its 56-year history.

BOMC also continued to play an increasingly important role in the distribution of softcover books. Its Quality Paperback Book Club, the only general interest softcover club in the country, grew to a membership of close to 250,000, and the main club itself began offering members a choice between hardcover and softcover editions of selected titles.

As usual, BOMC offered its members nearly all the important prize-winning books of the year, including four Pulitzer Prize-winners. BOMC's bestseller in 1982 was James Michener's new novel, *Space*.

Benefitting from the new interest in science, BOMC's youngest book club (of the six operated by the company) increased its membership again in 1982. Book-of-the-Month Club/Science, launched only two years ago, is expected to begin contributing to BOMC's profits in 1983, a remarkable performance for a new book club.

Little, Brown

Little, Brown did not escape the impact of the depressed book market. A leading publisher of law, medical, and college textbooks, as well as one of the oldest U.S. publishers of fiction and nonfiction for both adults and children, Little, Brown had record revenues in 1982. Profit margins were squeezed, however, and income was lower than in 1981.

Little, Brown's publishing schedule for 1983 is strong and includes such potential bestsellers as a new novel by Norman Mailer and William Manchester's first volume on Winston Churchill. Although Little, Brown expects the conventional trade book market to remain relatively weak this year, it anticipates that the college textbook and medical markets will expand.

Other Publishing Activities

In addition to magazine and book publishing, Time Inc. currently engages in two other semi-related ventures. One is a very successful information service for manufacturing and packaging clients who market their products through retail grocery stores, and the other a group of weekly newspapers in the Chicago suburbs.

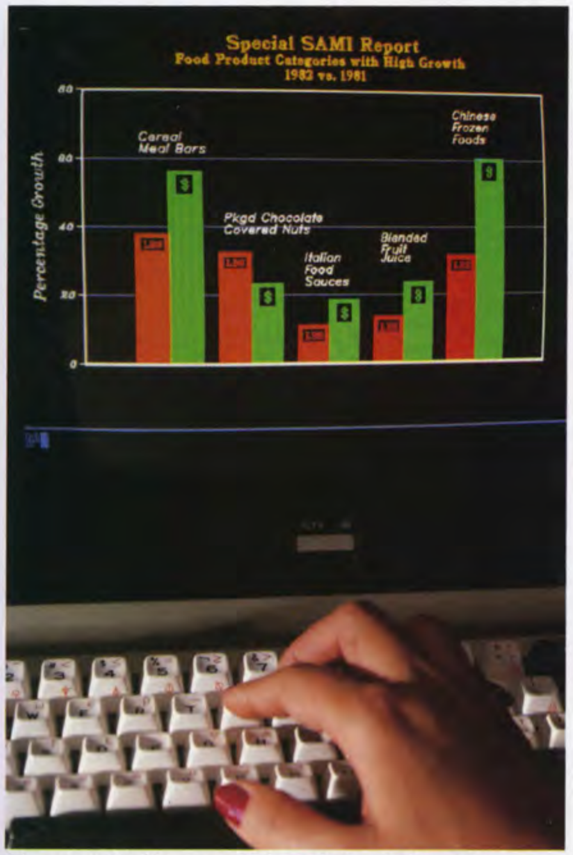
Since its launch in 1966, Selling Areas-Marketing, Inc. (SAMI), our marketing information subsidiary, has increased its sales every year. Last year was no exception. SAMI supplies millions of pages of computerized sales reports and related data to its clients each year. The information is derived by monitoring the withdrawal of products from warehouses and is supplied to SAMI by grocery chains and wholesalers. In 1982 SAMI added three more metropolitan markets to its coverage area, increasing

Little, Brown, publisher of trade and professional books, is experimenting with new publishing forms, including cardboard "Build It Yourself" books.

the number of markets covered to 45, representing 83 percent of national food store sales.

SAMI also offers its clients a number of related services to assist them in their marketing efforts. SARDI, which is an acronym for SAMI Retail Distribution Index, provides clients with information on product availability within specific markets. SARDI's revenues increased 36 percent last year. Another service, SAMI Market Segmentation Services, launched in 1980, allows manufacturers to measure the performance of their brands within 49 geographic subdivisions of 21 SAMI markets and 20 ethnic subdivisions of 17 SAMI markets. This service more than doubled its revenues last year. SAMSCAN, another new service that monitors sales at stores equipped with electronic scanning devices, also doubled its revenues in 1982.

In order to improve its service to its clients, SAMI last year began an extensive modification of its computer software system. Scheduled for completion in 1984, this system will put SAMI's entire data bank of information "on-line" for faster and more flexible access.



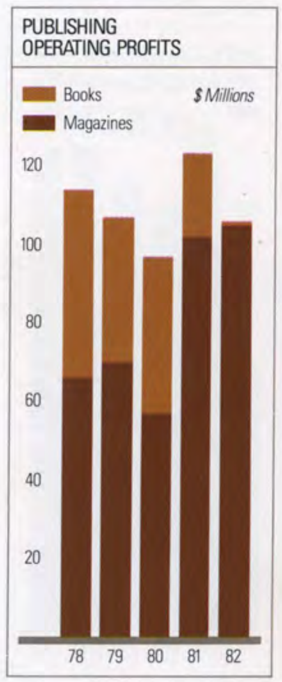
Time Inc.'s highly successful marketing information company, SAMI, has added computer-accessed graphic displays to its customer services.

Time Inc.'s weekly papers in the Chicago suburbs are published by Pioneer Press. Two more of these community papers were launched in 1982, increasing their number to 29 and total circulation to 163,443. In June, Pioneer Press launched a new, quarterly magazine called *Q*, which covers civic, cultural, and social events in the Chicago suburbs for a relatively high-income audience. Pioneer also further computerized its operations. There are now 100 terminals in 11 local offices, an arrangement that provides Pioneer with high local visibility together with the efficiencies of centralized production and management.

FOREST PRODUCTS

Time Inc.'s forest products operations are conducted by two wholly-owned subsidiaries, Temple-Eastex Incorporated of Diboll, Texas, and Inland Container Corporation of Indianapolis, Indiana. Temple-Eastex is a producer of pulp, paperboard, and building materials, while Inland is a major manufacturer of containers and containerboard.

Nineteen eighty-two was a dismal year for the $125 billion forest products industry. Recession and high interest rates combined to hold homebuilding to 1,100,000 units, less than half the number of houses built as recently as 1978. Paper manufacturing, normally countercyclical to

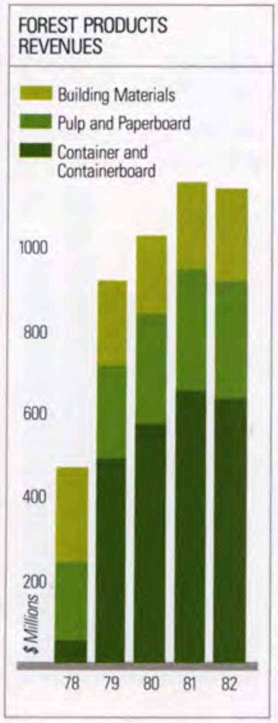


REVIEW OF OPERATIONS

Temple-Eastex uses powerful shears to thin its tree farms and increase timberland yields.

homebuilding, also succumbed to the recession in the second half of 1982, and, nationally, paperboard and packaging production were down about 6 percent each.

With many forest products companies reporting losses and some even shutting down, it was remarkable that all of Time Inc.'s forest products operations managed to earn profits in 1982. They did so primarily by increasing productivity and improving manpower usage.



Temple-Eastex

The Temple-Eastex divisions had an exceptionally depressed business climate to contend with. Pulp and paperboard sales volume was slightly higher than in 1981, but the average sales prices of our paper products were down about 5 percent and unit costs were up over 6 percent. As a result, profits were off 54 percent as compared with 1981. In 1982 the paperboard segment of the paper industry operated at only 82 percent of capacity as compared with 91 percent in 1981. However, one of the strengths of our paperboard operations is their versatility. Consequently, instead of cutting production when demand for their usual product grades slackened, they were able to switch to other product grades and continue to operate at full capacity.

The Temple-Eastex building products divisions had only slightly higher revenues than in 1981, but they, too, succeeded in staying in the black last year, partially by recovering more fiber from harvested trees and by more efficient use of manpower. A new log handling system was completed last year at the mill in Pineland, Texas, for example. This system is increasing fiber yield from harvested timber at the mill by more than 15 percent. Computer-programmed to scan up to 150 logs per hour, the linear wood processor sorts logs for conversion into plywood or lumber for the Pineland mill, or into chips for the pulp and paperboard operations in Evadale, Texas. The processor can handle logs up to 75 feet in length, including topwood that was previously left in the forest, thus further reducing our need to buy pulpwood from outside sources.

The installation of new lathe chargers at the Pineland mill has increased the plywood veneer output of the mill by 10 percent. Computer positioning of each log at the optimum location on the lathe provides maximum veneer yield. This new charger system has reduced the volume of log consumption at Pineland and reduced costs by more than $2 million a year.

Manpower adjustments at our building products and forest operations should produce additional savings of more than $5 million annually. Using Pineland as an example, we turned out approximately the same volume of product there last year as in 1980, but with 26 percent fewer man-hours of labor.

The cost of energy and chemicals used in both our pulp and paper and building materials operations continued to escalate during the year. However, by converting to alternative fuel sources and resorting to aggressive cost control we were able to realize significant savings. Temple-Eastex is maintaining a continuous audit of energy consumption and exploring other economic alternatives to existing energy sources.

The best performance among Temple-Eastex subsidiaries in 1982 was turned in by Lumbermen's Investment Corporation (LIC). This financial services company reported a substantial increase in operating income over 1981.

In December, LIC acquired the Great American Reserve Insurance Company. This company markets life and health insurance, is licensed in 48 states, and has assets of $215 million. Its acquisition represents a new expansion into the life insurance business and is a logical expansion of our financial services activities.

Inland Container

Inland Container Corporation is one of the four largest corrugated and containerboard manufacturing companies in the U.S. Virtually every item manufactured in the U.S. is shipped in a corrugated container at some time in its life cycle, and Inland accounts for approximately 6 percent of the total U.S. corrugated market.

Inland is a fully integrated packaging company with timberlands, containerboard mills, box plants, and lumber and plywood mills. It also owns Rexford Paper Company, a tape manufacturing facility, and Anderson Box Company, which markets a complete line of packaging materials to the agricultural industry.

Georgia Kraft Company, which is 50 percent owned by Inland, converts trees to lumber, plywood, and chips. The chips are used to produce linerboard on five paper machines at three large Georgia Kraft mills. The linerboard is then sent to Inland's box plants where it is converted into custom-made shipping containers for a wide variety of customers. Georgia Kraft also provides Inland with an excellent land base through its ownership of approximately one million acres of timberland in Georgia and Alabama.

In addition to the Georgia Kraft mills, Inland gets corrugating medium from its own mills at Newport, Indiana, Newark, California, and New Johnsonville, Tennessee. The Newport and Newark mills recycle old corrugated boxes into corrugating medium while the New Johnsonville mill uses a combination of wood and old corrugated. The containerboard produced by these mills is shipped to our 28 box plants strategically located throughout the United States. It is also sold to other box plants in the U.S. and abroad.

The Georgia Kraft and Inland mills produced at record levels in 1982. Industry shipments were down 4.6 percent. But, while Inland's shipments were almost equal to 1981, selling prices declined substantially. Even though we did a good job of containing costs, they did increase. As a result, profit margins were dramatically reduced and Inland's earnings declined by approximately 50 percent compared to 1981.

Part of Inland's ability to contain costs can be

Technician inspects corrugated board being formed by corrugator in Inland Container box plant.

directly attributed to earlier investments, especially those in the energy area. For example, at our New Johnsonville mill we have been able to reduce energy costs by more than 50 percent by producing steam from wood wastes rather than by burning oil, gas, or coal.

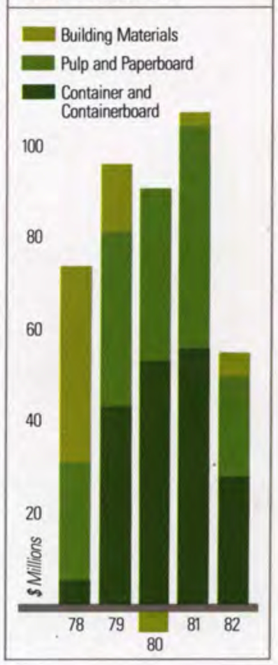
We continued to concentrate our capital expenditures in 1982 on projects designed to increase productivity and improve cost efficiency and thereby maintain Inland's competitiveness. We were particularly pleased with the continued improvement in the operation of our new box plant in Garden City, Kansas, which is making specialized boxes for the meat-packing industry.

In January of 1983, we acquired an additional box plant in Elizabethton, Tennessee, which is ideally located in relation to our paper mills and serves a diversified group of customers.

Late last year, the Eastex Packaging subsidiary, which operates three folding carton plants, was transferred to Inland's management so that the two packaging divisions can benefit from each other's expertise and reputation in the areas of design, manufacturing, and marketing.

Looking ahead, we are hopeful that, as the economy recovers in 1983, the demand for shipping containers will improve. This greater demand should translate directly into improved prices for boxes, which would restore a higher level of profitability to Inland's operations.

FOREST PRODUCTS
OPERATING PROFITS



LIFE IN THE INFORMATION AGE

Henry A. Grunwald, *editor-in-chief*

On the occasion of TIME's 60th anniversary, we present a look at the environment in which the information industry, including Time Inc., is likely to operate in the future.

Communication is civilization. How people pass information to one another largely determines how they conduct their lives and organize their societies. In the last few decades, the Information Revolution has transformed civilization almost as dramatically as the Industrial Revolution and may bring about even more profound changes. The Machine Age immensely magnified man's power to work; it was a nearly limitless extension of the human body. The Information Age is immensely magnifying man's power to think; it is an almost limitless extension of the human brain. As *Time* said in its "Machine-of-the-Year" cover story about the computer: "The world will never be the same."

The future of communications centers on networks of computers linked by cables, microwaves, satellites, and optical fibers. They might be called telecomputers. The outlines of what they can accomplish are already familiar and the picture borders on science fiction. Households wired into an interactive system. Home shopping, banking, and studying. Access to every sort of information service, from community bulletin boards to electronic encyclopedias. Emergency hot-lines for drugs and health risks, self-diagnosis via computer. Teleconferencing, laser discs, voice-activated typewriters. Entertainment on demand from film and music libraries. Not everything will be developed at once, of course; the pace, as usual, will depend on demand and hence on chances for profit. But the technology is already available and being used, at least experimentally.

What will this cocoon of information, this cloud of signals enveloping the home, mean to our society? As the science writer Isaac Asimov has observed, the big thing to predict is not the automobile but the parking problem, not radio but soap operas, not the income tax but expense accounts, not the Bomb but the arms race.

The economic consequences will be gigantic. In the past decade the growth of electronic communications has outstripped manufacturing by a factor of six to one—similar growth is projected into the 1990's. The dividing lines between various parts of the information business will continue to blur (computer companies eyeing telecommunications, publishers moving into computer software). About half of working Americans now earn their living as knowledge workers. That percentage is expected to rise.

Will the new technologies destroy old jobs? Obviously, yes. But new and different ones will be created. For all the file clerks and typists and bookkeepers, and perhaps even editors, who will be displaced by telecomputers, other workers will be required to design and manufacture and program and run those systems. But this will not happen by itself; the new workers will have to be intensively trained. Older communications technologies will have to adapt, but they should be able to coexist with the new ones.

Not only will the communications industry itself flourish, but business in general will be greatly enhanced by the Information Revolution. Automation, after all, is a form of communication. New flexible manufacturing systems, with computer-controlled machine tools, robots, and remotely-guided carts, can turn out goods cheaply even in small quantities, allowing swift changes in design and in product.

Electronic money already moves instantly from continent to continent, in a new sort of financial market. The general marketplace will probably change, too. Home computers might be programmed to shop for the best price of a given product at a given time, creating a vast new "mega market" that will be far more sensitive and flexible than anything known today.

Beyond economics, the most profound changes will be psychological and social. The telecomputer will further destroy distance. Linking home to office, or office to office, could make it possible to work from home (great for mothers of small children) and save untold amounts of commuting

and travel. But it could also create a greater sense of isolation, as people miss the community of office life. If "telework" does catch on, there will be a search for new ways of getting out of the house through sports or play. People will seek new groups to join—perhaps through computer networks—for the camaraderie once found in the workplace.

In addition to destroying distance, the telecomputer will also further destroy time. We shall be increasingly accustomed to getting instant answers and action. Despite the obvious advantages, we should remember that in most situations—whether in shopping or in diplomacy or in war—delay can be useful, allowing for reflection. The absence of delay will create new risks.

The telecomputer will further destroy our sense of limits, arousing new expectations and offering a vast number of choices. This could be unsettling: most people do not really want unlimited choices and they may well prefer preselected and pre-digested packages. But the perception of variety may also create a new sense of freedom and human possibilities.

The telecomputer will further threaten the individual's privacy as well as a nation's security, since codified and centralized information is more readily accessible and no computer is safe from information theft. This threat will be reduced and access will be controlled through the use of passwords, scramblers, and other techniques. New legal frameworks for these controls will probably be sought both domestically and internationally. Moreover, as it becomes ever more obvious that information is wealth, nations will increasingly attempt to control the flow of information across their frontiers, which raises the specter of a kind of knowledge protectionism.

Most organizations, including businesses, may well become more decentralized as people up and down the hierarchy have access to computerized information and hence to control. At one big corporation, an employee started feeding his own complaints about the company into the electronic mail, and got a lot of sympathetic responses from fellow workers on the computer network, to the annoyance of the management. On the other hand, by enabling a boss to get information directly without having to rely on staff or department heads, the computer can also strengthen central control.

In politics we have already seen that television helped diminish the power of political parties by allowing candidates to appeal directly to the electorate. Going far beyond this, the telecomputer could enable political leaders to poll citizens on any issue any time, circumventing elected legislators and in effect ruling by instant referendum. This could mean a decline of representative government, a kind of impulsive, knee-jerk democracy. One can only hope that this danger will be recognized and resisted.

The threat of fragmentation goes beyond politics. The first breakthrough in communications technology was written language, which led away from oral tradition and the tribe. The spread of print continued that process by strengthening individualism—reading a book was (and is) a solitary act. Marshall McLuhan believed that electronic communications, enabling everybody to talk and listen to everybody else, were recreating the oral tradition and leading to a kind of global village. But we have gone beyond that point. Radio and television could not differentiate among the audience; cable and the telecomputer do differentiate and can serve special groups or interests, no matter how small. Thus in effect they create new tribes. The global village and even the national village may well break into fragments.

The most far reaching consequences are bound to be intellectual. The telecomputer linked to data bases will further move education out of the classroom and knowledge out of the library by putting huge stores of information at everyone's fingertips.

Truly everyone's? There is some worry that computers and the skill to use them will not be available to all. The result could be an ever greater split between an information aristocracy and everyone else, between a knowledge elite and a knowledgeless underclass. A more hopeful, if not wholly convincing, prediction is that the telecomputer will help close the educational gaps between the privileged and the underprivileged, between the city and the country, between the developed and the underdeveloped nations. However, the computer is not magic; to use it, basic intellectual skills are needed. Above all, no computer can instill in people the will to learn.

One of the results of Gutenberg's invention of movable type was to make the Bible available to all, thus helping to destroy the monopoly of religious knowledge held by priests and indirectly leading to the Reformation. Similarly the spread of knowledge through the telecomputer may diminish the monopoly of knowledge held by educators, scientists, lawyers, and other experts, reducing the power of authoritative professions.

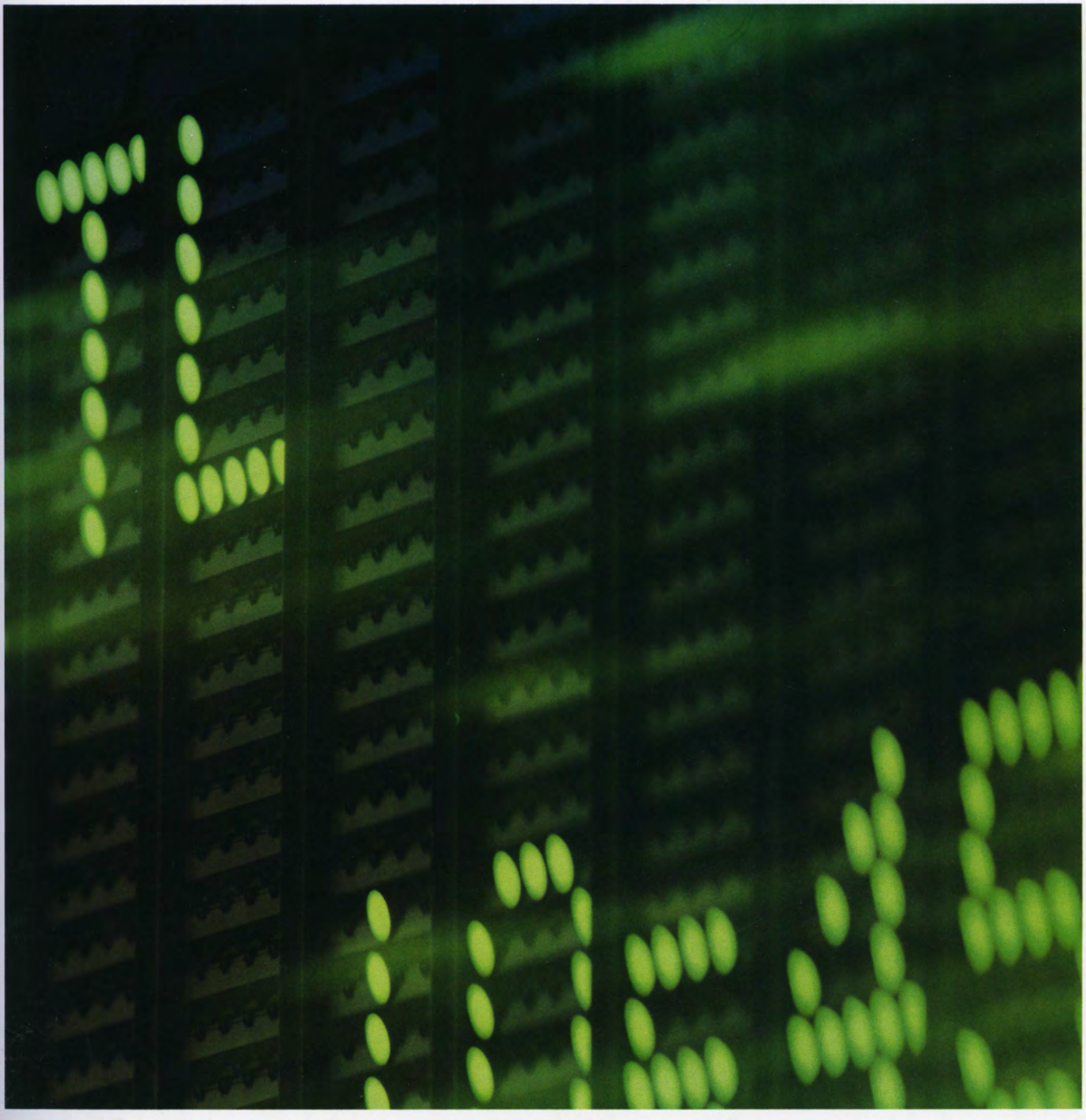
But a society in which all authority is diffused cannot function. Paraphrasing T.S. Eliot, we must remember that information is not knowledge and knowledge is not wisdom. The computer will be of immense help sorting out information (some scientists today say that it takes less time to do an experiment than to find out whether or not it has already been done). But many fear that the computer itself will also contribute to the flood of data, recalling the worry expressed by the philosopher Leibnitz in 1690 that "the horrible mass of books" would uselessly exhaust people's curiosity.

The benefits promised by the Information Revolution by far outweigh the potential dangers. But it still will take human judgment to find a way through the maelstrom of facts and figures, to know which questions to ask and which buttons to push. This will probably take not specialists or experts so much as a new breed of generalists. At least some of them will be journalists, and their task will be significant. For the old challenge "Who guards the guardians?" may well be supplemented by "Who computes the computers?"

Henry A. Grunwald

FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

"During 1982, the ratio of long-term debt to total capitalization improved because the Company was able to reduce its overall debt level."

Results of Operations

During 1982, Time Inc.'s revenues and net income rose, but income from continuing operations declined as compared with 1981. Management's Discussion and Analysis of the financial results over the past three years follows.

The Company's income from continuing operations declined to $156.1 million, or $2.50 per share on revenues of $3.6 billion in 1982. This compares with $184.6 million, or $3.02 per share on revenues of $3.3 billion last year. The 1982 results reflect lower operating profits from book publishing and forest products operations; the unfavorable impact of the devaluation of the peso on book operations in Mexico; and greater than anticipated losses from subscription television operations. These negative factors were partially offset by gains in pay television and cable television operations and the continued strength of magazine operations.

In the previous year, 1981, income from continuing operations was up 14 percent as compared with 1980, mainly due to strong gains in magazine publishing, video and forest products operations. These gains more than offset the decline in book publishing operating profits, developmental expenses for subscription television, a reduction in capital gains, and foreign currency translation losses.

The Company's effective tax rate on income from continuing operations was 35.7 percent in 1982 compared to 37.9 percent in 1981 and 38.7 percent in 1980. Although the amount of 1982 investment tax credits was slightly lower than the 1981 level, the relative effect of these credits on lower 1982 taxable income resulted in a decline in the effective rate compared to the prior year.

In 1982, the Company adopted the functional currency approach for the translation of foreign operations, in accordance with requirements of the Financial Accounting Standards Board. The functional currency used to account for the Company's foreign magazine operations and for book operations in Mexico is the U.S. dollar. The local currency is the functional currency for most other foreign book operations. The effect of the adoption of this accounting standard was not significant to the results of operations in 1982, and, if adopted retroactively, would not have a significant impact on 1981 or 1980 earnings.

During 1982, the Company continued to engage in developmental activities in magazine and video operations. The pre-publication costs of *TV-Cable Week* and other magazine development projects are included in the Magazine Group's operating results. The costs of teletext market research and the operating loss from the Company's wholly-owned subscription television operation in Cleveland are included in the determination of the Video Group's operating profit. The Company's equity in losses from its joint ventures in sub-

COMMON STOCK PRICES AND DIVIDEND COMPARISON 1982 and 1981

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

PRICE RANGE		High	Low
1982	First Quarter	38⅝	32¼
	Second Quarter	37¼	27⅝
	Third Quarter	38⅞	25½
	Fourth Quarter	52⅜	35½
	YEAR	**52⅜**	**25½**
1981	First Quarter	33 13/16	26⅝
	Second Quarter	41¼	32 9/16
	Third Quarter	39 15/16	32⅛
	Fourth Quarter	41⅜	33 11/16
	YEAR	**41⅜**	**26⅝**
DIVIDENDS		1982	1981
	First Quarter	$ .25	$ .225
	Second Quarter	.25	.225
	Third Quarter	.25	.25
	Fourth Quarter	.25	.25
	YEAR	**$1.00**	**$ .95**

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

The number of common shareholders of record as of February 15, 1983 was 15,626.

scription television operations in Dallas and Boston are included in "Corporate and Other Income and Expense" in the Lines of Business Table.

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*, *Sports Illustrated*, *People*, *Fortune*, *Money*, *Life* and *Discover*.

Magazine revenues and operating profits reached record levels in 1982, reflecting gains of 8 percent in both advertising and circulation revenues. The larger increase in the Magazine Group's operating profit in 1981 compared to 1980 was due to gains of 18 percent in advertising revenues and 14 percent in circulation revenues. The gains in 1982 primarily reflect price increases, while a combination of price and volume increases resulted in the 1981 gains.

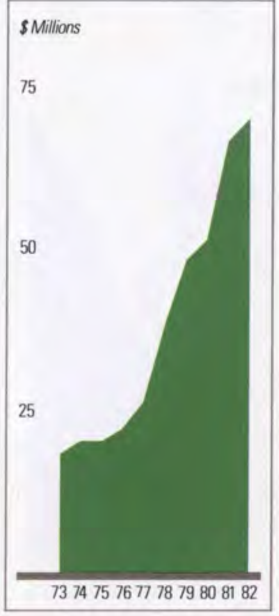
In August 1982, the Company announced that *TV-Cable Week*, a new magazine, would begin publication in early 1983. Since *TV-Cable Week* will be tailored to the specific needs of individual cable television systems, it is expected to incur larger start-up costs than any of the Company's previously launched magazines. Pre-tax developmental losses are estimated to total approximately $100 million over the next several years. However, management believes *TV-Cable Week* has the potential of becoming the Company's largest magazine.

Book Publishing

Book publishing operations include Time-Life Books, Book-of-the-Month Club, and Little, Brown and Company.

During 1982, Time-Life Books continued to suffer from substantially reduced demand for its products in the U.S., while its overseas operations were adversely affected by unfavorable foreign exchange rates and weakness in

TOTAL DIVIDENDS PAID



international markets. These factors and the costs of restructuring Time-Life Books' operation resulted in a fourth quarter loss. In addition, the effect of the devaluation of the Mexican peso on foreign book operations in the fourth quarter accounted for approximately one-half of the Company's entire foreign currency loss for 1982.

The year before, in 1981, these factors plus the disappointing sales of a major new series of Time-Life Books in the U.S. depressed overall book publishing operating profits compared with 1980.

Time-Life Books is reassessing its marketing and editorial policies in an attempt to better anticipate the needs of the book buying public and is reducing the overall size of its operations as part of a plan to improve profit margins.

Video

Video earnings continued to rise dramatically in 1982. Video operations now include Home Box Office and Cinemax, pay television programming networks; American Television and Communications, a cable television system operating company; and WOTV, a television station. During 1982, the Company entered into an agreement to sell WOTV, and this sale is expected to be completed in 1983.

The Video Group's operating profits increased 33 percent over the preceding years in both 1982 and 1981. Strong subscriber growth in both pay television and cable television operations were responsible for these increases. HBO and Cinemax continued their vigorous growth and now serve 11.5 million and 2 million subscribers, respectively. The growth in ATC's pay TV subscriptions has been even more rapid than the growth of subscribers to its basic cable service. ATC had 2.1 million basic cable subscribers and more than 1.9 million pay subscriptions at the end of 1982.

Forest Products

The Company's forest products operations include the manufacture of container and con-

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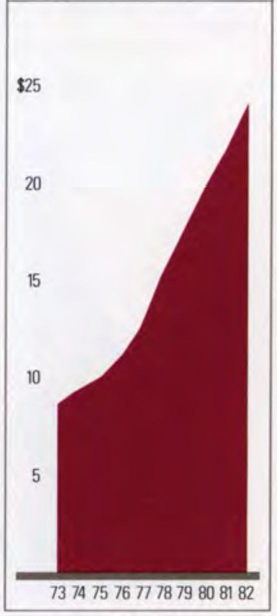
tainerboard, pulp and paperboard, and building products.

In 1982, the volume of container sales was up from the prior year, reflecting a full year of sales from two new box plants. However, significantly lower market prices resulted in declines of revenues and operating profits. The growth in container and containerboard revenues from 1980 to 1981, reflecting both price and volume increases, was partially offset by higher production and material costs.

Operating profits for pulp and paperboard were down sharply in 1982 from the preceding year. Tonnage shipped in 1982 increased about 3 percent from the 1981 level but revenues and operating profits fell, reflecting severe price competition. The increase in revenues and operating profits in 1981 over the preceding year was a result of both price increases and the favorable impact of the completion of a modernization program at the paper mill.

SHAREHOLDER'S EQUITY PER COMMON SHARE



Building products operated at close to break-even levels in 1980, 1981 and 1982 despite the depressed level of housing starts during those years. This business is extremely sensitive to fluctuations in mortgage interest rates which have been very high in recent years. At the close of 1982, however, mortgage interest rates began to ease.

The results of forest products operations in 1982 also reflect lower income from the leasing of mineral rights on the Company's Texas timberlands. This income reached a peak in 1981.

Other Activities

The Company's other activities include Selling Areas-Marketing, Inc. (SAMI), which markets computer-generated information on the sales flow of food products; Pioneer Press, which has 29 weekly suburban Chicago publi-

SELECTED FINANCIAL DATA

Time Incorporated and Subsidiaries *(in millions except for per share amounts)*	1982	1981
Revenues from continuing operations	**$3,564**	$3,296
Income from continuing operations before extraordinary items	**156**	185
Discontinued operations, net of taxes**	**(3)**	(36)
Net income	**153**	149
Total assets	**2,896**	2,755
Long-term debt	**462**	489
Redeemable preferred stock	**116**	151
Shareholders' equity	**1,360**	1,223
Dividends per common share	**$1.00**	$.95
Income from continuing operations as a % of revenues	**4.4%**	5.6%
Return on average equity	**11.9%**	13.9%
Total debt as a % of capitalization	**25.2%**	27.8%
Dividend payout	**45.4%**	44.5%
Earnings per share—fully diluted		
Income from continuing operations before extraordinary items	**$2.50**	$3.02
Net income	**$2.45**	$2.43
Average shares outstanding (000)	**63,010**	61,339

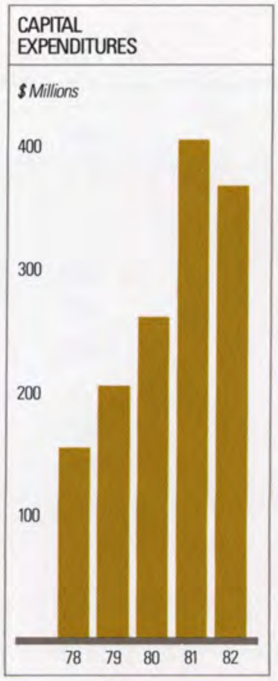
*Inland Container Corporation and American Television and Communications Corporation were acquired on November 14, 1978.
**Applies to *The Washington Star* and Time-Life Films.
See Notes to Financial Statements, and Management's Discussion and Analysis.

cations; Temple Associates, a construction firm; and several real estate and land development activities. Operating profits of these "other activities" were up in 1982 and 1981 from the preceding years, principally reflecting strong operating results from SAMI.

Financial Condition

A number of ratios and other comparisons derived from financial statements are ordinarily used to measure the ability of a company to meet its financial obligations. 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. The Company's cash flow from the normal turnover of current assets has been adequate to meet its near-term obligations. Working capital was $323 million, $446 million and $403 million, at December 31, 1982, 1981 and 1980, respectively.



Longer-term measures of liquidity usually center upon the relationship of a company's long-term debt to other balance sheet components. Time Inc.'s working capital as a percentage of its long-term debt was 70 percent, 91 percent and 86 percent at December 31, 1982, 1981 and 1980, respectively. The ratio of long-term debt to total capitalization was 24 percent, 26 percent and 29 percent at December 31, 1982, 1981 and 1980, respectively.

The reduction in working capital and its ratio to long-term debt during 1982, primarily reflects the effect of restructuring Time-Life Books' operations. As part of this reorganization, efforts have been made to shrink less successful activities, and reduce book inventories

(Continued on page 32)

1980	1979	1978*	1977	1976	1975	1974	1973
$2,800	$2,417	$1,636	$1,238	$1,034	$907	$822	$725
162	152	123	91	67	45	50	50
(21)	(8)	(4)	—	—	—	—	—
141	144	126	91	67	45	50	48
2,323	2,063	1,769	1,053	866	760	745	690
470	413	264	128	138	118	125	110
208	230	230	33	—	—	—	—
919	795	695	519	450	398	371	356
$.8825	$.81	$.725	$.6313	$.5375	$.50	$.50	$.475
5.8%	6.3%	7.5%	7.4%	6.5%	5.0%	6.1%	6.9%
16.5%	19.3%	20.7%	18.7%	15.8%	11.7%	13.8%	13.9%
31.0%	30.8%	24.6%	20.0%	24.3%	23.9%	28.2%	25.0%
36.4%	33.2%	26.3%	28.4%	32.4%	44.3%	39.8%	37.4%
$2.88	$2.72	$2.74	$2.19	$1.66	$1.13	$1.25	$1.20
$2.51	$2.57	$2.81	$2.19	$1.66	$1.13	$1.25	$1.14
56,294	55,916	44,794	41,392	40,384	39,898	40,124	41,520

FINANCIAL REVIEW

LINES OF BUSINESS

Time Incorporated and Subsidiaries *For years ended December 31*	1982	1981	1980	1979	1978
			(in millions)		
Revenues					
Publishing:					
Magazines	**$ 941**	$ 870	$ 747	$ 680	$ 572
Books	**485**	519	498	425	361
Total Publishing	**1,426**	1,389	1,245	1,105	933
Forest Products:					
Container and containerboard	**637**	657	579	495	55
Pulp and paperboard	**285**	295	263	222	190
Building products	**225**	210	193	209	226
Total Forest Products	**1,147**	1,162	1,035	926	471
Video	**864**	618	410	272	120
Other Activities	**127**	127	110	114	112
Total Revenues	**$3,564**	$3,296	$2,800	$2,417	$1,636
Income From Continuing Operations Before Taxes					
Publishing:					
Magazines	**$ 105**	$ 102	$ 57	$ 70	$ 66
Books	**1**	21	40	37	48
Total Publishing	**106**	123	97	107	114
Forest Products:					
Container and containerboard	**28**	56	53	43	5
Pulp and paperboard	**22**	48	38	38	26
Building products	**5**	3	(4)	15	43
Total Forest Products	**55**	107	87	96	74
Video	**166**	123	93	68	25
Other Activities	**29**	23	22	21	19
Operating Profit	**356**	376	299	292	232
Interest expense	**(52)**	(46)	(46)	(34)	(12)
Corporate and other income and expense	**(53)**	(38)	(13)	(11)	1
Foreign currency translation gain (loss)	**(19)**	(8)	—	(3)	3
Gain (loss) on sale of property and equipment	**11**	13	25	5	(2)
Income From Continuing Operations Before Taxes	**$ 243**	$ 297	$ 265	$ 249	$ 222*

*Amount excludes extraordinary credit of $7 million, net of taxes.
Container and Containerboard and Video, respectively, include the activity of Inland Container Corporation and American Television and Communications Corporation from November 14, 1978, the date of their acquisition by the Company. See "Business Segment Information" in Notes to Financial Statements.

		1982	1981	1980
			(in millions)	
Identifiable Assets				
Publishing:	Magazines	$ 119	$ 124	$ 109
	Books	342	453	412
Forest Products:	Container and containerboard	545	522	482
	Pulp and paperboard	319	332	315
	Building products	197	211	195
Video		1,080	863	597
Other Activities		54	54	38
Total		2,656	2,559	2,148
Corporate		96	63	41
Investments in affiliated companies		109	102	67
Net assets of discontinued operations		35	31	67
Total		$2,896	$2,755	$2,323

		1982	1981	1980
Results by Geographic Area				
Revenues:				
U.S.				
Sales to unaffiliated customers		$3,286	$2,968	$2,505
Transfers between geographic areas		12	7	8
		3,298	2,975	2,513
Foreign Countries				
Sales to unaffiliated customers		278	328	295
Transfers between geographic areas		4	4	7
		282	332	302
Eliminations		(16)	(11)	(15)
Total		$3,564	$3,296	$2,800
Operating Profit:	U.S.	$ 327	$ 330	$ 257
	Foreign Countries	29	46	42
	Total	$ 356	$ 376	$ 299
Identifiable Assets:	U.S.	$2,514	$2,312	$1,931
	Foreign Countries	142	247	217
	Total	$2,656	$2,559	$2,148
Liabilities:	U.S.	$1,325	$1,284	$1,103
	Foreign Countries	96	97	93
	Total	$1,421	$1,381	$1,196

FINANCIAL REVIEW

and accounts receivable. During 1982, the ratio of long-term debt to total capitalization improved because the Company was able to reduce its overall debt level.

In 1981, the net proceeds from the sale of 3 million shares of Series C Preferred Stock were used to partially fund the continuing expansion of the Company's video operations. In 1982, the Company called these shares for redemption, substantially all of which were converted into Common Stock.

In December 1982, a non-consolidated subsidiary of the Company obtained bank financing, totalling $70 million, in connection with its purchase of an insurance company.

Capital expenditures over the last three years are shown below:

	1982	1981	1980
		(in thousands)	
Purchase of property and equipment	**$319,000**	$261,000	$237,000
Acquisitions of cable television properties	**—**	92,000	—
Additional investments (primarily video)	**48,000**	51,000	24,000
Total	**$367,000**	$404,000	$261,000

In January 1983, $100 million of 10¾ percent Guaranteed Notes due January 26, 1990, payable in two installments, were sold in the Eurodollar market. The net proceeds of the first installment of $25 million were received on January 26, 1983, and the final installment of $75 million is due on July 26, 1983. This was the first time that the Company had obtained public financing in the Eurodollar market, and management believes that such borrowings offer attractive financing opportunities and flexibility.

"This was the first time that the Company had obtained public financing in the Eurodollar market..."

The proceeds from the Eurodollar offering will be used to help finance the 1983 capital expenditure program, currently estimated to be about $400 million. Approximately 65 percent of these capital expenditures will be used for the continuing expansion of the Company's video operations, principally cable television. The remaining cash requirement for capital expenditures will be financed both from internally generated funds and external sources, including borrowings under or supported by the bank credit facility described below.

The Company has a revolving credit agreement with a group of banks which provides for revolving loans of up to $400 million, convertible on March 1, 1988 to a three-year term loan. This agreement provides additional liquidity and replaces an earlier $250 million revolving credit agreement, which has been used to support the Company's commercial paper borrowings during the last three years.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (Unaudited)

Time Incorporated and Subsidiaries *(in millions except for per share amounts)*	1982 Three Months Ended				1981 Three Months Ended			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**	March 31	June 30	Sept. 30	Dec. 31
Revenues	**$805**	**$907**	**$877**	**$975**	$733	$841	$808	$914
Gross Profit*	**263**	**343**	**305**	**377**	237	318	296	342
Income From Continuing Operations	**28**	**47**	**35**	**46**	41	52	39	53
Discontinued Operations**	**—**	**—**	**—**	**(3)**	(14)	(3)	(19)	—
Net Income	**28**	**47**	**35**	**43**	27	49	20	53
Earnings Per Share:								
Income from Continuing Operations	**$ .45**	**$ .75**	**$ .55**	**$ .73**	$ .68	$ .84	$ .63	$ .86
Discontinued Operations	**—**	**—**	**—**	**(.05)**	(.23)	(.04)	(.31)	—
Net Income	**$ .45**	**$ .75**	**$ .55**	**$ .68**	$ .45	$ .80	$ .32	$ .86

*1981 reclassified
**See "Discontinued Operations" in Notes to Financial Statements. See Management's Discussion and Analysis.

EXECUTIVE APPOINTMENTS

N.J. Nicholas Jr., *Chief Financial Officer*

James O. Heyworth, *Deputy Group Vice President, Video*

Managing Editors (from the left): Richard B. Stolley, *Life;* Patricia Ryan, *People and* Richard A. Burgheim, *TV-Cable Week*

Janine W. Hill, *Assistant Treasurer*

EXECUTIVE APPOINTMENTS

Trygve E. Myhren, *Chairman and Chief Executive Officer, ATC, and* Joseph J. Collins, *President, ATC—both Vice Presidents, Time Inc.*

Carlyle C. Daniel, *Vice President, Time Inc. and President, SAMI, and* David H. Dolben, *Vice President, Time Inc. and Director of Information Systems Group*

Standing left to right: E. Thayer Bigelow, *Vice President and Treasurer;* Richard F. Schnabel, *Assistant Controller; and* Kevin L. Dolan, *Vice President and Controller*
Seated: J. Winston Fowlkes, *Vice President*

Left to right: Harold C. Maxwell, *Group Vice President, Building Products Division;* David L. Ashcraft, *Group Vice President, Pulp and Paperboard Division; and* Russell E. Chase, *Senior Vice President, Pulp and Paperboard Division, all of Temple-Eastex*

Brian Conboy, *Vice President, Government Affairs*

From left to right: Winston H. Cox, *President, HBO Network Group;* Michael J. Fuchs, *President, HBO Entertainment Group; and* Frank J. Biondi Jr., *President and Chief Executive Officer, HBO—all Vice Presidents, Time Inc.*

Peter Gross, *President, Development and Information Services Division, and* Sean McCarthy, *President, Time Video Information Services, Inc.*

EXECUTIVE APPOINTMENTS

Left to right: Daniel E. Zucchi, *Publisher, TV-Cable Week;* Richard B. Thomas, *Vice President and Associate Publisher, Time Magazine;* William M. Kelly Jr., *Publisher, Money; and* Carl G. Jaeger, *Publisher, Discover*

George Constable, *Managing Editor, Time-Life Books, Inc., and* Reginald K. Brack Jr., *Vice President, Time Inc. and President and Chief Executive Officer, Time-Life Books, Inc.*

S. Christopher Meigher III, *Vice President and Director of Circulation, Time Inc., and* Donald L. Spurdle, *President, Time Distribution Services, Inc.*

FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED STATEMENT OF INCOME

Time Incorporated and Subsidiaries
For years ended December 31

	1982	1981*	1980
	(in thousands except for per share amounts)		
Revenues	**$3,564,328**	$3,296,382	$2,800,013
Costs and Expenses			
Editorial, production, manufacturing, and distribution	**2,275,934**	2,103,826	1,816,781
Selling, administrative, and general	**992,211**	866,456	722,682
Total Costs and Expenses	**3,268,145**	2,970,282	2,539,463
Operating Income	**296,183**	326,100	260,550
Other income (expense)—net	**(1,219)**	17,318	49,572
Interest expense	**(52,349)**	(46,350)	(45,549)
Income From Continuing Operations Before Taxes	**242,615**	297,068	264,573
Taxes on income	**86,500**	112,500	102,500
Income From Continuing Operations	**156,115**	184,568	162,073
Discontinued Operations:			
Operating loss—net of income tax credits	—	(9,157)	(20,870)
Provision for loss on disposals—net of income tax credits	**(3,000)**	(26,590)	—
Total Discontinued Operations	**(3,000)**	(35,747)	(20,870)
Net Income	**$ 153,115**	$ 148,821	$ 141,203
Earnings Per Share:			
Income from Continuing Operations	**$2.50**	$3.02	$2.88
Discontinued Operations:			
Operating loss	—	(.15)	(.37)
Provision for loss on disposals	**(.05)**	(.44)	—
Total Discontinued Operations	**(.05)**	(.59)	(.37)
Net Income	**$2.45**	$2.43	$2.51
Average Shares Outstanding	**63,010**	61,339	56,294

*Reclassified

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

CONSOLIDATED BALANCE SHEET

Time Incorporated and Subsidiaries *As of December 31*	1982	1981
	(in thousands)	
ASSETS		
Current Assets		
Cash	$ 19,762	$ 22,280
Short-term securities—at cost (approximately market)	18,946	34,550
Receivables, less allowances of $65,197,000 in 1982 and $67,547,000 in 1981	411,515	422,537
Inventories—at lower of cost or market:		
Work in process and finished goods	137,935	166,404
Paper and other materials	81,880	102,809
Prepaid programming, promotion and other	200,646	203,458
Total Current Assets	870,684	952,038
Investments		
Affiliated companies	108,986	102,328
Others	18,604	11,584
Total Investments	127,590	113,912
Property and Equipment—at cost		
Buildings	179,894	170,329
Machinery and equipment	1,518,958	1,260,596
	1,698,852	1,430,925
Less allowances for depreciation and amortization	(554,699)	(445,476)
	1,144,153	985,449
Timber and timberlands, less depletion	92,937	84,034
Georgia Kraft—mill operating properties and timberlands	241,361	222,923
Land	22,890	17,166
Total Property and Equipment	1,501,341	1,309,572
Cable Television Franchises, less amortization	93,412	97,107
Goodwill, less amortization	127,973	139,894
Other Assets	146,154	111,029
Net Assets of Discontinued Operations	29,183	31,207
TOTAL ASSETS	$2,896,337	$2,754,759

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

	1982	1981*
	(in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 447,782	$ 406,657
Employee compensation and benefits	51,594	45,441
Taxes on income	12,050	14,361
Loans and current portion of long-term debt	36,035	39,375
Total Current Liabilities	547,461	505,834
Unearned Portion of Paid Subscriptions	212,211	192,900
Long-Term Debt	461,634	489,151
Deferred Federal Income Taxes	166,646	155,274
Other Liabilities	32,762	37,843
Redeemable Preferred Stock		
Series B $1.575 Cumulative Convertible Preferred Stock—$1 par value; authorized 12,500,000 shares; issued and outstanding 3,760,600 shares in 1982 and 4,835,800 shares in 1981	3,761	4,836
Additional paid-in capital	111,840	146,203
Total Redeemable Preferred Stock	115,601	151,039
Shareholders' Equity		
Series C $4.50 Cumulative Convertible Preferred Stock—$1 par value; authorized, issued and outstanding 3,000,000 shares in 1981—at stated value	—	145,580
Common Stock—$1 par value; authorized 150,000,000 shares; issued 56,820,600 shares in 1982 and 49,819,700 shares in 1981; outstanding 56,765,600 shares in 1982 and 49,764,700 shares in 1981	56,821	49,820
Additional paid-in capital	400,779	203,843
Foreign currency translation	(4,445)	—
Retained income	906,867	823,475
Total Shareholders' Equity	1,360,022	1,222,718
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,896,337	$2,754,759

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Time Incorporated and Subsidiaries	Series C Convertible Preferred Stock	Common Stock	Additional Paid-in Capital*	Foreign Currency Translation	Retained Income
			(in thousands)		
Balance at December 31, 1979	—	$ 45,398	$ 98,895	—	$651,086
Net income	—	—	—	—	141,203
Stock options exercised	—	226	10,922	—	—
Conversion of Series B Preferred Stock	—	992	21,368	—	—
Dividends paid on Series B Preferred Stock–$1.575 per share	—	—	—	—	(10,912)
Dividends paid on Common Stock–$.8825 per share	—	—	—	—	(40,445)
Balance at December 31, 1980	—	$ 46,616	$131,185	—	$740,932
Net income	—	—	—	—	148,821
Stock options exercised	—	375	7,765	—	—
Stock issued for benefit plans	—	295	10,277	—	—
Issuance of Series C Preferred Stock	$145,580	—	—	—	—
Conversion of Series B Preferred Stock	—	2,534	54,616	—	—
Dividends paid on Series B Preferred Stock–$1.575 per share	—	—	—	—	(9,201)
Dividends paid on Series C Preferred Stock–$3.813 per share	—	—	—	—	(11,438)
Dividends paid on Common Stock–$.95 per share	—	—	—	—	(45,639)
Balance at December 31, 1981	$145,580	$ 49,820	$203,843	—	$823,475
Cumulative translation adjustment at January 1, 1982	—	—	—	$ (269)	—
Net income	—	—	—	—	153,115
Stock options exercised	—	427	8,208	—	—
Stock issued for restricted stock, and benefit plans	—	438	14,970	—	—
Conversion of Series B Preferred Stock	—	1,591	34,232	—	—
Conversion and redemption of Series C Preferred Stock	(145,580)	4,545	140,492	—	(220)
Dividends paid on Series B Preferred Stock–$1.575 per share	—	—	—	—	(6,802)
Dividends paid on Series C Preferred Stock–$3.375 per share	—	—	—	—	(10,160)
Dividends paid on Common Stock–$1.00 per share	—	—	—	—	(52,541)
Deferred compensation on issuance of restricted stock	—	—	(966)	—	—
Translation adjustments for the period	—	—	—	(4,176)	—
Balance at December 31, 1982	—	$ 56,821	$400,779	$ (4,445)	$906,867

*Reflects the reclassification of treasury stock.

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

ANALYSIS OF WORKING CAPITAL ITEMS

Time Incorporated and Subsidiaries *For years ended December 31*	1982	1981	1980
		(in thousands)	
Receivables	$ (11,022)	$ 46,372	$ 47,696
Inventories	(49,398)	24,194	9,030
Prepaid programming, promotion and other	(2,812)	44,695	38,472
Accounts payable and accrued expenses	(41,125)	(83,719)	(28,329)
Employee compensation and benefits	(6,153)	(10,053)	(1,759)
Taxes on income	2,311	188	(10,677)
Loans and current portion of long-term debt	3,340	(2,256)	5,087
Increase (decrease) in working capital excluding changes in cash and short-term securities	$ (104,859)	$ 19,421	$ 59,520

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Time Incorporated and Subsidiaries *For years ended December 31*	1982	1981*	1980*
		(in thousands)	
Financial resources were provided:			
From operations:			
Income from continuing operations	**$156,115**	$184,568	$162,073
Charges (credits) not affecting funds flow:			
Depreciation, amortization and depletion	**124,815**	100,630	80,835
Amortization of intangibles	**10,927**	8,929	6,213
Deferred federal income taxes	**11,372**	41,612	33,748
Unremitted earnings of affiliated companies	**(520)**	(9,441)	(25,460)
Total from continuing operations	**302,709**	326,298	257,409
Less discontinued operations	**(3,000)**	(33,994)	(18,422)
Total from operations	**299,709**	292,304	238,987
From other internal sources:			
Decrease (increase) in net assets of discontinued operations	**2,024**	33,873	(24,829)
Dispositions:			
Property and equipment	**20,396**	5,919	19,994
Investments	**15,000**	6,169	23,726
Increase in unearned portion of paid subscriptions	**19,311**	19,162	25,221
Miscellaneous	**2,693**	5,144	347
Total from other internal sources	**59,424**	70,267	44,459
Total financial resources provided from operations and other internal sources	**359,133**	362,571	283,446
Financial resources were used for:			
Capital expenditures:			
Purchase of property and equipment	**319,346**	261,048	237,217
Acquisitions of cable television properties	**—**	91,510	—
Additions to investments (primarily video)	**48,241**	51,494	24,047
Total capital expenditures	**367,587**	404,052	261,264
Dividends paid to shareholders	**69,503**	66,278	51,357
Reduction of long-term debt	**43,103**	74,741	23,705
Change in other assets and other liabilities	**40,206**	33,662	19,754
Conversion of Preferred Stock into Common Stock	**181,403**	57,150	22,360
Change in working capital items**	**(104,859)**	19,421	59,520
Total financial resources used	**596,943**	655,304	437,960
Net financial resources used before financing activities	**(237,810)**	(292,733)	(154,514)
Funds from financing activities:			
Increase in long-term debt	**15,586**	94,327	80,158
Issuance of Series C Preferred Stock	**—**	145,580	—
Issuance of Series B Preferred and Common Stock	**23,462**	19,311	11,565
Issuance of Common Stock on conversion of Preferred Stock	**180,640**	57,150	22,360
Total funds from financing activities	**219,688**	316,368	114,083
Increase (decrease) in cash and short-term securities	**$(18,122)**	$ 23,635	$(40,431)

*Reclassified
**Analysis of these working capital items is on page 42.

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

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, insurance 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 $59,196,000 in 1982 and $67,865,000 in 1981 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $160,619,000 in 1982 and $201,348,000 in 1981 was determined principally by the first-in, first-out method (FIFO).

If the FIFO method of inventory accounting had been applied to those inventories which were costed on the LIFO method, inventories would have been $31,707,000 and $33,091,000 higher than reported at December 31, 1982 and 1981, 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; certain properties are being depreciated based on operating hours. 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 $20,319,000 and $15,536,000 in 1982 and 1981, respectively) 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
Earnings per share are based on the weighted average shares of outstanding Common Stock and dilutive common stock equivalents, which include subordinated convertible notes, convertible preferred stock and outstanding stock options. For purposes of this calculation, earnings are net income increased by the after-tax interest savings on convertible notes assumed converted. Primary earnings per share are the same as fully diluted earnings per share.

Common Stock
All share and per share information included herein have been adjusted to reflect the two-for-one Common Stock split distributed on October 1, 1981.

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 $98 million at December 31, 1982.

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 $166,000,000 in 1982, $168,000,000 in 1981 and $138,000,000 in 1980. The Company's current account payable to Georgia Kraft was $45,000,000 in 1982 and $36,000,000 in 1981.

Summary financial information for Georgia Kraft Company is as follows:

	1982	1981	1980
		(in thousands)	
Total revenues	$493,584	$466,363	$377,313
Income before taxes	53,810	51,059	42,756
Net income	35,268	37,271	35,014
Current assets	143,415	120,242	107,428
Noncurrent assets	443,236	423,789	400,261
Current liabilities	44,696	46,046	82,984
Noncurrent liabilities	253,343	244,640	208,631

Summary financial information for Lumbermen's Investment Corporation, a wholly-owned, unconsolidated, mortgage banking subsidiary, is as follows:

	1982	1981	1980
		(in thousands)	
Total revenues	$24,379	$27,032	$19,761
Income before taxes	11,384	15,239	5,559
Net income	9,180	12,344	5,061
Current assets	123,070	89,762	80,406
Noncurrent assets	43,370	36,786	22,333
Current liabilities	113,830	82,610	74,888
Noncurrent liabilities	19,935	20,441	11,950

The Company's share of undistributed earnings of companies 20 percent to 50 percent owned, included in retained income was $42.9 million and $41.1 million at December 31, 1982 and 1981, respectively.

Leases

	1982	1981	1980
		(in thousands)	
Total rental expense	$76,030	$59,456	$45,030
Less sublease rental income	5,224	3,012	2,583
Net rental expense	$70,806	$56,444	$42,447

The future minimum lease payments, as of December 31, 1982, under capital leases and non-cancellable operating leases were as follows:

	Capital Leases	Operating Leases
	(in thousands)	
1983	$ 5,669	$ 48,012
1984	2,911	45,852
1985	1,471	38,567
1986	899	31,911
1987	743	29,121
Thereafter	2,942	262,943
Net minimum lease payments	14,635	$456,406
Less amount representing interest	3,778	
Present value of net minimum lease payments	$10,857	
Aggregate future sublease rental income		$ 10,719

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

	1982	1981
	(in thousands)	
Property and equipment—at cost	$38,890	$40,918
Less accumulated depreciation	14,432	12,205
Assets recorded under capital leases	$24,458	$28,713

Long-Term Debt

Long-term debt consists of the following:

	1982	1981
	(in thousands)	
9⅜% Sinking fund debentures due 2009	$150,000	$150,000
Commercial paper—supported by a revolving credit agreement with banks	78,950	85,733
7⅞% Notes due January 1986	50,000	50,000
11¼% Subordinated convertible notes due 1987–1991	23,460	23,460
11¼% Subordinated notes due through 1986	8,004	10,672
9½% Subordinated debentures due through 1995	8,400	9,100
Industrial revenue and pollution control bonds due through 2012, weighted average interest rate of 7.8% and 7.5% as of December 31, 1982 and 1981, respectively	44,358	39,077
Lease obligations due through 1997	6,171	8,620
Other indebtedness due through 2015, weighted average interest rate of 8.6% as of December 31, 1982 and 1981	92,291	112,489
	$461,634	$489,151

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 11¼ percent subordinated convertible notes are convertible, on and after March 1, 1983, into 28.98 shares of Common Stock for each $1,000 principal amount of such notes.

The Company has a revolving credit agreement with a group of banks aggregating $400 million, a portion of which is used to support the Company's commercial paper borrowings. The Company can convert any portion of the $400 million into a three-year term loan on March 1, 1988. This agreement replaces an earlier $250 million revolving credit agreement.

In January 1983, $100 million of 10¾ percent Guaranteed Notes due January 26, 1990, payable in two installments, were sold in the Eurodollar market. The net proceeds of the first installment of $25 million were received on January 26, 1983 and the final installment of $75 million is due on July 26, 1983.

At December 31, 1982, consolidated net current assets were approximately $104 million in excess of the minimum requirements under the most restrictive provisions of the Company's loan agreements, and approximately $275 million of consolidated retained income was unrestricted as to the payment of dividends. At December 31, 1982, property and equipment of approximately $260 million was subject to liens in connection with $45 million of debt.

Certain consolidated and unconsolidated subsidiaries are restricted from the payment of dividends to the parent company in excess of certain specified amounts. However, the consolidated retained income so restricted was not material.

Total interest incurred was $58.2 million, $51.2 million and $51.0 million of which $5.9 million, $4.8 million and $5.5 million was capitalized in 1982, 1981 and 1980, respectively.

Aggregate maturities of long-term debt (including capital leases) during the next five years are as follows: 1983—$36,035,000; 1984—$67,654,000; 1985—$30,550,000; 1986—$81,260,000; 1987—$24,653,000.

Redeemable Preferred Stock

Each share of Series B Preferred Stock is entitled to 1.3 votes, voting with Common Stock as a combined class, and is redeemable pursuant to a mandatory sinking fund. The stated redemption requirement and involuntary liquidation preference was $112,818,000 in 1982 and $145,074,000 in 1981. The Company is required to redeem 358,200 shares on July 1 of each year commencing in 1984 at $30 per share ($10,746,000 per year). Additionally, these shares are 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. Each share is convertible into 1.44 shares of Common Stock, subject to adjustment upon the occurrence of certain events of dilution, including stock splits and stock distributions.

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

Changes in Series B Preferred Stock are as follows:

	1982	1981	1980
		(in thousands)	
Balance at January 1	$151,039	$207,590	$229,533
Stock options exercised	385	599	417
Conversion to Common Stock	(35,823)	(57,150)	(22,360)
Balance at December 31	$115,601	$151,039	$207,590

Series C Preferred Stock

In November 1982, the Company called all of its outstanding shares of Series C Preferred Stock for redemption. Of the outstanding 3,000,000 shares of Series C Preferred Stock, 2,960,259 were converted into 4,484,914 shares of Common Stock and the balance was redeemed by the Company.

Stock Options

At December 31, 1982, the Company had various stock option plans pursuant to which options were outstanding to purchase Common Stock and Series B Preferred Stock at fair market value at the date of grant. There are both incentive and nonqualified stock options outstanding under these plans.

Options granted for common and preferred shares are exercisable no later than ten years from date of grant. There were 1,159,585 and 1,323,749 common shares available for granting of options at December 31, 1982 and 1981, 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		Series B Preferred Stock	
1982	Number of Shares	Price Per Share	Number of Shares	Price Per Share
Outstanding at January 1	2,812,903	$10–38	58,810	$ 4–21
Granted	185,703	$35–46	—	—
Exercised	(442,545)	$10–38	(28,602)	$ 4–21
Surrendered	(136,587)	$10–38	(465)	$21
Terminated	(21,539)	$23–38	(1,860)	$16–21
Outstanding at December 31	2,397,935	$10–46	27,883	$ 4–21
Exercisable at December 31	1,698,369		27,883	
1981				
Exercised	381,618	$10–26	41,235	$ 9–21
Exercisable at December 31	1,798,612		45,542	
1980				
Exercised	458,096	$10–26	27,710	$ 4–21

Restricted Stock Plan

The Company has sold 35,050 shares of Common Stock to key employees of the Company, at a price substantially below market in accordance with the terms of its Restricted Stock Plan approved by its shareholders in April 1982.

Stock issued under this plan is subject to certain restrictions and vesting requirements and may not be resold by the holder until the restriction period and other conditions have been fulfilled. The amount of deferred compensation represented by the effect of the sale of restricted stock is being amortized over the vesting period. The unamortized deferred compensation, $966,000 as of December 31, 1982, is included in shareholders' equity as a reduction of additional paid-in capital. At December 31, 1982, 464,950 shares of Common Stock were reserved for awards under the plan.

Taxes on Income

The components of domestic and foreign income from continuing operations before taxes consisted of the following:

	1982	1981	1980
		(in thousands)	
Domestic	$229,020	$264,267	$205,119
Foreign	13,595	32,801	59,454
	$242,615	$297,068	$264,573

Income tax expense is included in the Consolidated Statement of Income as follows:

	1982	1981	1980
		(in thousands)	
Continuing operations	$ 86,500	$112,500	$102,500
Discontinued operations	(2,600)	(29,200)	(21,000)
	$ 83,900	$ 83,300	$ 81,500

The differences between the consolidated effective income tax rate and the federal statutory income tax rate of 46 percent include the following:

	1982	1981	1980
		(in thousands)	
Taxes on income at statutory rate	$109,047	$106,778	$102,443
Investment tax credits	(27,996)	(29,510)	(23,914)
Tax benefit of capital gains, mainly from the harvesting and sale of fee-owned timber	(9,200)	(9,313)	(9,255)
Effect of state and local income taxes	11,498	9,677	8,750
All other	551	5,668	3,476
	$ 83,900	$ 83,300	$ 81,500

Taxes on income consisted of the following:

	1982		1981		1980	
	Current	Deferred	Current	Deferred	Current	Deferred
			(in thousands)			
Federal	$ 33,370	$ 20,300	$ 23,126	$ 33,640	$ 16,338	$ 35,676
Foreign	9,010	—	8,619	—	13,194	87
State and local	21,220	—	17,915	—	16,205	—
	$ 63,600	$ 20,300	$ 49,660	$ 33,640	$ 45,737	$ 35,763

The Company's share of Georgia Kraft's tax related items included above for 1982, 1981 and 1980 were: investment tax credits of $1,453,000, $3,936,800 and $3,794,500; tax benefit of capital gains of $1,722,200, $1,502,000 and $1,251,000; tax effect of state and local taxes of $620,400, $605,600 and $482,000, respectively.

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, 1982.

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

	1982	1981	1980
		(in thousands)	
Accelerated depreciation	$36,138	$29,007	$19,696
Unremitted foreign earnings	(3,000)	4,000	13,100
Reserve for shutdown of discontinued operations	1,434	(7,533)	—
Book promotion costs	(6,646)	2,560	1,766
All other	(7,626)	5,606	1,201
	$20,300	$33,640	$35,763

The Company's share of Georgia Kraft's deferred tax resulting from accelerated depreciation included above was $4,340,000, $4,714,000 and $3,286,000 in 1982, 1981 and 1980, respectively.

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

Other Income (Expense)—Net

	1982	1981	1980
		(in thousands)	
Interest income	$ 9,332	$11,663	$ 7,873
Equity in net loss of companies 20% to 50% owned (excluding Georgia Kraft)*	(33,545)	(12,197)	(379)
Equity in income before taxes of unconsolidated subsidiaries	13,116	7,055	5,125
Gain on sale of property and equipment	10,594	12,602	24,508
Foreign currency translation losses	(19,191)	(7,900)	—
Miscellaneous	18,475	6,095	12,445
	$(1,219)	$17,318	$49,572

*Primarily losses from STV operations.

Discontinued Operations

During 1981, Time-Life Films discontinued its television and motion picture production business, and the Company ceased publication of *The Washington Star.* Accordingly, the Consolidated Financial Statements have been reclassified to report separately these discontinued operations. During 1982, the provision for losses from discontinued operations was increased to provide for additional costs.

Operating losses from discontinued operations are net of income tax credits amounting to $8,000,000 and $21,000,000 for 1981 and 1980, respectively. The provision for losses on disposal of discontinued operations are net of income tax credits amounting to $2,600,000 and $21,200,000 for 1982 and 1981, respectively.

The major portion of Time-Life Films' assets (TV syndication inventory) is being syndicated through distribution agreements. Substantially all of the assets of *The Washington Star* have been sold.

At December 31, 1982 and 1981, approximately $28,500,000 and $32,300,000 of liabilities, respectively, applicable to Time-Life Films and *The Washington Star* have been included in "Net Assets of Discontinued Operations."

Revenues applicable to discontinued operations were approximately $41,000,000 and $81,800,000 for 1981 and 1980, respectively.

Accounting Change

Effective January 1, 1982, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," which revised the method of accounting and reporting for foreign operations.

Under the new standard, for certain of the Company's foreign operations, all assets and liabilities are translated into U.S. dollars using current exchange rates, and income statement items are translated using average exchange rates; resulting translation adjustments, net of taxes, are included as a separate component of shareholders' equity. Gains and losses on foreign currency transactions, including the translation of certain of the Company's foreign operations, are included in income.

For 1981 and prior periods, certain balance sheet accounts and related income statement items were translated at historical exchange rates and all foreign currency translation adjustments were made directly to income.

Net losses of approximately $19,200,000 in 1982 and $7,900,000 in 1981 resulting from foreign currency translation have been included in net income. In 1980 translation gains and losses were offsetting.

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 $31 million in 1982, $26 million in 1981, and $24 million in 1980, 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.

Accumulated benefit information, as estimated by consulting actuaries, and net assets for the Company's retirement plans as of January 1, 1982 (the date of the latest actuarial valuation) and January 1, 1981 were as follows:

At January 1,	1982	1981
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$166,265	$173,927
Non-vested	13,697	19,070
	$179,962	$192,997
Net assets available for benefits	$200,661	$175,825

In 1981, certain actuarial assumptions were revised, including the assumed rate of return, which was increased to 8 percent from 6 percent. The effect of such changes on 1982 pension expense was not material.

Contingencies

The Company previously reported on a private antitrust action, which purported to be a class action, 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 Container Corporation, of both kraft linerboard and corrugated boxes. The action alleged a nationwide combination and conspiracy to fix the prices of kraft linerboard, corrugating medium and corrugated boxes and to monopolize the manufacture, distribution, sale and shipment of corrugated boxes. The complaint sought 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 May 1982, a decision by the District Court denied the motion for class certification, and a motion filed by plaintiff with the District Court for permission to bring an appeal challenging that decision has also been denied. Accordingly, the suit continues only on behalf of two companies and, as such, is no longer regarded by management as material.

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.

Commitments

As part of its Video operations the Company routinely enters into commitments relating to transmission contracts and for rights to feature films and sports events which extend for various periods. In addition, the Company has long-term paper and printing contracts which were entered into in the normal course of its publishing operations.

Business Segment Information

The Company's principal lines of business are: Publishing, consisting of the publication of magazines and books; Forest Products, encompassing the production of container and containerboard, pulp and paperboard, and building products; and Video, comprised of cable television and pay-television programming.

Refer to "Lines of Business" on pages 30 and 31 for information relating to revenues, operating profits, identifiable assets, and foreign activities of the Company's principal lines of business. Included in Container and Containerboard's pre-tax income is $26.0 million, $24.6 million, $21.2 million, $14.6 million and $1.1 million of Georgia Kraft income for 1982, 1981, 1980, 1979 and 1978, respectively. In addition, the identifiable assets of Container and Containerboard include the Company's investment in Georgia Kraft.

All business segment information prior to 1981 has been restated to reflect continuing operations.

	1982		1981		1980	
	Depreciation, Depletion and Amortization	**Capital Expenditures**	Depreciation, Depletion and Amortization	Capital Expenditures	Depreciation, Depletion and Amortization	Capital Expenditures
			(in millions)			
Publishing:						
Magazines	**$ 2.7**	**$ 5.0**	$ 2.6	$ 4.4	$ 2.9	$ 4.2
Books	**3.0**	**3.1**	3.0	4.5	3.1	5.0
Total Publishing	**5.7**	**8.1**	5.6	8.9	6.0	9.2
Forest Products:						
Container and containerboard	**18.4**	**28.1**	17.1	33.2	15.4	25.8
Pulp and paperboard	**26.0**	**23.5**	23.8	39.7	19.3	61.8
Building products	**13.3**	**23.7**	12.0	18.1	12.3	13.9
Total Forest Products	**57.7**	**75.3**	52.9	91.0	47.0	101.5
Video	**56.2**	**271.0**	38.3	282.2	25.1	146.2
Other Activities	**2.3**	**1.8**	2.2	2.9	2.2	2.7
Corporate	**2.9**	**11.4**	1.6	19.1	.5	1.7
Total	**$124.8**	**$367.6**	$100.6	$404.1	$ 80.8	$261.3

Supplemental Information on the Effects of Changing Prices (Unaudited)

Statement of Income Adjusted for Changing Prices

Year ended December 31, 1982

	(in millions)	
Income from continuing operations as reported in the statement of income		$156
Adjustments to restate costs for the effect of general inflation:		
Production and manufacturing costs	$(11)	
Depreciation, amortization and depletion	(44)	(55)
Income from continuing operations adjusted for general inflation		101
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs):		
Production and manufacturing costs	$ 8	
Depreciation, amortization and depletion	(15)	(7)
Income from continuing operations adjusted for changes in specific prices		$ 94
Increase in specific prices (current cost) of inventories, property and equipment held during the year		$ 25
Effect of increase in general price level		94
Excess of increase in general price level over increase in specific prices (current cost)		$ 69

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.

Income from Continuing Operations. 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 the 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. 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 income from continuing operations 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 in prior years. Although current indications are that this trend will moderate, inflation is expected to 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 expects to continue this approach to cope with future cost changes.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices (stated in average 1982 dollars) (unaudited)

	1982	1981	1980	1979	1978
		(in millions except for per share amounts)			
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION					
Revenues from Continuing Operations	$3,564	$3,498	$3,280	$3,214	$2,420
Income from Continuing Operations	101	138	135	148	
Income from Continuing Operations Per Common Share	$ 1.63	$ 2.25	$ 2.40	$ 2.64	
Net Assets at Year-End*	2,000	2,000	1,800	1,800	
CURRENT COST INFORMATION					
Income from Continuing Operations	94	137	144	154	
Income from Continuing Operations Per Common Share	$ 1.52	$ 2.24	$ 2.56	$ 2.75	
Excess of Increase in General Price Level of Inventories, and Property and Equipment Over (Under) Increase in Specific Prices	69	(8)	135	176	
Net Assets at Year-End*	2,300	2,300	2,100	1,900	
OTHER INFORMATION					
Purchasing Power Gain From Holding Net Monetary Liabilities During the Year	28	59	74	70	
Cash Dividends Declared Per Common Share	$ 1.00	$ 1.01	$ 1.03	$ 1.08	$ 1.07
Market Price Per Common Share at Year-End	$51.54	$39.28	$35.03	$29.63	$30.47
Average Consumer Price Index	289.1	272.4	246.8	217.4	195.4

*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, 1982 the current cost of inventories was $261,643,000 and property and equipment, net of accumulated depreciation, was $2,272,429,000.

MANAGEMENT'S REPORT

Management's Responsibilities for Financial Reporting

The accompanying consolidated financial statements, including the related notes, 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

J. Richard Munro
President and
Chief Executive Officer

N J Nicholas jr

N. J. Nicholas, Jr.
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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, 1982 and 1981, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1982. 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, 1982 and 1981, 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, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

New York, New York
February 17, 1983

BOARD OF DIRECTORS

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

Ralph P. Davidson
Chairman of the Board (1980)

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 Executive Officer, Borg-Warner Corp. (1979)

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

Michael D. Dingman
President, The Signal Companies, Inc. (1978)

Henry C. Goodrich
Chairman and Chief Exec. Officer, Sonat Inc. (1978)

Ralph Graves
Editorial Director (1979)

Clifford J. Grum
Executive Vice President (1980)

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

Alexander Heard
Chancellor Emeritus, Vanderbilt University (1968)

Matina S. Horner
President, Radcliffe College (1975)

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

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

Sol M. Linowitz
Senior Partner, Coudert Brothers (1969)

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

Joan D. Manley
Group Vice President (1978)

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

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

Arthur Temple
Chairman of the Board, Exeter Investment Company (1973)

Thomas J. Watson Jr.
Chairman Emeritus, International Business Machines Corp. (1958)

Clifton R. Wharton Jr.
Chancellor, State University of New York System (1982)

CORPORATE OFFICERS

J. Richard Munro
President and Chief Executive Officer

Ralph P. Davidson
Chairman of the Board

Clifford J. Grum
Executive Vice President

N.J. Nicholas Jr.
Chief Financial Officer

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

E. Gabriel Perle
Corporate Vice President–Law

Donald M. Wilson
Corporate Vice President–Public Affairs

Clinton G. Ames Jr.
Vice President

E. Thayer Bigelow
Vice President and Treasurer

Frank J. Biondi Jr.
Vice President

William E. Bishop
Vice President

Reginald K. Brack Jr.
Vice President

Joseph J. Collins
Vice President

Brian Conboy
Vice President

Winston H. Cox
Vice President

Lawrence M. Crutcher
Vice President

Carlyle C. Daniel
Vice President

Kevin L. Dolan
Vice President and Controller

David H. Dolben
Vice President

Richard J. Durrell
Vice President

Edward E. Fitzgerald
Vice President

J. Winston Fowlkes
Vice President

Michael J. Fuchs
Vice President

James O. Heyworth
Vice President

Philip G. Howlett
Vice President

Edward Patrick Lenahan
Vice President

James J. McCluskey
Vice President

S. Christopher Meigher III
Vice President

John A. Meyers
Vice President

Trygve E. Myhren
Vice President

P. Peter Sheppe
Vice President

Robert M. Steed
Vice President

Richard B. Thomas
Vice President

Arthur H. Thornhill Jr.
Vice President

William M. Guttman
Assistant Secretary

Carolyn K. McCandless
Assistant Secretary

John M. Fahey Jr.
Assistant Treasurer

Janine W. Hill
Assistant Treasurer

Urban L. Uebelhoer
Assistant Treasurer

Eugene F. Farro
Assistant Controller

Richard F. Schnabel
Assistant Controller

OPERATING EXECUTIVES

Corporate Editorial Executives

Henry A. Grunwald
Editor-in-Chief

Ralph Graves
Editorial Director

Magazine Executives

Kelso F. Sutton
Group Vice President

Lawrence M. Crutcher
Vice President–Magazines

S. Christopher Meigher III
Director of Circulation

James J. McCluskey
Director of Manufacturing and Distribution

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

William M. Kelly Jr.
Publisher, Money

Marshall Loeb
Managing Editor, Money

Richard J. Durrell
Publisher, People

Patricia Ryan
Managing Editor, People

Charles A. Whittingham
Publisher, Life

Richard B. Stolley
Managing Editor, Life

Carl G. Jaeger
Publisher, Discover

Leon M. Jaroff
Managing Editor, Discover

Daniel E. Zucchi
Publisher, TV-Cable Week

Richard A. Burgheim
Managing Editor, TV-Cable Week

David Maness
Editor–Magazine Development

Christiana D. Walford
Director of Editorial Services

Books Executives

Joan D. Manley
Group Vice President

Reginald K. Brack Jr.
President, Time-Life Books, Inc.

George Constable
Managing Editor, Time-Life Books, Inc.

Edward E. Fitzgerald
Chairman and Chief Executive Officer, Book-of-the-Month Club, Inc.

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

Forest Products Executives

Temple-Eastex Incorporated

Joe C. Denman Jr.
Chairman, President, and Chief Executive Officer

W. Wayne McDonald
Executive Vice President and Chief Operating Officer

David L. Ashcraft
Group Vice President, Pulp and Paperboard Division

Ward R. Burke
Vice President–Law

Glenn Chancellor
Group Vice President, Forests Division

Don V. Hackney
Group Vice President and President, Temple Associates

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

Harold C. Maxwell
Group Vice President, Building Products Division

Robert Molloy
President and Chief Operating Officer, AFCO Industries, Inc.

C. Tom Sumner
Vice President–Finance and Treasurer

Inland Container Corporation

Clinton G. Ames Jr.
President and Chief Executive Officer

Ben J. Lancashire
Executive Vice President

W. Edward Babin
Group Vice President, Containerboard Division

E. Barney Ciotti
Senior Vice President and President, Anderson Box Company

Warren D. Gilreath
Senior Vice President, Operations Support

William A. Long
Group Vice President, Container Division

Joseph E. Tomlinson
Vice President and Treasurer

Video Executives

Gerald M. Levin
Group Vice President

James O. Heyworth
Deputy Group Vice President

Trygve E. Myhren
Chairman and Chief Executive Officer, ATC

Joseph J. Collins
President, ATC

Frank J. Biondi Jr.
President and Chief Executive Officer, HBO

Michael J. Fuchs
President, HBO Entertainment Group

Winston H. Cox
President, HBO Network Group

Executives of Other Activities

Charles B. Bear
Group Vice President

P. Peter Sheppe
Vice President and Deputy

Carlyle C. Daniel
President, Selling Areas–Marketing, Inc.

David H. Dolben
Director of Information Systems Group

William M. Guttman
Associate General Counsel and Assistant Secretary

Jerome C. Justin
Director of Real Estate

Carolyn K. McCandless
Assistant Secretary

E. Gabriel Perle
Corporate Vice President–Law

David Simonson
President and Publisher, Pioneer Press Inc.

Robert M. Steed
Director of Personnel

A CONTINUING COMMITMENT

Time Inc. is funding scholarships for minority students of magazine publishing and production.

Equal opportunity and affirmative action continue to be high business priorities at Time Inc. Each of our divisions has specific goals and timetables for achieving a more balanced work force, and we are making steady long-term progress toward those goals. Minority group representation in the Company's U.S. operations now stands at 21 percent. The proportion of women is 38 percent. Another gauge of our affirmative-action progress is the proportion of minorities and women in management positions: 9 percent for minorities, 36 percent for women. The Company will continue to emphasize employment in high-level positions for both minorities and women, and, in addition, give special attention to hiring qualified disabled individuals.

Our numerical gains are encouraging. However, we know we must do even more to nurture a positive corporate environment for all groups of employees. To that end we established a community-relations office in 1982 to further Time Inc.'s equal opportunity goals—both at work and in the community.

Important new company initiatives in the area of community relations include: (1) the encouragement of employee volunteerism, (2) the purchasing of goods and services from minority and women entrepreneurs, and (3) projects that channel company resources and talent to upgrade public schools and, thereby, the basic skills of students who attend them.

It is Time Inc.'s intent to continue policies and practices that actively promote a better quality of life in all the communities in which the Company operates.

SHAREHOLDERS' INFORMATION

ANNUAL MEETING
Thursday, May 19, 1983, 11 a.m.
Time & Life Building, Rockefeller Center,
New York, New York

CORPORATE HEADQUARTERS
Time & Life Building
Rockefeller Center, New York, N.Y. 10020
Phone: (212) 586-1212

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)
RepublicBank Dallas, N.A.
P.O. Box 2964, Dallas, Texas 75221

TIME INC. DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN
Information about this plan can be obtained by calling Morgan Guaranty Trust Company of New York at (212) 587-6525 or by writing to Time Inc., Office of the Secretary, Time & Life Building, Rockefeller Center, New York, N.Y. 10020.

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 29, upon written request to Carolyn K. McCandless, Assistant Secretary, Time Inc., Time & Life Building, Rockefeller Center, New York, N.Y. 10020.

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