SEC FILE NO 1- 4278 11 --06 SIC 271 C 10 18 50 000

10-K

CAPITAL CITIES COMMUNICATIONS INC

NYS FN C 10 15 00 000

CARD 1 **DISCLOSURE INC WASHINGTON D. C. 20016** **FOR 12/31/82**

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Quick Reference Chart to Contents of SEC Filings

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Auditor															
☐ Name	A	A	■				■	A	A		A	A	■	A	
☐ Opinion	A	A	■						A			A		A	
☐ Changes				A			■								
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☐ Equity	■		■				F	F	A		F		■	■	
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☐ Organization and Change	F	F		A	■	F	■	A		F	A	■			
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Dilution Factors	A	A		F		F		A	A		A	A			
Directors, Officers, Insiders															
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☐ Background	■	A				F	F	A	■		A	■			
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☐ Annual Audited	A	A							A			A		A	
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☐ Content (Listing of Securities)															A
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Securities Structure	A	A			■			A	A		A				
Subsidiaries	A	A					■	A	A		A	■	■		
Underwriting				■				A	A		A				
Unregistered Securities	■			■			■	F			F				
Block Movements	■			F			■		A				■		

Legend **A** – *always included - included - if occured or significant* **F** – *frequently included* ■ *special circumstances only*

TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F

5161 River Road ☐ Washington, D.C. 20016 ☐ 301/951-1300

C101850

Capital Cities Communications

1982 ANNUAL REPORT AND FORM 10-K

Decentralization is the cornerstone of our management philosophy. Our goal is to hire the best people we can possibly find and give them the responsibility and authority they need to perform their jobs. All decisions are made at the local level, consistent with the basic legal and moral responsibilities of corporate management. Budgets, which are set yearly and reviewed quarterly, originate with the general managers and publishers who are responsible for them. We expect a great deal from our operating managers. We expect them to be forever cost-conscious and to recognize and exploit sales potential. But above all, we expect them to manage their operations as good citizens and to use their facilities to further the community welfare.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C 20549

FORM 10-K
ANNUAL REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1982 | **Commission file number 1-4278**

Capital Cities Communications, Inc.
(Exact name of registrant as specified in its charter)

New York State	**14-1284013**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
24 East 51st Street, New York, N.Y.	**10022**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (212) 421-9595

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	**(Name of each exchange on which registered)**
Common stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No .

The aggregate market value of the voting stock held by non-affiliates of the registrant is $1,837,300,000 as of March 1, 1983.

The number of shares outstanding of the issuer's common stock as of March 1, 1983: 13,192,596 shares, excluding 2,200,900 treasury shares.

Portions of Part I are incorporated herein by reference to the 1982 Annual Report to Shareholders and a definitive Proxy Statement for the annual meeting of shareholders on May 5, 1983.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1982 Annual Report to Shareholders.

Part III is incorporated herein by reference to a definitive Proxy Statement for the annual meeting of shareholders on May 5, 1983.

Total # of pages 70

PART I

Item 1. *Business.*

Capital Cities Communications, Inc. (the "Company") has been engaged in radio broadcasting since 1947, in television broadcasting since 1953, in publishing since 1968 and in cable television since 1980. The Company has approximately 7,240 employees: 1,170 engaged in broadcasting operations, 830 engaged in cable television and 5,240 engaged in publishing.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 41 of the Company's Annual Report to Shareholders and is hereby incorporated by reference. The Company derives all broadcasting revenues and more than 80% of its publishing revenues from the sale of advertising. Subscription and other circulation receipts provide the balance of publishing revenues. The principal source of cable television revenues is the monthly service charges for basic and premium cable television services provided to subscribers. Other cable television revenues are derived from installation and reconnection charges.

Broadcasting

The Company presently owns and operates five very high frequency (VHF) television stations, one ultra high frequency (UHF) television station, seven standard (AM) radio stations and seven frequency modulation (FM) radio stations. Market locations, frequencies, transmitter power and other station details are set forth below:

Television stations owned

Stations and locations	Channel	Expiration date of FCC authorization	Network affiliation	Expiration date of network affiliation (1)
WPVI-TV Philadelphia, Pennsylvania	6	Aug. 1, 1984	ABC	Aug. 15, 1983
KTRK-TV Houston, Texas	13	Aug. 1, 1983	ABC	Apr. 2, 1983
WKBW-TV Buffalo, New York	7	June 1, 1984	ABC	July 2, 1983
WTNH-TV New Haven, Connecticut	8	Apr. 1, 1984 (3)	ABC	Jan. 1, 1985
WTVD Durham, North Carolina	11	Dec. 1, 1986	CBS	Sept. 11, 1983
KFSN-TV Fresno, California	30	Dec. 1, 1983	CBS	Feb. 28, 1984

Radio stations owned

Stations and locations	Frequency AM-Kilohertz FM-Megahertz	Power AM-Watts FM-Kilowatts	Expiration date of FCC authorization	Network affiliation (1)
KZLA .... Los Angeles, California	1540 K	50,000 Day 10,000 Night	(2)	None
WJR .... Detroit, Michigan	760 K	50,000	Oct. 1, 1989	NBC
WPAT .... Paterson, New Jersey (Metropolitan New York)	930 K	5,000	(2)	None
WBAP .... Fort Worth, Texas	820 K	50,000	Aug. 1, 1983	ABC
WKBW .... Buffalo, New York	1520 K	50,000	June 1, 1984	ABC
WPRO .... Providence, Rhode Island	630 K	5,000	Apr. 1, 1984 (3)	ABC
WROW .... Albany, New York	590 K	5,000 Day 1,000 Night	June 1, 1984	ABC
WPAT-FM .... Paterson, New Jersey (Metropolitan New York)	93.1 M	5.4	June 1, 1984	None
WHYT-FM .... Detroit, Michigan	96.3 M	50	Oct. 1, 1989	None
KSCS-FM .... Fort Worth, Texas	96.3 M	100	Aug. 1, 1983	None
WPRO-FM .... Providence, Rhode Island	92.3 M	39	(2) (3)	ABC
WROW-FM .... Albany, New York	95.5 M	8.3	June 1, 1984	None
KZLA-FM .... Los Angeles, California	93.9 M	49	Dec. 1, 1983	None
WKHX-FM .... Marietta, Georgia (Metropolitan Atlanta)	101.5 M	100	(2)	None

(1) Although FCC regulations prevent network contracts from having terms of more than two years, such regulations permit successive renewals which are routinely granted.

(2) Regular renewal of the license of these stations has been delayed as described under *Renewal Matters* on page K-4 of this report.

(3) A petition for review of the grant of this station's most recent application has been filed with the United States Court of Appeals for the District of Columbia Circuit.

Competition

The Company's television and radio stations are in competition with other television and radio stations, as well as other advertising media such as newspapers, magazines and billboards.

Competition in the television broadcasting industry occurs primarily in individual market areas. Generally, a television broadcasting station in one market does not compete with other stations in other market areas, nor does a group of stations, such as those owned by the Company, compete with any other group of stations as such. While the pattern of competition in the radio broadcasting industry is basically the same, it is not uncommon for radio stations outside of a market area to place a signal of sufficient strength within that area (particularly during nighttime hours) to gain a share of the audience.

In addition to management and experience, factors which are material to competitive position include authorized power allowance, assigned frequency, network affiliation, and local program acceptance, as well as strength of local competition.

Under present regulations of the Federal Communications Commission ("FCC") no additional VHF television commercial stations may be constructed or acquired in any of the cities where the Company's television stations are located. However, as discussed below, the FCC has initiated a proceeding which could result in the assignment of additional VHF channels to several of those cities. (For a description of other ownership restrictions, see below under "Licenses—Federal Regulation of Broadcasting/Ownership Matters").

There are sources of television service other than conventional television stations. The most common at present are cable television systems. Cable television can provide more competition for a station by making additional signals available to its audience. In addition, most cable television systems supply programming that is not available on conventional television stations. These include a wide range of advertiser supported and subscription supported video programming services. Subscription supported video programming services are also provided by over-the-air television stations and multipoint distribution services (MDS). It is expected that additional services will be provided within the relatively near future by low power television stations and direct broadcast satellites (DBS). See "Licenses—Federal Regulation of Broadcasting—Cable Television and Other Television Services" for a discussion of cable television, pay cable, subscription television, and other services. See "Cable Television" for a description of the Company's cable television operations.

Licenses—Federal Regulation of Broadcasting

Television and radio broadcasting are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act empowers the FCC to, among other things, issue, revoke or modify broadcasting licenses, determine the location of stations, regulate the equipment used by stations, adopt such regulations as may be necessary to carry out the provisions of the Communications Act and impose certain penalties for violation of such regulations.

Renewal Matters

Broadcasting licenses are granted for a maximum period of seven years, in the case of radio stations, and five years, in the case of television stations, and are renewable upon application therefor. These new longer license periods were adopted in 1981 by the FCC and they will take effect in the case of each of the Company's stations at the time that their next renewal applications are granted. During certain periods when a renewal application is pending, competing applicants may file for the frequency in use by the renewal applicant. Competing applicants may be entitled to a comparative hearing in competition with the renewal applicant. No competing applications have been filed against any of the Company's stations.

In addition, petitions to deny applications for renewal of license may be filed during certain periods following the filing of such applications. In recent years, representatives of various community groups and others have filed increasing numbers of petitions to deny renewal applications of broadcasting stations, including some of the Company's stations.

At present, WPAT-AM's application for renewal is being deferred pending satisfactory completion of work pursuant to a construction permit allowing it to relax restrictions on its nighttime radiation pattern. Renewal of the license of KZLA-AM has been delayed pending processing of an application to make technical changes to its facilities. Regular renewal of the license of WPRO-FM has been delayed pending FCC resolution of a dispute concerning interference to a television station, allegedly caused by a power increase granted to WPRO-FM in 1972. Regular renewal of WKHX-FM is deferred pending efforts to correct an antenna reradiation problem between an Atlanta AM station and six other stations, including WKHX-FM. All of the licensees concerned are cooperating in the effort to solve the reradiation problem. It is not possible to predict how these engineering matters will be resolved. However, it is believed to be improbable that any of them would be resolved in a way that would have serious adverse effects on the operations of those stations.

On March 6, 1981, Anthony R. Martin-Trigona (Martin-Trigona) filed a "Petition to Deny Renewal of Broadcast Licenses" with respect to WTNH-TV, New Haven, Connecticut, and WPRO (AM and FM), Providence, Rhode Island, requesting that the Commission hold a hearing on a variety of charges before it granted Capital Cities' applications for renewal of those stations' licenses. The WTNH-TV renewal, which was granted by the FCC, has not been disturbed by the filing of the petition. On July 23, 1981, the Commission's staff, acting pursuant to authority delegated under Commission rules, dismissed and denied Martin-Trigona's March 6, 1981 pleading. In a subsequent order, the Commission's staff dismissed Martin-Trigona's petition for reconsideration, and on December 12, 1982, the Commission dismissed Martin-Trigona's request for reconsideration of the staff's action. Martin-Trigona subsequently filed a notice of appeal from this decision in the United States Court of Appeals for the District of Columbia Circuit. Although management cannot predict the outcome of this appeal, it believes that the court should affirm the Commission's action.

Ownership Matters

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC, and prohibits the Company from having any officer or director who is an alien, and from having more than one-fifth of its stock owned by aliens or a foreign government.

The FCC's "multiple ownership" rules provide, in general, that a license for a radio or television station will not be granted if the applicant owns, or has a substantial interest in, another station of the same type which provides service to areas already served by the station operated or controlled by the applicant. These rules further provide that a broadcast license to operate a radio or television station will not be granted if the grant of the license would result in a concentration of control of broadcasting. The rules provide that a presumption of such concentration of control arises in the event that an entity directly or indirectly owns or has an interest in more than seven AM radio stations, more than seven FM radio stations, or more than seven television stations, of which no more than five may be VHF. The Company now owns seven AM radio stations, seven FM radio stations and six television stations, of which five are VHF.

In addition, the FCC will not grant applications for station acquisitions which would result in the creation of new AM-VHF or FM-VHF combinations in the same market under common ownership. Combinations of UHF television stations with AM stations, FM stations or AM-FM combinations in the same market are not currently prohibited under the rules but will be considered by the FCC on a case-by-case basis.

Furthermore, under the FCC's rules, radio and/or television licensees may not acquire new ownership interests in daily newspapers published in the same markets served by their broadcast stations. Finally, FCC rules also prohibit a television licensee from owning cable television systems in communities which are within the service contours of its television stations. Under these rules, the Company would generally be barred from making acquisitions or sales which would result in the creation of new combinations, or maintenance of existing combinations, inconsistent with the rules.

The Company presently owns one AM-VHF combination, WKBW-AM and WKBW-TV, Buffalo. In addition, the Company presently owns daily newspapers in two markets in which it also holds radio licenses. For purposes of these rules, *The Oakland Press* and WJR-AM and WHYT-FM, licensed to Detroit, are treated as in the same market, as are the *Fort Worth Star-Telegram* and WBAP-AM and KSCS-FM, licensed to Fort Worth. Under the rules, therefore, these commonly owned broadcast and broadcast/newspaper combinations could not be transferred together. The Company owns certain cable television systems as described more fully in the section entitled "Cable Television" and controls Capital Cities Cable, Inc. and other subsidiaries through which it owns or controls substantial cable television holdings. None of the Company's cable television systems violates the TV/cable television rules. However, the rules would prohibit the Company from acquiring cable television systems or franchises in communities within the service contours of its television stations.

The FCC has adopted a rule prohibiting acquisitions that would result in common ownership of three broadcast stations, any two of which are licensed in cities within 100 miles of the third, if the service contours of the stations (as defined by the FCC) overlap. For purposes of this rule, commonly owned AM and FM stations licensed in cities no more than 15 miles apart are treated as one entity. Under the current rules, combinations otherwise covered by the rule that include UHF television stations are not prohibited, but will be considered by the FCC on a case-by-case basis.

The FCC's rules specify that power to vote or control the vote of 1% or more of the stock of a publicly-held licensee (*i.e.*, a licensee with 50 or more stockholders) is the test for determining whether an entity should have the licensee's broadcast stations or newspapers attributed to it for purposes of the multiple ownership rules. However, the FCC's rules permit a qualifying mutual fund to vote or control the vote of up to 5% of the stock of a publicly-held broadcast licensee before the licensee's stations will be attributed to the mutual fund. The rules also permit insurance companies or banks holding stock in their trust departments to vote or control the vote of up to 5% of the stock of a publicly-held licensee before the licensee's stations are attributed to them, provided that such insurance companies or banks do not exercise any control over the management or policies of the publicly-held broadcast company or companies in which they hold in excess of 1% of the stock. On January 27, 1983, the FCC announced a rulemaking proceeding in which it will consider making a number of liberalizing changes in these rules including one which would increase the attribution benchmark up to 20%. The Company cannot predict the outcome of this proceeding.

Cable Television and Other Television Services

As previously noted, cable television can provide more competition to a television station by making additional signals available to its audience. FCC rules currently require cable television systems to carry the signals of the television stations in whose service areas they operate, and protect local network-affiliated stations' exclusive rights to broadcast network programming against the simultaneous broadcast of the programming on distant stations carried by cable television systems operating in their service areas.

The FCC has eliminated other rules restricting cable television importation of signals of distant non-network independent stations into a market and its related rules protecting stations' rights to exclusive exhibition of syndicated programming in their markets. The FCC's decisions to eliminate these rules permit cable television systems operating in markets served by the Company's television stations to transmit into those markets signals of additional independent stations, as well as syndicated programming against which the stations could have claimed exclusivity protection under the former rules. On the other hand, the Copyright Royalty Tribunal, in response to the decision to eliminate these rules, imposed a materially increased royalty on the carriage of certain additional distant signals. These fees apply to services provided on or after March 15, 1983. In consequence, the Company has ceased the carriage of some distant signals on some of its systems. There is currently pending in the United States Court of Appeals for the District of Columbia Circuit a challenge to the increased royalty fees. The Company is not able to predict the outcome of this litigation.

Most cable television systems supply additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. Most of such programming is distributed on a subscription basis. The FCC also authorizes broadcast subscription television services (STV), and has eliminated a variety of restrictions formerly imposed on such services. Finally, the FCC authorizes multipoint distribution services (MDS) which employ nonbroadcast frequencies to transmit subscription television services to individual homes and businesses, and is currently considering expanding the number of frequencies available for MDS. The Company cannot predict the future competitive impact of any such services.

The FCC has taken other recent actions which offer the possibility of increased competition to conventional television stations. It has proposed to add a large number of additional VHF assignments to markets across the country, including a new channel to the Houston market served by KTRK-TV, ten new channels to the Fresno, California market, served by KFSN-TV, and two new channels to the Hartford market, served by WTNH-TV. Each new channel assignment or proposed assignment represents a potential new VHF station in the affected market. The FCC has also adopted rules facilitating direct broadcast satellite operations and has granted a number of authorizations for such services. It has also created a new service of low power television facilities to supplement existing conventional television broadcast service. The Company has applied for such low power facilities in Raleigh-Durham, Buffalo, Houston, Fresno and New Haven. The Company cannot predict what action the FCC will take on these applications, nor can it predict the competitive effect of this service. The Commission also permits the distribution of subscription supported video programming service by over-the-air television stations and by MDS which employ nonbroadcast frequencies to transmit subscription television services to individual homes and businesses.

Radio Proceedings

In an action designed to increase the number of aural outlets, the Commission has initiated studies of the possible expansion of the AM band to include new frequencies. This action would require, *inter alia,* some modifications of international treaties governing use of the radio spectrum. The Commission has also initiated a proceeding that would explore ways to increase the number of FM allocations available for assignment. The Company is not able to predict the outcome and impact of these various proceedings.

Financial Interest Rule

The FCC has initiated a proceeding to consider the repeal of rules that bar the acquisition of financial interests or other rights in the syndication of the programs to broadcast stations by the major national television networks. All six of the Company's television stations are affiliated with national television networks. Depending on the precise action taken on repeal of the financial interest rule, the net effect on the Company may be adverse, or it may be beneficial.

* * * * * *

Proceedings, investigations, hearings and studies are periodically conducted by Congressional committees and by the FCC and other government agencies with respect to problems and practices of, and conditions in, the broadcasting industry. The Company cannot predict whether new legislation or regulations may result from any such studies or hearings or the adverse impact, if any, upon the Company's operations which might result therefrom.

The information contained under this heading does not purport to be a complete summary of all the provisions of the Communications Act and the rules and regulations of the FCC thereunder or of pending proposals for other regulation of broadcasting and relating activities. For a complete statement of such provisions, reference is made to the Communications Act, to such rules and regulations and to such pending proposals.

Cable Television

The Company has interests in 53 cable television systems which on December 31, 1982 served 327,400 basic subscribers with 213,020 premium units. All systems are 100% owned by the Company or its subsidiaries except for Highland Park, Rio Rancho and Aransas Pass which are 80% owned and Fargo which is 50% owned. Whitcom Investment Company holds a 10% minority interest in Capital Cities Cable, Inc. which owns all systems with the exception of Burlingame, Highland Park, Greenwood, Plymouth, Saline, Rio Rancho, Green Township and Aransas Pass. The Nowata and Vinita, Oklahoma systems were acquired in January 1983. Cable television locations, number of basic subscribers and premium units and other details are set forth below:

Principal Community Served (1)	Number of Basic Subscribers	Number of Premium Units (2)	Estimated Dwelling Units Passed by Cable (3)	Number of Plant Miles
Arizona				
Clifton	2,150	1,440	2,640	40
Cottonwood	1,660	400	2,230	50
Globe	4,320	2,160	6,680	90
Holbrook	1,560	660	2,210	30
Page	1,420	1,260	1,570	20
Safford	4,390	1,470	5,230	110
Show Low	4,380	1,380	7,030	200
Winslow	2,490	1,110	2,690	40
California				
Burlingame (4)	2,270	3,430	13,350	80
Modesto	28,850	17,460	45,520	460
Oakdale	1,800	990	3,180	40
Santa Rosa	32,700	14,000	33,960	360
Illinois				
Highland Park (4)	2,620	5,830	16,080	200
Indiana				
Greenwood	5,600	9,960	12,370	180
Iowa				
Sioux City	17,040	14,440	30,780	380
Kansas				
Abilene	2,700	740	2,990	30
Beloit	1,810	610	2,010	20
Clay Center	2,170	460	2,130	30
Concordia	2,580	680	2,920	30
Michigan				
Plymouth	14,780	24,100	35,550	370
Saline	2,430	3,880	6,[illegible]0	110
Mississippi				
Clarksdale	6,690	1,840	7,920	70
Gulfport	11,700	5,980	15,220	180
Missouri				
Brookfield	2,330	480	2,640	40
Joplin	7,910	3,560	16,550	210
Kirksville	4,350	1,810	7,310	70
Trenton	2,650	830	2,800	50

Principal Community Served (1)	Number of Basic Subscribers	Number of Premium Units (2)	Estimated Dwelling Units Passed by Cable (3)	Number of Plant Miles
Nebraska				
Norfolk	6,670	5,430	11,130	160
New Mexico				
Rio Rancho	1,680	1,880	4,500	90
Roswell	11,070	5,970	15,930	200
North Dakota				
Fargo	12,500	12,890	22,860	200
Ohio				
Green Township	5,810	7,870	13,500	250
Oklahoma				
Altus	7,830	3,600	8,830	100
Ardmore	8,810	3,980	10,230	160
Hobart	1,970	560	2,240	30
Idabel	2,340	1,200	3,300	50
Mangum	1,740	380	1,950	30
Miami	4,010	1,680	7,040	90
Nowata	760	490	1,800	30
Ponca City	11,390	5,740	12,580	170
Vinita	1,950	1,310	2,640	30
Tennessee				
Dyersburg	4,970	1,320	6,210	70
Texas				
Aransas Pass	3,340	5,480	6,770	120
Bonham	2,770	990	3,020	40
Childress	2,310	620	2,570	40
Denison	8,730	3,110	10,160	130
Lampasas	2,080	820	2,510	40
Lufkin	9,480	5,330	12,440	200
Memphis	1,200	320	1,490	20
Odessa	22,520	14,500	32,300	380
Port Lavaca	4,000	2,100	4,850	70
Sherman	10,960	4,180	12,430	140
Wellington	1,160	310	1,290	20
	327,400	213,020	504,970	6,350

(1) Certain systems are comprised of more than one franchise and serve more than one community.

(2) A basic subscriber may subscribe to more than one premium service.

(3) A dwelling is deemed to be "passed by cable" if it can be connected by a drop without further extension of the distribution line.

(4) Systems under construction or not yet fully marketed. Number of dwelling units passed by cable and number of plant miles are estimated at completion for such systems.

A cable television system receives, amplifies and distributes to its subscribers, television signals originating from local or distant television broadcasting stations. The signal may be received off-the-air by use of high antennas, by microwave relay or earth stations receiving satellite transmissions. The system may also distribute live, automated or other programs originated by the system or originated by other than a broadcasting station. The latter form of programming, for which a separate charge is made, is popularly called "premium service" or "pay cable".

Cable television systems operate in a highly competitive environment. They compete with the direct reception of broadcast television signals by the viewer's own antenna. The extent of such competition depends upon the quality and quantity of the broadcast signals being received by direct antenna reception as compared to the services rendered by such system. The systems also compete with translator stations, STV stations, MDS systems; in the relatively near future they will also compete with DBS and low power stations.

The Company is generally subject to the requirements of state and local governmental law and the interpretation thereof in the granting of a franchise and the operation of its systems. The franchises granted by local governmental authorities are typically nonexclusive, limited in time and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues, limitations on installation and/or service charges, conditions of service, technical performance and various types of restrictions on transferability. Failure to comply with such conditions and limitations may give rise to rights of termination by the local governmental authority. Currently, the Company's systems are parties to a suit that seeks an injunction against enforcement of an Oklahoma statute which has been interpreted to require Oklahoma cable systems to delete advertisements for wine and beer broadcast by out of state TV stations that are carried by the cable systems in question. The United States Court of Appeals for the Tenth Circuit recently reversed a District Court injunction against the enforcement of that statute. The outcome of the litigation and its effect on the Oklahoma cable systems cannot be predicted at this time.

The cable television industry is subject to extensive regulation by the FCC, although the FCC has adopted proposals which eliminate many of its regulations concerning cable television. Existing FCC regulations contain detailed provisions concerning, among other things, television broadcast signals that may have to be carried by the cable system, carriage of distant additional signals, exclusivity of network and non-network programs, black-out of certain sporting events, technical standards, performance testing requirements, limitation on franchise fees (but not on service rates which are usually determined under local franchises), cross ownership of cable television systems and television broadcast stations and comprehensive annual reporting requirements. The FCC also has the authority, with certain limits, to regulate the rates charged by telephone and utility companies for the rental of poles used by cable television companies to attach their cable distribution network; however, the FCC's authority in this area may be pre-empted by any state which certifies to the FCC that it has the statutory authority to do so.

The FCC is considering proposals to remove the FCC limitation on the franchise fees which can be imposed by franchising authorities and to remove the FCC regulations which prohibit local authorities from regulating service rates for premium cable service. The removal of either such limitation could adversely affect the Company's cable television business.

The FCC is constantly reviewing its rules, regulations and policies concerning the cable television industry. In addition, the Senate and House Communications Subcommittees are considering legislation that would also affect the industry. Any of such proposed laws, rules, regulations or policies could have a material adverse affect on the cable industry.

Publishing

The Company publishes 36 business and specialized publications, ten daily newspapers in eight markets, and a number of weekly community newspapers and pennysavers. Following is a summary by type of publication, of inches of advertising, advertising revenue and circulation revenue for the five years ended December 31, 1982 (000's omitted):

	1982	1981	1980	1979	1978
Inches of advertising					
Newspapers (a)	18,302	19,255	16,729	14,899	14,113
Specialized publications	2,317	2,252	2,085	1,996	1,854
Advertising revenue					
Newspapers—ROP	$189,833	$177,878	$155,485	$140,277	$123,146
Newspapers—inserts	16,971	15,135	13,189	11,152	9,180
Specialized publications	105,227	93,915	79,229	70,636	63,018
Pennysavers	5,953	8,152	5,892	—	—
Circulation revenue					
Newspapers	$ 43,438	$ 39,205	$ 30,179	$ 23,424	$ 21,965
Specialized publications	18,738	15,966	13,915	12,644	10,999
Other operating revenue					
Newspapers	$ 3,119	$ 3,028	$ 2,071	$ 1,321	$ 1,642
Specialized publications	6,003	6,007	5,138	4,109	4,166
Total revenue					
Newspapers	$253,361	$235,246	$200,924	$176,174	$155,933
Specialized publications	129,968	115,888	98,282	87,389	78,183
Pennysavers	5,953	8,152	5,892	—	—

(a) Does not include inserts.

Specialized Publications

The Specialized Publications Group is primarily engaged in gathering and publishing business news and ideas for industries covered by its various publications, all of which are printed by outside printing contractors. In March 1983, *SportStyle*, an active-life-style monthly consumer magazine was introduced. Following are the publications:

Title	Frequency	Circulation
Fairchild Publications Group		
Newspapers		
Women's Wear Daily	Daily	70,000
Daily News Record	Daily	23,000
American Metal Market	Daily	14,000
HFD—Retailing Home Furnishings	Weekly	33,000
Energy User News	Weekly	17,000
Footwear News	Weekly	22,000
Supermarket News	Weekly	56,000
Electronic News	Weekly	66,000
Metalworking News	Weekly	30,000
MIS Week	Weekly	100,000 (1)
Multichannel News	Weekly	12,000
W	Biweekly	200,000
SportStyle—Business Edition	Semimonthly	26,000 (1)
Entrée	Monthly	13,000 (1)
Magazines		
Men's Wear	Semimonthly	19,000
Metal/Center News	Monthly	12,000 (1)
Home Fashions Textiles	Monthly	12,000 (1)
Heat Treating	Monthly	20,000 (1)
Electronics Retailing	Monthly	12,000 (1)
International Medical News Group		
Family Practice News	Semimonthly	71,000 (1)
Internal Medicine News	Semimonthly	63,000 (1)
Ob. Gyn. News	Semimonthly	27,000 (1)
Pediatric News	Monthly	27,000 (1)
Clinical Psychiatry News	Monthly	30,000 (1)
Skin & Allergy News	Monthly	33,000 (1)
Aches & Pains	Monthly	75,000 (1)
Professional Press Group		
Optometric Monthly	Monthly	14,000
Optical Index	Monthly	23,000 (1)
International Contact Lens Clinic	Bimonthly	13,000 (1)
Journal of Learning Disabilities	Monthly	15,000
American Traveler Group		
The Travel Agent	Twice Weekly	32,000
Interline Reporter	Monthly	19,000
El Travel Agent Internacional	Monthly	6,000 (1)

(1) Controlled circulation.

Daily Newspapers

The Company publishes ten daily newspapers in eight communities (five of which have Sunday editions). The daily newspapers and their paid circulation at December 31, 1982 are as follows:

		Daily	Sunday
The Kansas City Times	Morning	282,000	
The Kansas City Star	Evening	239,000	389,000
Fort Worth Star-Telegram	Morning	108,000	270,000
Fort Worth Star-Telegram	Evening	129,000	
The Oakland Press (Pontiac, Mich.)	Evening	73,000	80,000
News-Democrat (Belleville, Ill.)	Afternoon	40,000	48,000
The Times Leader (Wilkes-Barre, Pa.)	All-day	33,000(1)	
The Daily Register (Red Bank, N.J.)	All-day	33,000	34,000
Albany Democrat-Herald (Albany, Oregon)	Evening	21,000	
The Daily Tidings (Ashland, Oregon)	Evening	6,000	

(1) In addition, 31,000 unpaid copies are distributed to the community on Tuesday, Wednesday and Thursday.

Weekly Newspapers and Shopping Guides

The Company publishes weekly community newspapers and distributes pennysavers in seven states. They include, with aggregate circulation parenthetically noted, six weekly newspapers in Oregon (44,000), thirteen in Connecticut (120,000), two in Illinois (26,000), *The Arlington Citizen-Journal*, in Arlington, Texas (50,000) and *The Ocean County Reporter*, Ocean County, New Jersey (80,000). Three pennysavers are distributed in Wichita and Topeka, Kansas, and in Springfield, Missouri, with an aggregate weekly circulation of 314,000.

In addition, the Company publishes, in Oregon, two magazines for stamp collectors with a combined circulation of 28,000.

Competition

The specialized publication business is highly competitive. In its various news publishing activities it competes with almost all other information media, and this competition may become more intense as communications equipment is improved and new techniques are developed. Many metropolitan general newspapers and small-city or suburban papers carry business news. In addition to special magazines in the fields covered by these publications, general news magazines publish substantial amounts of business material. Nearly all of these publications seek to sell advertising space, and much of this effort is directly or indirectly competitive with the Company's specialized publications.

The Company's newspapers and pennysavers compete with other advertising media such as broadcasting stations, magazines and billboards. Additionally, *The Oakland Press*, the *News-Democrat, The Daily Register, The Arlington Citizen-Journal*, the *Gresham Outlook* (Oregon) and the *Shore Line* (Connecticut) newspapers serve suburban areas adjacent to metropolitan centers and compete with newspapers published there.

Raw Materials

The primary raw material used by the publishing division is newsprint. Newsprint and other paper stock for the specialized publications is mostly furnished by contract printers. Newsprint is readily available from numerous suppliers. The Company's newspapers purchase their newsprint from various suppliers as follows:

	Number of suppliers	Share furnished by largest supplier
The Kansas City Star/Times	8	23%
Fort Worth Star-Telegram	5	37%
The Oakland Press	3	36%
News-Democrat	4	46%
The Times Leader	6	24%
Shore Line Newspapers	2	83%
Democrat-Herald Group	4	30%
The Daily Register	3	47%

Item 2. *Properties.*

The Company currently occupies executive offices at 24 East 51st Street in New York City under a lease expiring in 2012. The principal executive and editorial offices of Fairchild are located in New York City and are owned by the Company. All of Fairchild's offices in other cities are leased. The editorial offices of the International Medical News Group are located in Rockville, Maryland and are also owned by the Company. All of the premises occupied by the newspapers are owned by the Company.

The Company owns all of its broadcast transmitter sites except those of KSCS-FM, WKHX-FM, WPAT-FM, WHYT-FM, and KZLA-FM, which are occupied under leases expiring at various dates through 1997. All broadcast studios and offices are owned except those in Albany, Detroit, New Haven, Marietta, and Buffalo (WKBW-AM), which are occupied under leases expiring at various dates through 1993.

The Company's Cable Television Division executive offices are located in Bloomfield Hills, Michigan under a lease expiring in 1985. In addition, the Cable Television Division leases other office space, warehouse space and tower sites under terms ranging from month to month or expiring through 2010.

Item 3. *Legal Proceedings.*

The following constitute pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject. Based on evaluation of the facts which have been ascertained, and the opinions of counsel handling the defense of these matters, management does not believe the outcome of such legal proceedings will, in the aggregate, have a material adverse effect on the financial statements of the Company.

On or about January 13, 1975, an action was commenced against The Kansas City Star Company (the "Star") in the United States District Court for the Western District of Missouri by Gweldon L. Paschall on behalf of himself and other independent contract newspaper carriers. The Star was acquired by the Company in February 1977. On October 27, 1977, the Court issued a preliminary injunction prohibiting the Star from terminating its carriers as part of its proposed conversion to a direct distribution system utilizing independent delivery agents. Following further hearings, the Court found that the proposed terminations would violate Section 2 of the Sherman Act. A permanent injunction has been issued.

The Star appealed to the United States Court of Appeals for the Eighth Circuit which by a 2 to 1 decision affirmed the determination of the District Court. Application was made to the Circuit Court for a Full Bench hearing, which was granted. Argument before the Full Bench took place on March 14, 1983. The Company is awaiting decision. The District Court had awarded plaintiffs counsel fees and disbursements in the sum of approximately $2,900,000 which was later reduced to $1,300,000, with the plaintiffs now seeking an additional $103,000 for services rendered in the appeal before the 3 judge Circuit Court. If the permanent injunction is reversed by the Full Bench of the Circuit Court, the Star will not be obligated to make any payments on account of counsel fees and disbursements.

On or about March 1, 1979, an action was commenced against the Star in the United States District Court for the Western District of Missouri, Western Division, by John J. Mixer and four additional parties plaintiff, alleging violations of the Clayton and Sherman Antitrust Acts. Plaintiffs claim to represent a class of approximately 300 carriers. The charge is that the Star, which had previously collated and inserted the various sections of the paper into a single unit for distribution to the plaintiffs, threatened to cast the burden of so doing on the plaintiffs. The plaintiffs are contract newspaper carriers. Plaintiffs seek an injunction and treble damages. All activities in these cases have been stayed pending appeal of the Paschall case.

On or about April 23, 1979, an action was instituted by William G. Strub, et al., against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, in an antitrust suit brought by 7 former independent contract carriers and by 2 representatives of the estates of 2 deceased individuals who were formerly independent contract carriers, claiming violation of the Sherman Act. Plaintiffs seek treble damages. Request has been made to have the case handled as a class action. The case awaits the outcome of the appeal in the Paschall case.

On or about May 25, 1979, an action was instituted in the United States District Court for the Western District of Missouri, Western Division, by Paul Dean Feagans and two other former independent contract carriers whose complaint and prayers for relief are identical to those in William G. Strub, et al., against the Star. All activities in the case have been stayed pending appeal of the Paschall case.

On or about September 20, 1978, an action was instituted in the Circuit Court of Jackson County, Missouri by Robert S. Miskimen on behalf of himself and approximately 267 other parties plaintiff, against the Company and the Star. Plaintiffs as carrier distributors of the Star's newspapers sought an injunction restraining the Company and the Star from refusing to sell newspapers to the plaintiffs for home delivery subscribers, for a declaratory judgment relating to plaintiffs' property interests in their respective territories and for aggregate compensatory damages of $100,000,000. Additionally, each of the plaintiffs was asking for punitive damages of $100,000,000. On June 23, 1982 the court rejected plaintiffs' claims and confirmed the right of the Star to cancel then existing carrier contracts for the Star's legitimate business reasons and to change its distribution system, subject only to the rights of the former carriers to recoup their initial investment. The plaintiffs' motions for a new trial, or in the alternative to vacate and modify the judgment entered against them, have been denied. These plaintiffs will seek an appeal of the above described judgment.

An action has been instituted by Brennan, et al. against the Star in the United States District Court for the Western District of Missouri. This is an action by 11 former independent contract carriers whose contracts were terminated for cause during the pendency of the Paschall lawsuit. The vast majority of the claims asserted in plaintiffs' complaint are the same as those raised in the Paschall lawsuit. However, plaintiffs further allege that the Star is engaged in other activities, such as imposing "topping" requirements, which they say constitutes harassment of the carriers and is evidence of a violation of the antitrust laws. In essence, these plaintiffs assert that their contracts were terminated unlawfully and, therefore, they are entitled to an unspecified amount of monetary damages.

Another action has been instituted by John J. Mixer against the Star in the United States District Court for the Western District of Missouri. The complaint filed in the lawsuit and the current status of this case is identical to that in Brennan. The only reason a separate lawsuit was filed rather than joining plaintiff's claim with those in Brennan is because Mixer was not a carrier within metropolitan Kansas City, as were the plaintiffs in Brennan.

There are also 14 other actions pending in various Missouri state courts seeking damages against the Star arising from alleged interference with plaintiffs' property rights and contractual relationships with newspaper carriers, which in the aggregate are not material. These cases are substantially identical to the Miskimen action. Company's counsel believes that summary judgment to dismiss these cases will lie since the legal determination in Miskimen should apply equally to these cases.

Item 4. *Submission of Matters to a Vote of Security Holders.*

The information called for by this item is not applicable.

Executive Officers of the Company

Name	Age	Director since	Officer since	Title
Thomas S. Murphy	57	1957	1958	Chairman of the Board of Directors and Chief Executive Officer
Daniel B. Burke	54	1967	1962	President, Director and Chief Operating Officer
Joseph P. Dougherty	58	1967	1959	Executive Vice President, President of Broadcasting Division and Director
John B. Fairchild	56	1968	1968	Executive Vice President, Chairman and Chief Executive Officer of Specialized Publications Group and Director
William R. James	49		1969	Executive Vice President and President of Cable Television Division
John B. Sias	56	1977	1975	Executive Vice President, President of Publishing Division and Director
Ronald J. Doerfler	41		1977	Senior Vice President and Chief Financial Officer
Robert W. Gelles	59		1963	Vice President and Treasurer
Andrew E. Jackson	48		1971	Vice President
Gerald Dickler	70	1954	1954	Secretary and Director
Allan J. Edelson	40		1981	Controller

All officers have been actively associated with the Company for more than five years with the exception of Mr. Edelson, and for all except Mr. Dickler such association has been their principal occupation. Mr. Edelson had been with Arthur Young & Company prior to joining the Company in 1980. Mr. Dickler has concurrently been actively engaged in the practice of law as a partner in the law firm of Hall, Dickler, Lawler, Kent & Howley, general counsel for the Company. There is no relationship by blood, marriage, or adoption, not more remote than first cousin, among them. All officers hold office at the pleasure of the Board of Directors.

PART II

Item 5. ***Market for the Registrant's Common Stock and Related Security Holder Matters.***

The information called for by this item is included on page 44 of the 1982 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. ***Selected Financial Data.***

The information called for by this item is included on pages 30 and 31 of the 1982 Annual Report to Shareholders and is incorporated herein by reference.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The information called for by this item is included on pages 23 through 27 of the 1982 Annual Report to Shareholders and is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data.***

The information called for by this item is included on pages 32 through 45 of the 1982 Annual Report to Shareholders and is incorporated herein by reference.

Item 9. ***Disagreements on Accounting and Financial Disclosure.***

The information called for by this item is not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

Incorporated herein by reference to pages 1 and 2 of the Company's definitive proxy statement for the annual meeting of shareholders on May 5, 1983. Information concerning the executive officers is included in Part 1, on page K-16.

Item 11. ***Management Remuneration and Transactions.***

Incorporated herein by reference to pages 3 through 5 of the Company's definitive proxy statement for the annual meeting of shareholders on May 5, 1983.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management.***

Incorporated herein by reference to pages 1 through 3 of the Company's definitive proxy statement for the annual meeting of shareholders on May 5, 1983.

PART IV

Item 13. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

(a) 1. *Financial statements and financial statement schedules*

The financial statements and schedules listed in the accompanying index to financial statements are filed as part of this annual report.

2. *Exhibits*

The exhibits listed on the accompanying index to exhibits are filed as part of this annual report.

(b) Reports on Form 8-K.

None filed during Fourth Quarter 1982.

CAPITAL CITIES COMMUNICATIONS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES COVERED BY REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

(Item 13(a)1.)

	Reference: Annual Report to Shareholders	Reference: Form 10-K
Consolidated balance sheet at December 31, 1982 and 1981	34	
For the years ended December 31, 1982, 1981 and 1980:		
Consolidated statement of income	32	
Consolidated statement of changes in financial position	33	
Consolidated statement of stockholders' equity	36	
Notes to consolidated financial statements	37	
Financial statement schedules for the years ended December 31, 1982, 1981 and 1980:		
V—Property, plant and equipment		K-19
VI—Accumulated depreciation and amortization of property, plant and equipment		K-20
VIII—Valuation and qualifying accounts		K-20

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

* * * * * * *

The consolidated financial statements of Capital Cities Communications, Inc., listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1982, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6 and 7, the 1982 Annual Report to Shareholders is not to be deemed filed as part of this report.

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Capital Cities Communications, Inc. for the year ended December 31, 1982 of our report dated February 28, 1983 included in the 1982 Annual Report to Shareholders of Capital Cities Communications, Inc.

We also consent to the addition of the financial statement schedules listed in the accompanying index to financial statements and financial statement schedules to the financial statements covered by our report dated February 28, 1983 incorporated herein by reference.

We also consent to the incorporation by reference in the Registration Statements Form S-8 No. 2-58945 for the registration of 630,067 shares and Form S-8 No. 2-59014 for the registration of 287,195 shares of its common stock and in the related Prospectuses of our report dated February 28, 1983 with respect to the financial statements and schedules of Capital Cities Communications, Inc. incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1982.

Arthur Young & Company

ARTHUR YOUNG & COMPANY

New York, New York
March 23, 1983

CAPITAL CITIES COMMUNICATIONS, INC.

INDEX TO EXHIBITS (ITEM 13(a)2.)

(13) The Company's 1982 Annual Report to Shareholders. (This report, except for the portions thereof which are incorporated by reference in this Form 10-K, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K.)

(22) Subsidiaries of the Company. (K-22)

(28) Undertakings. (K-23 and K-24

SCHEDULE V— PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)

	Balance at beginning of period	Additions at cost: Operating companies acquired	Additions at cost: Other	Retirements or sales	Other changes— reclassification (a)	Balance at close of period
Year ended December 31, 1982:						
Land and improvements	$ 16,212	$ 430	$ 2,937	$ (87)	$ 1,117	$ 20,609
Buildings and improvements	56,521	1,559	4,475	(260)	1,553	63,848
Broadcasting equipment	44,724	—	10,927	(2,281)		53,370
Printing machinery and equipment	62,626	3,057	3,839	(1,509)	274	68,287
Cable television distribution systems and equipment	70,150	1,503	24,196	(46)	(5,235)	90,568
Other, including construction-in-progress	32,179	1,610	5,277	(838)	2,765	40,993
	$282,412	$ 8,159	$51,651	$(5,021)	$ 474	$337,675
Year ended December 31, 1981:						
Land and improvements	$ 14,452	$ 635	$ 464	$ (21)	$ 682	$ 16,212
Buildings and improvements	46,472	1,264	8,105	(741)	1,421	56,521
Broadcasting equipment	40,157	44	4,786	(263)		44,724
Printing machinery and equipment	60,847	156	5,522	(2,890)	(1,009)	62,626
Cable television distribution systems and equipment	2,541	41,635	26,222	(248)		70,150
Other, including construction-in-progress	21,241	7,879	3,535	(714)	238	32,179
	$185,710	$51,613	$48,634	$(4,877)	$ 1,332	$282,412
Year ended December 31, 1980:						
Land and improvements	$ 12,652	$ 709	$ 1,091	$ —		$ 14,452
Buildings and improvements	43,478	1,555	1,542	(103)		46,472
Broadcasting equipment	35,962	—	5,186	(991)		40,157
Printing machinery and equipment	53,794	4,203	4,014	(1,164)		60,847
Cable television distribution systems and equipment	—	—	2,541	—		2,541
Other, including construction-in-progress	12,057	489	9,237	(542)		21,241
	$157,943	$ 6,956	$23,611	$(2,800)		$185,710

(a) Represents, in 1982, final adjustments to the purchase price allocation of the 1981 acquisition of Cablecom-General, Inc., and, in 1981, final adjustments to the purchase price allocation of the 1980 acquisition of the Democrat-Herald Publishing Company.

Depreciation is generally provided on a straight-line basis over the estimated useful lives; buildings and improvements—10 to 50 years; broadcasting equipment—4 to 8 years; printing machinery and equipment— 5 to 10 years; cable television distribution systems—10 years.

CAPITAL CITIES COMMUNICATIONS, INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(Thousands of Dollars)

	Balance at beginning of period	Charged to income	Retire-ments or sales	Other changes—reclassification(a)	Balance at close of period
Year ended December 31, 1982:					
Land improvements	$ 538	$ 77	$ (1)	$ (2)	$ 612
Buildings and improvements	20,197	2,388	(57)	(100)	22,428
Broadcasting equipment	27,516	4,238	(2,074)		29,680
Printing machinery and equipment	37,987	5,864	(1,218)	(270)	42,363
Cable television distribution systems and equipment	2,801	8,156	—	(3,372)	7,585
Other	7,745	2,370	(809)	(245)	9,061
	$96,784	$23,093	$(4,159)	$(3,989)	$111,729
Year ended December 31, 1981:					
Land improvements	$ 497	$ 44	$ —	$ (3)	$ 538
Buildings and improvements	19,100	1,828	(675)	(56)	20,197
Broadcasting equipment	23,964	3,768	(216)		27,516
Printing machinery and equipment	35,360	5,359	(2,474)	(258)	37,987
Cable television distribution systems and equipment	34	3,274	(507)		2,801
Other	6,537	1,851	(608)	(35)	7,745
	$85,492	$16,124	$(4,480)	$ (352)	$96,784
Year ended December 31, 1980:					
Land improvements	$ 443	$ 54	$ —		$ 497
Buildings and improvements	17,591	1,595	(86)		19,100
Broadcasting equipment	21,454	3,420	(910)		23,964
Printing machinery and equipment	31,224	5,056	(920)		35,360
Cable television distribution systems and equipment	—	34	—		34
Other	5,622	1,308	(393)		6,537
	$76,334	$11,467	$(2,309)		$ 85,492

(a) Represents, in 1982, final adjustments to the purchase price allocation of the 1981 acquisition of Cablecom-General, Inc., and in 1981, final adjustments to the purchase price allocation of the 1980 acquisition of the Democrat-Herald Publishing Company.

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS
(Thousands of Dollars)

	Balance at beginning of period	Charged to income	Deductions from reserves(a)	Balance at close of period
Deducted from accounts and notes receivable:				
Year ended December 31, 1982	$4,914	$6,597	$(6,592)	$4,919
Year ended December 31, 1981	$3,899	$5,189	$(4,174)	$4,914
Year ended December 31, 1980	$3,282	$3,929	$(3,312)	$3,899

(a) Accounts written-off, net.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITIES COMMUNICATIONS, INC.
(Registrant)

Gerald Dickler
Gerald Dickler, Secretary

March 14, 1983

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Principal Executive Officer:

Thomas S. Murphy
(Thomas S. Murphy) — March 14, 1983

Principal Financial Officer:

Ronald J. Doerfler
(Ronald J. Doerfler) — March 14, 1983

Controller:

Allan J. Edelson
(Allan J. Edelson) — March 14, 1983

Directors:

Daniel B. Burke
(Daniel B. Burke) — March 14, 1983

Gerald Dickler
(Gerald Dickler) — March 14, 1983

Joseph P. Dougherty
(Joseph P. Dougherty) — March 14, 1983

(John B. Fairchild) — March , 1983

William S. Lasdon
(William S. Lasdon) — March 14, 1983

Thomas S. Murphy
(Thomas S. Murphy) — March 14, 1983

John H. Muller
(John H. Muller, Jr.) — March 14, 1983

John B. Sias
(John B. Sias) — March 14, 1983

W. J. Spencer
(William J. Spencer) — March 14, 1983

M. C. Woodward
(M. Cabell Woodward, Jr.) — March 14, 1983

CAPITAL CITIES COMMUNICATIONS, INC.
24 EAST 51ST STREET · NEW YORK, N.Y. 10022

421-9595
AREA CODE 212

Subsidiaries of the Registrant

The following subsidiaries are owned by the Registrant at December 31, 1982 and are included in the consolidated financial statements:

	State of Incorporation	% of Ownership
Oakland Press Company	Michigan	100%
The Kansas City Star Company	Missouri	100%
Capital Cities Media, Inc.	New York	100%
Capital Cities Cable, Inc.	Delaware	90%
Cablecom-General, Inc.	Oklahoma	100%

The names of certain subsidiaries are omitted from the above list; such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Exhibit (22)

*To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-*59014

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) *Employee plans on Form S-8.*

(1) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

(2) The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

(3) Where interests in a plan are registered herewith, the undersigned registrant and plan hereby undertake to transmit or cause to be transmitted promptly, without charge, to any participant in the plan who makes a written request, a copy of the then latest annual report of the plan filed pursuant to section 15(d) of the Securities Exchange Act of 1934 (Form 11-K). If such report is filed separately on Form 11-K, such form shall be delivered upon written request. If such report is filed as a part of the registrant's annual report on Form 10-K, that entire report (excluding exhibits) shall be delivered upon written request. If such report is filed as a part of the registrant's annual report to stockholders delivered pursuant to paragraph (1) or (2) of this undertaking, additional delivery shall not be required.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-58945

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) *Employee plans on Form S-8.*

(1) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

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Operating Highlights

	1982	1981
Net revenues	**$663,580,000**	$573,784,000
Operating income	**$189,788,000**	$159,186,000
Net income	**$ 96,317,000**	$ 80,518,000
Net income per share	**$7.25**	$6.12
Return on equity	**19.5%**	20.1%

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Form 10-K K-1

To Our Shareholders

Capital Cities Communications, Inc., achieved its twenty-eighth consecutive year of record financial performance in 1982. Highlights were as follows (dollars in millions except income per share):

	1982	1981	Percentage increase
Net revenues	$663.6	$573.8	16%
Operating expenses	$473.8	$414.6	14%
Operating income........	$189.8	$159.2	19%
Net income..............	$ 96.3	$ 80.5	20%
Income per share	$ 7.25	$ 6.12	18%

Highlights of the Company's operations during the year were:

- Three major awards—two in publishing and one in broadcasting.
- Satisfactory revenue gains, especially in broadcasting.
- Cost increases somewhat above the rate of inflation but slightly below plan in all business groups.
- Double-digit-percentage earnings gains in all categories, with steady margins overall.
- Very encouraging progress for newer projects, such as *Multichannel News*, *SportStyle* (Business Edition), *MIS Week*, and WKHX-FM, Marietta, Georgia (serving the Atlanta area).
- Satisfactory growth in cable, with an increase in basic subscribers from 288,000 at the close of 1981 to 325,000 at the end of 1982. During the same period, subscriptions for premium units rose from 168,000 to 211,000.
- Reduction of total long-term debt from $102,400,000 at January 1 to $48,400,000 at December 31, 1982, by application of available cash flow from operations.

All of us in Capital Cities shine in the reflected glory of the staffs of our Kansas City newspapers who received two Pulitzer Prizes in 1982, and of our Detroit radio station, which received a Peabody Award in 1982.

The 1982 Pulitzer Prize for general local reporting was awarded jointly to *The Kansas City Star* and *The Kansas City Times* for coverage of the skywalk collapse at the Hyatt Regency Hotel in July 1981, as well as their coverage of the causes of the collapse. The two papers published more than fifty pages of text and pictures in the week following the collapse, and by the end of the year, more than 340 stories and hundreds of pictures had been printed on the subject. Our only regret is that the award came for covering a tragedy.

Thomas S. Murphy, *Chairman & Chief Executive Officer*

A 1982 Pulitzer Prize for national reporting was awarded to Rick Atkinson, a national correspondent in the Washington Bureau of the *Star/Times*, for a package of ten national stories written during 1981, though the judges particularly mentioned stories on water resources management and the West Point Class of 1966. He was cited by the Pulitzer jury for his ability to "bring alive for a regional reader stories of national scope."

WJR-AM, in Detroit, won the 1982 Peabody Award for journalistic excellence for a 23-part series, *Newsfile: A Bankrupt Court*, which uncovered

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Daniel B. Burke, *President & Chief Operating Officer*

alleged corruption and unethical practices within the United States District Bankruptcy Court in Detroit and led to a grand jury investigation of its findings.

We are proud to be associated with so many talented and dedicated journalists. Their ongoing efforts are essential to our commitment to render the best possible service to our readers, listeners and viewers.

Your Company continues to be in the enviable position of generating substantial cash flow from operations—$137,500,000 in 1982, an increase of 27 percent from $108,200,000 in 1981. Since Capital Cities does not require large annual amounts of capital to be reinvested in fixed assets and inventories to continue its current level of business, available cash flow (after the deduction of regular capital expenditures, excluding new cable television system construction) increased 30 percent to $103,700,000 in 1982, from $79,900,000 in 1981. It is these available cash flows, which historically have approximated reported net income, that set Capital Cities apart from most other businesses and should enhance future earnings growth and shareholders' returns through selective acquisitions, investment in new business start-ups, debt reduction and, when deemed appropriate, the repurchase of its common stock.

As we begin 1983, our television stations enjoy strong audience positions, revenues and profits. While the rapid development of cable television has lowered viewing somewhat for the three traditional television networks and most of their affiliated stations, we still regard the future for over-the-air free television with great optimism. Local stations, our own included, have added substantially in recent years to the number of hours programmed locally—especially with news. This trend has increased expenditures for personnel and equipment rapidly; however, based on audience and advertiser response thus far, we regard these added costs as wise investments.

Although radio grows more competitive year by year, it continues to be a rewarding business for Capital Cities. By tailoring their program offerings and providing less music and more news, information, and sports, our seven AM stations have generally weathered audience shifts from AM to FM quite well. Our seven FM stations offer highly focused music formats, and current listening levels are very satisfactory, with several stations at all-time highs. WKHX-FM, which was acquired and reprogrammed in 1981, had an outstanding 1982 and is currently rated number three in the Atlanta radio market as reported in the Fall 1982 ARB. We continue to seek out opportunities to upgrade the market size and potential of our radio station operations.

The newspaper group posted earnings almost exactly on plan, and did so on revenues which were only up 8 percent over 1981. Expense containment versus plan made this record possible, and while easing of newsprint price increases played an important role, our entire newspaper organization worked very hard to reflect sales shortfalls in daily spending decisions.

The Specialized Publications Group did very well in 1982. Revenues for established publications (started up prior to 1981) rose almost 10 percent, and operating earnings increased 15 percent. Considering the state of the economy, particularly as it affected industrial publications, we are most pleased with these results.

Progress on the publications which have been launched in the last two years also exceeded plan. *Multichannel News* continued to grow rapidly and is now a solid and growing profit contributor. *MIS Week* reached its goals in a very difficult year and has substantially reduced its operating loss. *Electronics Retailing*, a spin-off from *HFD—Retailing Home Furnishings*, also had a strong year and now appears to have a most promising future.

The Cable Television Division became profitable in 1982, generating $1,700,000 of operating earnings, an improvement of $4,800,000 over its 1981 loss of $3,100,000. The Division's cash return on assets was approximately 10 percent in 1982 and is forecast to approach 12 percent in 1983. We consider this an acceptable return on a new venture compared to alternative investments.

There is now gratifying evidence that cable television will be a good business for Capital Cities. Under the leadership of William R. James, Division President, a number of new marketing techniques have been tested, and we are confident that both basic and premium unit subscription levels can be increased at affordable investment levels.

Much of the investor euphoria surrounding cable television in recent years has now been dissipated. During this period of excessive enthusiasm, system purchases were made at prices we then thought, and now know, were too high. Also, many franchises (particularly urban) were granted to applicants on the basis of promises to provide services at rates which will make the systems only marginally profitable, at best. It is for this reason we did not pursue urban franchise opportunities subsequent to the Cablecom acquisition. We are now quite certain that the terms of the Cablecom acquisition were equitable to both parties, that the purchase will yield a satisfactory return to Capital Cities, and that we are not committed to construction projects with little or no hope of adequate return.

When we reported to you last year, we estimated that the dilution of earnings resulting from the Cablecom acquisition might be $.20 to $.25 per share for the first six months of 1982. The use of lower-cost commercial paper and falling interest rates reduced this dilution to $.18 from January through June; and for the entire year, the amount was $.30 per share. These amounts include interest expense on the total investment in Cablecom and substantial amortization of intangibles, but do not provide an accurate picture of the operating cash flow generated or return on investment. During 1982, Capital Cities achieved a cash return of $17,500,000, or approximately 13 percent on its investment in Cablecom. The amount and rate of return, in terms of both earnings per share and cash flow, should continue to rise satisfactorily in the years ahead, and we are now convinced of the merit of judicious additional investment in the cable television industry.

Debt repayment and declining interest rates were large factors in the 1982 results. The July 1981 Cablecom purchase was made with $97,000,000 of short-term bank borrowings and $42,200,000 of corporate cash. Shortly after closing, these bank loans were replaced by the issuance of commercial paper; and as 1982 began, we had $60,300,000 of these corporate obligations outstanding. At the end of the year, commercial paper outstanding had been reduced to $14,800,000.

Productive investment is certainly one of our most important responsibilities to you, and we regard 1982 as somewhat disappointing in terms of acquisitions. In a year when our operations were continuing to perform very well and corporate debt was being rapidly retired, we were quite active in the search for, and analysis of, purchase prospects in our three basic businesses. A number of unsuccessful bids were made for both broadcasting and publishing properties; and while in some cases

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our offers fell well below the final selling prices, at least twice we were frustratingly close.

We are most pleased with the acquisitions completed, but the aggregate expenditure of $22,400,000 is less than we had anticipated spending in 1982.

One part of our 1981 purchase of Cablecom-General was a 26 percent partnership interest in Community Cablevision of Odessa, a system serving 23,000 basic subscribers. Following consultations and negotiations with governing authorities in Odessa, Texas, a new twenty-year franchise was awarded to Community Cablevision of Odessa, with the proviso that the system be substantially rebuilt to deliver 52 channels instead of the currently available 13. Each of our equity partners then had to decide whether to retain their investments during this rebuild phase or to sell their interests to Capital Cities based on our commitment to the community to stay on as managers of the system. All of our partners decided to sell, and on October 1, 1982, we became 100 percent owners of Community Cablevision of Odessa at an additional purchase cost of $13,500,000. Minority interests in two other systems acquired with Cablecom were also purchased in 1982. Cable television acquisitions for the year aggregated $16,500,000.

Two weekly newspapers in Connecticut were purchased in September and will be integrated with our eleven Shore Line community newspapers. On September 10, 1982, we acquired *The Daily Register* and *The Sunday Register*, in Red Bank, New Jersey. These publishing acquisitions totaled $5,900,000.

Early in 1983, the purchase of all outstanding stock of American Traveler, Inc., publisher of *The Travel Agent*, was completed. Capital Cities had acquired 40 percent of this company in 1979, along with an option on the remaining equity to be exercised at a future date. Under the able leadership of its publisher, Eric Friedheim, *The Travel Agent* has grown rapidly during the last three years, and we are most pleased to welcome the publication and its staff to Capital Cities.

The kinds of businesses that make up Capital Cities have grown in appeal over the years as their durability and relative freedom from economic swings became more widely appreciated. During 1982, the trend toward some form of auction for sale of media properties continued, and most of the auctions were enthusiastically attended. We have never regarded growth in number of properties or in revenues as being particularly attractive unless such growth leads in a relatively short time to significantly higher levels of available cash flow. Although promising situations will probably be ever more difficult to find and buy at prices we consider prudent, we will continue the search aggressively and with optimism. It will also undoubtedly be appealing from time to time to repurchase Capital Cities' common stock.

In recent months there has been considerable discussion at the Federal Communications Commission and in Congress about the possibility of relaxing the FCC rule that limits any one company to a maximum of seven AM and seven FM radio stations and seven television stations. An FCC staff report published in December 1982 recommends sweeping relaxation of these broadcast ownership restrictions. We cannot, of course, predict the outcome of these deliberations, but we greatly hope for some action within the next year or two. In our judgment, the arbitrary limits imposed by the current rules on the operations of companies such as Capital Cities have little, if any, bearing on the public interest. Any relaxation would open up opportunities for Capital Cities that we would pursue vigorously.

Each year, as the earnings and size of Capital Cities have grown, the skill, experience, and effectiveness of our entire organization have perhaps grown even faster. We encourage all of our employees to think and act like owners, and indeed many of them are just that. Thanks to stock option and stock purchase plans which the shareholders have approved over the years, more than 2,000 of our full-time employees acquired stock in 1982 alone. We continue to regard the opportunity to participate in the Company's growth through stock

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ownership as an important factor in attracting and retaining able employees.

Until his sudden death on July 24, 1982, Amon G. Carter, Jr., had been a Director of Capital Cities since 1974 when the Company acquired the *Fort Worth Star-Telegram* newspapers, WBAP-AM and KSCS-FM, which had been operated and largely owned by him and his family. Amon quickly became a good friend to all of us at Capital Cities and worked tirelessly, and most often anonymously, to facilitate the acceptance of Capital Cities into the Fort Worth community. The very modest son of a well-known father, Amon became very prominent in his own right because of his substantial talents and unfailing concern for others. Along with his wonderful family and countless friends, we are the losers for his passing.

In August, we were pleased to welcome to our Board of Directors M. Cabell Woodward, Jr., Executive Vice President, Chief Financial Officer and a Director of International Telephone and Telegraph Corporation.

While 1982 was certainly a difficult year for many Americans individually and for American business generally, it was a very satisfactory year for Capital Cities. This contrast is largely due, of course, to the nature of our three basic businesses. The growing evidence of at least modest recovery in 1983 is good news for Capital Cities; however, without broad general recovery in the many large segments of our economy on which we all ultimately depend, Capital Cities cannot prosper indefinitely.

We wish to express to all our employees our admiration and gratitude for another fine year of progress and achievement. We thank you for your continuing interest and support and again pledge to you our best efforts and those of our entire organization to keep Capital Cities in the top rank of media companies in the United States in terms of community service, growth and efficiency.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

Daniel B. Burke

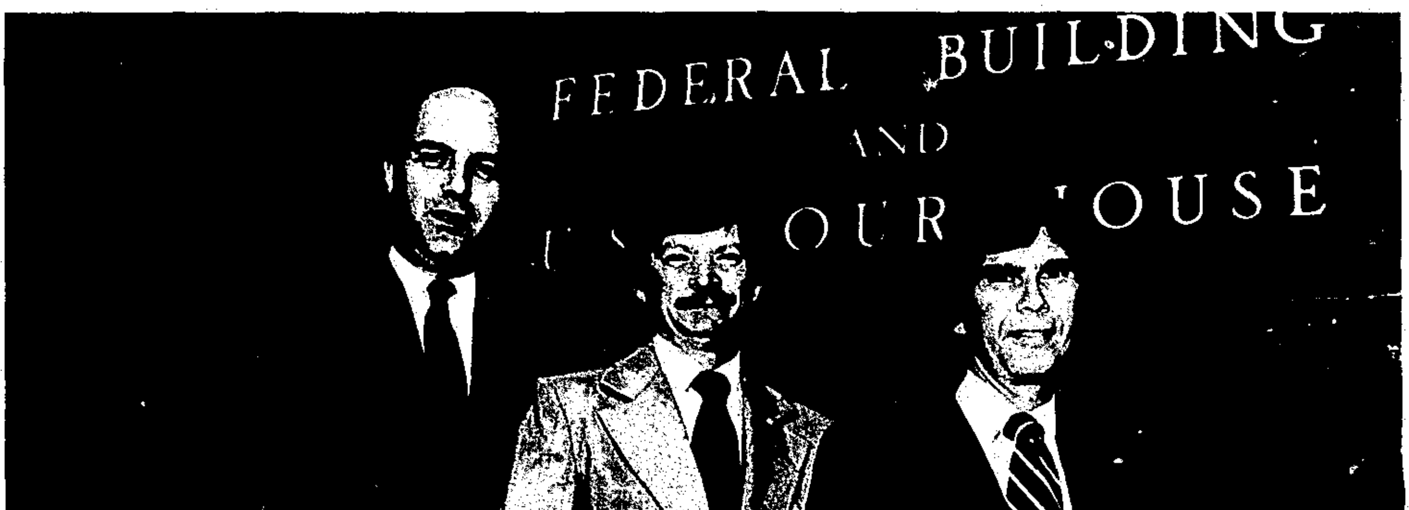
DANIEL B. BURKE
President

(Left) James H. Hale, Chairman of the Board and Publisher, and (right) Michael J. Davies, President and Editor, *The Kansas City Star* and *Times*

Rick Atkinson, national correspondent, *The Kansas City Star* and *Times*

The 1982 Pulitzer Prize for general local reporting was awarded jointly to *The Kansas City Star* and *The Kansas City Times* for their coverage of the skywalk collapse at the Hyatt Regency Hotel in July 1981, as well as their coverage of the causes of the collapse.

The 1982 Pulitzer Prize for national reporting was awarded to Rick Atkinson, national correspondent for *The Kansas City Star* and *The Kansas City Times* for a series of articles. Particularly mentioned were his six-part series on Federal mismanagement of scarce water resources and an article on the West Point Class of 1966.



(Left to right) Dave White, Ron Hansen and Gene Fogel

A 1982 Peabody Award was given to WJR-AM, Detroit, Michigan, for journalistic excellence in its 23-part series, *Newsfile: A Bankrupt Court,* which uncovered alleged corruption and unethical practices within the United States District Bankruptcy Court in Detroit.

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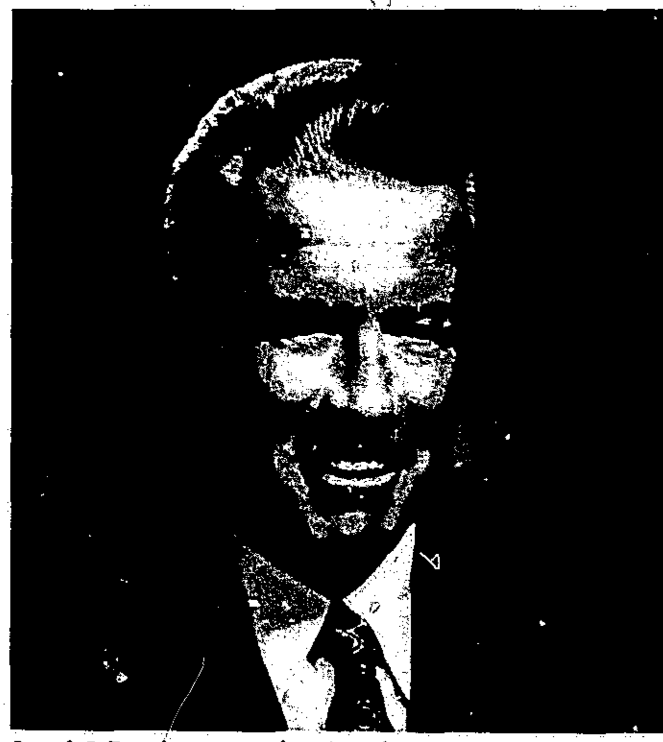
Broadcasting Division

In 1982, our television and radio stations once again achieved record levels of revenues and operating income. The Broadcasting Division earned $116,200,000, an increase of 14 percent over 1981. Net revenues also increased 14 percent, to $221,000,000. Operating costs for the Division increased 15 percent over 1981 levels, with television and radio operations showing comparable increases.

Gross revenues for our television stations increased 14 percent from last year. National spot television advertising, accounting for over 60 percent of the gross television revenues, showed a 17 percent gain overall, with our Houston, New Haven and Durham stations reporting the greatest increases. Local advertising, up 12 percent for the year, varied significantly by market, with the largest gains shown by the Houston, Fresno and Buffalo stations.

Radio gross revenues, with the addition of our new FM station in the Atlanta market, increased 16 percent in 1982. Local business overall remained strong throughout the year. Our Fort Worth, Los Angeles and Atlanta stations generated the largest revenue gains for both national and local business during the year.



Joseph P. Dougherty, *President, Broadcasting Division*

Television

Our six television stations were again market leaders, maintaining or improving their competitive audience and sales positions during the year. In the November rating period, four stations held the number one audience ranking, one station tied for first, and one station ranked second. While we continue to benefit from our network affiliations (four ABC, two CBS), we remain committed to the development and expansion of distinctive local news and public affairs programs for our viewers.

To this end, our stations currently produce a combined total of almost 90 hours of local live news each week. In 1982, news programs were added Monday through Friday at several of our television stations.

- On August 30, 1982, KTRK-TV added a half-hour of news at 6:30 p.m., expanding its early evening news programming to one and one-half hours.
- On September 13, 1982, KFSN-TV increased its evening news to one hour with the addition of a half-hour at 5:30 p.m.
- On September 20, 1982, WKBW-TV began a half-hour early morning newscast at 6:30 a.m.

The incremental costs associated with local news expansion are primarily related to personnel additions, and during 1982, total news staffing increased 9 percent. We continue to monitor these changes to ensure that our news efforts result in quality programming and in the most productive use of people and financial resources.

Our stations maintained their dominant positions in most news time periods, as the November rankings indicate below:

Station and market	No. of stations in market	News Program Rank: A.M. or noon	Early evening	Late evening
WPVI-TV (Philadelphia)	6	1	1	1
KTRK-TV (Houston)	6	1	1	1
WKBW-TV (Buffalo)	4	1	1	1
WTNH-TV (New Haven-Hartford)	5	1 (tie)	2	2
WTVD (Durham-Raleigh)	5	2	2	2
KFSN-TV (Fresno)	6	1	1	1

Source: ARB, November 1982

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The cost of syndicated programming and feature films continued to escalate rapidly for the industry in 1982. At our television stations, the cost of such product in 1982 increased by 35 percent as a result of substantially higher prices for a large number of new contracts in late 1981 and early 1982, together with the effects of the Company's accelerated amortization policy. We anticipate that 1983 product cost increases will be under 10 percent, or less than one-third as large as those in 1982.

During the year we continued to improve our broadcast facilities—

- KTRK-TV began telecasting from its new 2,000-foot tower on August 2, 1982, and is now reaching more people over a wider area.
- WTNH-TV broke ground for its new 39,000-square-foot building in a redevelopment area of downtown New Haven on June 2, 1982, and we expect to be operating from this site by May 1983. As with Fresno, Buffalo and Durham, we continue to support the redevelopment efforts of our cities of license by constructing new buildings in their redevelopment areas.
- We began a program to equip each of the television stations with a satellite receive station which will allow them to receive news, information and entertainment programming direct from satellites. WPVI-TV commenced use of such a facility in October 1982.

The number of cable television subscribers is increasing very rapidly in television station markets across the country. As estimated by the A. C. Nielsen Company in its November 1982 ratings surveys, 35 percent of all television households are now cable television subscribers. In Capital Cities' television markets, cable television homes have almost doubled since 1980, with significantly different penetration levels by market. At the end of 1982, cable television homes were over 50 percent in the Buffalo and New Haven-Hartford markets, approximately 37 percent in the Philadelphia and Durham-Raleigh markets, and 33 percent and 29 percent, respectively, in Houston and Fresno. While the effects of higher cable television penetration on our television station audiences are hard to quantify, we are satisfied that to date there has been no determinable adverse effect on advertising revenues at any of our stations.

Paul L. Bures, Jr., was appointed Vice President and General Manager of WTVD in August 1982. He had been General Sales Manager of KTRK-TV since 1971, and Broadcasting Division Vice President, Television Sales, since April 1982.

Radio

Our radio stations produced record levels of revenue and operating income in 1982. This performance reflected increased productivity and stringent cost controls at each station.

Despite the national trend toward FM radio listening, which is currently at a level of 63 percent, our AM stations continued to hold satisfactory audience positions within the target demographic groups for which they compete. The chart below indicates the current audience share and ranking for each of our radio stations:

Station and market	No. of stations in market	Audience Fall 1982 Share	Audience Fall 1982 Rank	Audience Fall 1981 Share	Audience Fall 1981 Rank
WPAT-AM/FM* (New York)	43	6.1	1	5.8	4
KZLA-AM/FM* (Los Angeles)	46	2.4	15	2.9	10
WJR-AM	28	9.3	1	9.7	1
WHYT-FM (Detroit)		4.9	7	4.7	7
WBAP-AM	29	4.8	9	6.8	3
KSCS-FM (Fort Worth-Dallas)		8.3	1	8.3	1
WKHX-FM (Atlanta)	24	9.4	3	5.3	8
WKBW-AM (Buffalo)	20	5.2	8	8.4	5
WPRO-AM	24	7.0	4	8.6	3
WPRO-FM (Providence)		9.4	2	8.6	3
WROW-AM/FM* (Albany)	23	12.7	2	16.6	2

*Combined audience shares
Sources: Fall 1982 and Fall 1981 ARB, 6 AM-Midnight, Monday-Sunday, total persons 12+

On September 8, 1982, WJR-FM became WHYT-FM with a new format, playing "Top 40" hits. We believe this format offers us a marketing opportunity, as it is targeted at the younger

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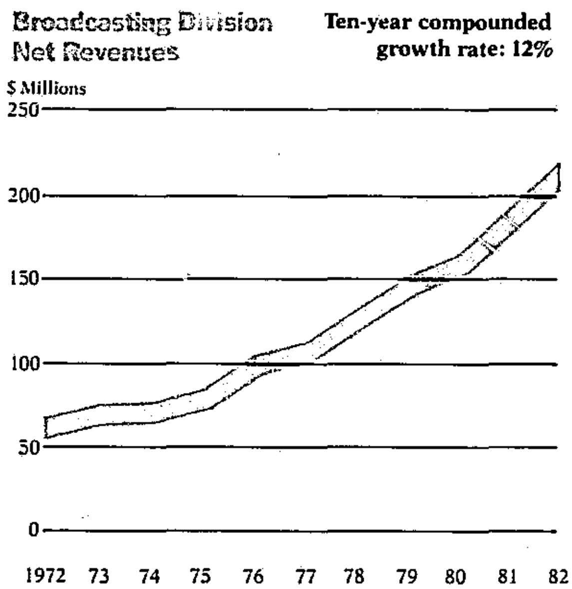
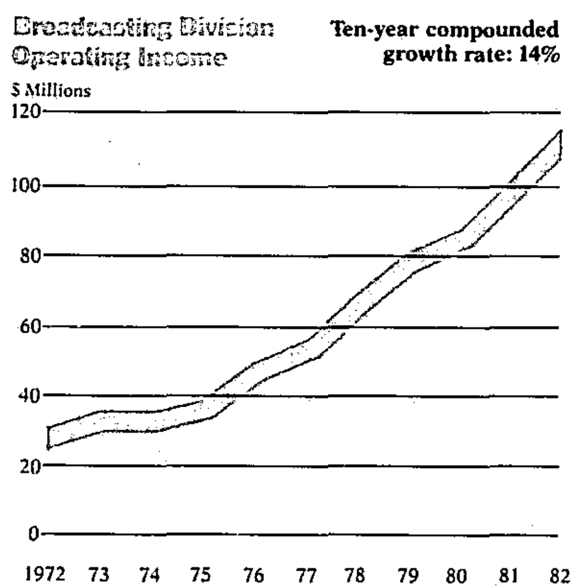
audience (ages 12-34) in the market. New studios were designed, "state-of-the-art" equipment was installed, and on-the-air personnel were added to make the transition to WHYT-FM. We are encouraged by WHYT's performance so far, and particularly by the first-place audience position among persons aged 12-34 achieved in the fall 1982 rating period. Maureen C. Hathaway, formerly National Sales Manager of WJR-AM, has been named Station Manager of WHYT-FM.





WKHX-FM has made significant progress in both sales and audience position since we acquired it in November 1981. This country-and-western station ranked first among its target audience (adults aged 25-54) in the fall 1982 rating book and far exceeded its budget for 1982 for revenues and income.

Public Affairs

Throughout the year, all of our stations continued to provide quality local news and public affairs programming to our television viewers and radio listeners. The following are a few examples.

At WPVI-TV, an Action News series, *The Quaalude Controversy*, was instrumental in motivating State Representative George Saurman to introduce legislation totally banning the manufacture, sale and possession of methaqualone (trade name *Quaalude*) in Pennsylvania. This investigative series, airing over a three-day period in May 1982, focused on the ease with which the drug could be obtained legally in Delaware County, particularly with the growing phenomenon of "stress clinics." These reports not only supported the research on drug abuse that Representative Saurman had been studying as a member of the Governor's Task Force on Alcohol and Drug Abuse, but also brought the immediacy of the Quaalude problem to the forefront.

WTVD presented a special series of reports on *Eyewitness News* in May 1982, entitled *Hunger in North Carolina*. This series examined the many issues associated with the hunger problem, ranging from the effects of malnutrition on children to the problems of senior citizens and the effects of federal and state budget cuts on those who need help.

WTNH-TV is especially proud of its sponsorship of a statewide competition for academic excellence among high school students. Now in its fourth season, *High School Bowl* is part of the regular programming schedule of WTNH-TV from October through May, paralleling the school year. During 1982, over 100 schools from all areas of Connecticut competed for the state championship title through a series of elimination rounds. The station's efforts to honor these scholastic achievers and foster healthy competition among students have not gone unnoticed. The Connecticut Association of Secondary Schools recognizes this academic competition as an official student activity

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and works with WTNH-TV to increase awareness and participation among the state's high schools.

In addition to the 1982 Peabody Award for journalistic excellence received by WJR-AM, our stations received numerous other honors in recognition of their outstanding achievements in local programming and community activity.

WKBW-TV received the International Film and TV Festival of New York Bronze Award for its series showing military reserve personnel drinking and using drugs while on duty. WTNH-TV was the recipient of UPI's first place award for the best complete television newscast in New England. Crime Stoppers of Houston honored KTRK-TV for helping the community's anti-crime program become the largest and most successful in the United States through its televised reenactments of actual criminal situations.

Government Regulation

The Federal Communications Commission continued its emphasis on deregulation as renewal periods were extended to five years in television and seven years in radio. In addition, for radio stations, the requirements for community ascertainment, limitations of commercials, and percentages for program content have been dropped, subject to a pending court appeal.

The FCC has established rules governing direct broadcast satellite service and has granted eight authorizations to companies who plan to implement them in the mid-1980s through the late 1980s. One additional company has proposed that they begin broadcasting in the fall of 1983 by using a Canadian satellite, but that proposal is a subject of intense controversy before the FCC. We are watching these developments in terms of an opportunity for Capital Cities and the effect on current broadcast systems.

There is a possibility of relaxation in the rules governing multiple ownership, which is more fully discussed in the letter to shareholders.

Broadcasting Division

Joseph P. Dougherty, *President*

James P. Arcara, *Executive Vice President, Radio*

Robert O. Niles, *Vice President & Director of Engineering*

James Long, *Vice President*

James E. Masucci, *Vice President*

G. Alan Nesbitt, *Vice President*

Richard C. Shepard, *Vice President*

TELEVISION

WPVI-TV (Philadelphia, PA) • CHANNEL 6 • ABC
Lawrence J. Pollock, *Vice President & General Manager*

KTRK-TV (Houston, TX) • CHANNEL 13 • ABC
Kenneth M. Johnson, *Vice President & General Manager*

WKBW-TV (Buffalo, NY) • CHANNEL 7 • ABC
Philip R. Beuth, *Vice President & General Manager*

WTNH-TV (New Haven-Hartford, CT) • CHANNEL 8 • ABC
Peter K. Orne, *Vice President & General Manager*

WTVD (Durham-Raleigh, NC) • CHANNEL 11 • CBS
Paul L. Bures, Jr., *Vice President & General Manager*

KFSN-TV (Fresno, CA) • CHANNEL 30 • CBS
Marc Edwards, *Vice President & General Manager*

RADIO

WPAT-AM/FM (Paterson, NJ-Metropolitan NYC) • 930/93.1
Frederick D. Weinhaus, *Vice President & General Manager*

KZLA-AM/FM (Los Angeles, CA) • 1540/93.9
Verners J. Ore, *Vice President & General Manager*

WJR-AM (Detroit, MI) • 760 • NBC
Ronald R. Pancratz, *Vice President & General Manager*

WHYT-FM (Detroit, MI) • 96.3
Maureen C. Hathaway, *Station Manager*

WBAP-AM/KSCS-FM (Fort Worth-Dallas, TX) • 820/96.3 • ABC
Warren Potash, *Vice President & General Manager*

WKHX-FM (Marietta-Atlanta, GA) • 101.5
Norman S. Schrutt, *Vice President & General Manager*

WKBW-AM (Buffalo, NY) • 1520 • ABC
Frank R. Woodbeck, *Vice President & General Manager*

WPRO-AM/FM (Providence, RI) • 630/92.3 • ABC
Aaron M. Daniels, *Vice President & General Manager*

WROW-AM/FM (Albany, NY) • 590/95.5 • ABC
Robert M. Peebles, *Vice President & General Manager*

CAPITAL CITIES TELEVISION PRODUCTIONS

Charles Keller, *General Manager*

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Publishing Division

The year 1982 was one of challenge for the Publishing Division, as the troubled national economy threatened growth in net revenues of many of its publications. We are pleased to report that operating earnings for the Division reached $79,000,000, up 17 percent over 1981, on a gain of 8 percent in revenues to $389,300,000. This earnings gain exceeded the inflation rate by a greater margin than earnings increases of recent years and compares favorably with the operating results achieved by other leading newspaper, magazine, or specialized publishers.

Expense vigilance during a period in which advertising and circulation revenues became more difficult to obtain, a sharp reduction in start-up losses of specialized publications, and the closing in late 1981 of pennysavers in Dallas and Tulsa enabled the Division to increase its operating margin to 20.3 percent from 18.8 percent in 1981. We are pleased that this gain was accomplished without any reduction in the total number of employees in either the newspapers or the specialized publications.

In 1982, the operating earnings of the Specialized Publications Group rose 22 percent, and the earnings of the newspapers increased 9 percent. There were, however, marked differences in the revenue and profit performance of individual newspapers and specialized publications, reflecting the varied economic conditions in the specific geographic and business markets they serve.

Newspaper advertising revenues increased 7 percent in 1982, which approximated the industry's gain and the rate of inflation. Advertising revenues for specialized publications increased 12 percent, outdistancing both that industry's average and inflation. Total linage for the newspapers declined 5 percent, a somewhat larger decrease than many other newspaper groups experienced, while advertising pages in specialized publications were up over 3 percent. Because of rate increases, however, revenue per page increased 13 percent for newspapers and 8 percent for specialized publications.

During 1982 and early 1983, the Division acquired several publications. In September, *The Register* of Red Bank, New Jersey, became the Company's tenth daily newspaper. The 33,000-circulation daily and Sunday newspaper serves an affluent, growing section of Monmouth County,

John B. Sias, *President, Publishing Division*

New Jersey. James E. McKearney, Jr., formerly Vice President, Sales and Marketing for *The Kansas City Star/Times*, was named President and Publisher of *The Register.*

In January 1983, *The Ocean County Reporter*, which serves an area south of *The Register's* primary market, was acquired. Published twice a week, with voluntary paid circulation of 80,000, the newspaper will be printed in *The Register's* Red Bank plant but will be operated as a separate newspaper serving Ocean County, New Jersey.

Two weekly newspapers were added in September to the Shore Line Newspapers group in southern Connecticut. *The Compass* (Mystic) and *The Gazette* (Old Lyme), with paid circulation of 3,900 and 6,400, respectively, will be printed in the Shore Line plant in Guilford. The two publications will be maintained as separate editorial and advertising voices in their communities.

Early in 1983, Capital Cities purchased the remaining majority interest in American Traveler, Inc., in which it has held an interest since 1979. American Traveler publishes *The Travel Agent*, a twice-weekly magazine for travel agents, with

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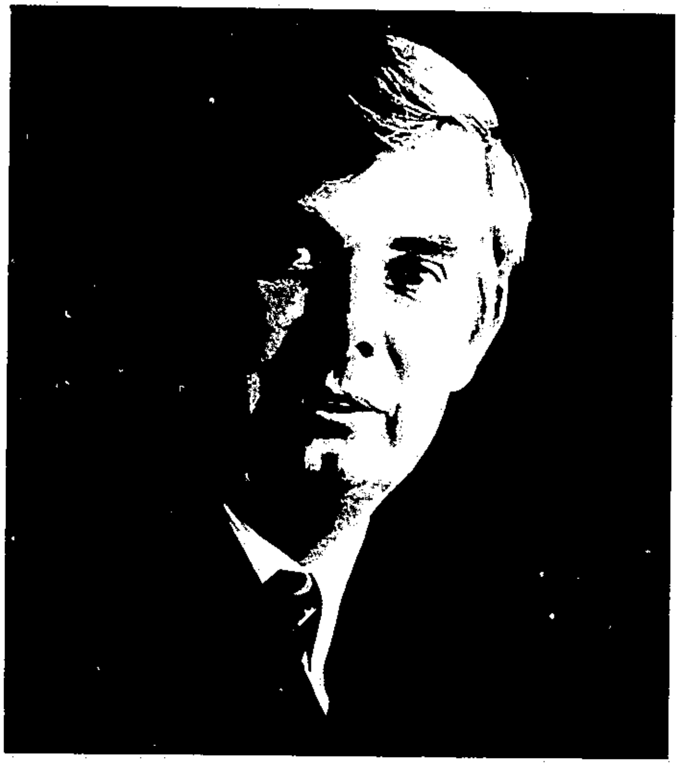

John B. Fairchild, *Chairman & Chief Executive Officer, Specialized Publications Group*

circulation of 32,000; the *Interline Reporter*, a monthly magazine for airline personnel, with circulation of 19,000; and *El Travel Agent Internacional*, a Spanish- and Portuguese-language monthly for the Latin-American travel agent community. These publications will continue under the same management.

During 1982, the Publishing Division invested $1,800,000 in new publication start-up losses, compared with $4,300,000 in 1981. The reduction in 1982 start-up losses resulted from the discontinuance of two shopping guides and reduced losses at *Aches & Pains* and *MIS Week*. Development plans and schedules were drawn up during the year for *SportStyle*, an active-life-style consumer magazine that will be introduced by the Specialized Publications Group early in 1983.

During 1982, Publishing Division employees won a record number of national and state awards for editorial excellence. In addition to the two Pulitzer Prizes already discussed in this report, *The Kansas City Star/Times* received 24 other journalism awards, and in the Texas Associated Press Managing Editors competition, the *Fort Worth Star-Telegram* won 18 awards, more than any other major Texas newspaper.

Specialized Publications Group

The Specialized Publications Group turned in a record performance for 1982, with a 22 percent gain in operating earnings. Revenues advanced 12 percent to $130,000,000 in 1982. Record revenues and earnings at *W*, *Women's Wear Daily* and the International Medical News Group more than offset decreased revenues and profits at the industrial publications—*American Metal Market, Metal/Center News, Heat Treating*, and *Electronic News*. Moderate gains in revenues and earnings were posted at *Footwear News, HFD—Retailing Home Furnishings*, and *Supermarket News; Daily News Record* and *Men's Wear* recorded marginally improved revenues and small profit increases.

The eight new publications started since 1976 accounted for nearly 11 percent of total revenues in 1982. Earnings from the profitable members of this group were more than enough to finance newer start-ups which required additional investment.

- *Energy User News* reported a marginal gain in revenues, but a slight decline in earnings because of increased operating expenses.
- *SportStyle* (Business Edition) turned in its first profitable year with a 32 percent gain in revenues.
- *Entrée* remained in the black for 1982, but experienced a significant drop in profits and revenues.
- *Home Fashions Textiles* increased its revenues slightly, but its profits declined moderately.
- *Electronics Retailing* was profitable during its first year of publication.
- *MIS Week* met its revenue goal for 1982 and cut its losses by 50 percent. Further improvements are predicted.
- *Multichannel News* achieved significant revenue and earnings gains during its second full year of operation.
- *Aches & Pains* had revenue gains which helped reduce its losses to a nominal level in 1982. A moderate profit is expected in 1983.

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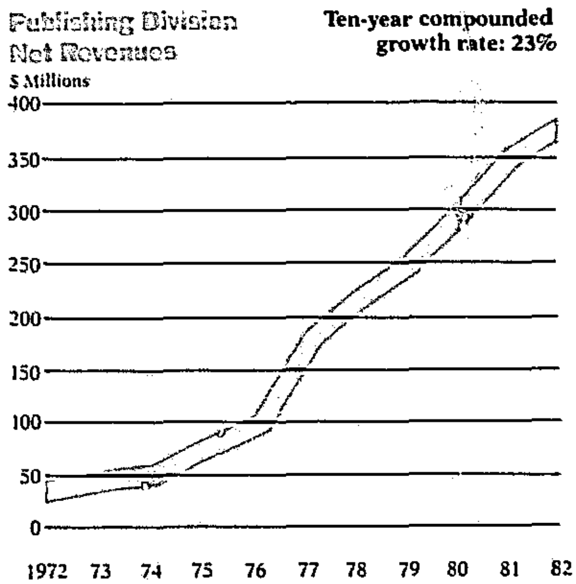

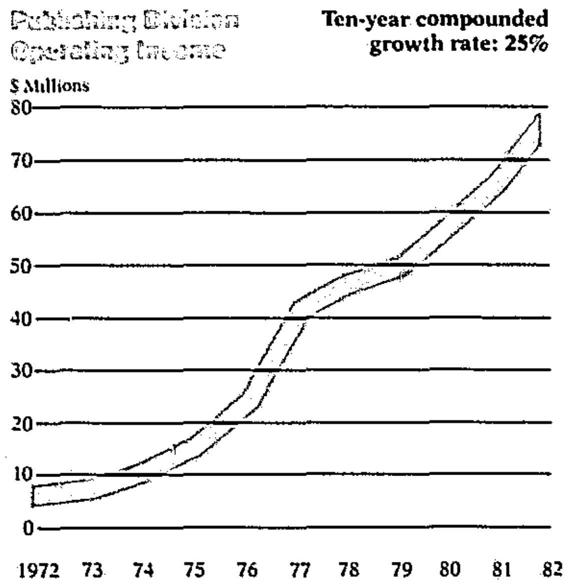

The Professional Press Group, which was purchased in May 1980, again operated at a small loss in 1982.

A new monthly magazine for active-life-style consumers, *SportStyle*, will debut in spring 1983. Initial circulation will be 150,000, and the publication will be sold through subscriptions, newsstands and specialty retail outlets. The new *SportStyle* will differ in frequency, format and content from the Business Edition, which will continue to serve manufacturers and retailers.

New publication start-ups and acquisitions since Fairchild Publications joined Capital Cities in 1968 continued to produce substantial returns. In 1982, start-ups and acquisitions contributed 42 percent of the revenues and 36 percent of the operating earnings of the Specialized Publications Group. The Company continues to seek out new opportunities through acquisition or start-up for expansion in the specialized publications field.

Newspapers

Despite an unfavorable economy, *The Kansas City Star/Times* achieved record earnings in 1982. Favorable newsprint prices and careful control of costs resulted in a 16 percent gain in operating income, though the recession held the increase in net revenues to under 6 percent.

Advertising linage for the Kansas City newspapers slipped almost 6 percent. A subscription rate increase helped push circulation revenues up 9 percent during 1982, while total circulation remained steady.

In a two-to-one decision handed down in December 1982, the United States Court of Appeals for the Eighth Circuit held that The Kansas City Star Company's proposal to convert independent contract carriers to a delivery agent system would violate the Sherman Act. The court's action upheld a permanent injunction prohibiting The Kansas City Star Company from refusing to sell its papers at wholesale rates to independent carriers. A United States District Court ruled in 1978 that the carriers were not entitled to monetary damages, because the proposed agency system was never implemented. The Eighth Circuit Court of Appeals has reheard the appeal in front of the Full Bench and the Company is awaiting a decision.

In a separate case, a judge in the Circuit Court of Jackson County, Missouri, ruled that indefinite-term contracts with independent carriers can be terminated at will under state law. The Kansas City Star Company has an obligation to provide a "reasonable opportunity" for such a carrier to recoup his preliminary expenses, according to the Court, with "reasonable" to be determined on a carrier-by-carrier basis. The carriers are appealing this ruling. A more detailed description of these and other related proceedings is contained under Item 3 in the Form 10-K section of this report.

Revenues at the *Fort Worth Star-Telegram* increased 12 percent in 1982, and earnings gained 10 percent. Favorable newsprint prices helped keep operating margins steady, in spite of major investments in the editorial product.

Advertising linage increased slightly for the year. Gains in local display and national linage more than compensated for the 5 percent decrease in classified linage; however, the number of classified ads reached an all-time high in 1982, an 8 percent increase over 1981.

Award-winning reporting, improved presentation, and exciting promotions helped bring circulation of the *Star-Telegram* up nearly 6 percent in the morning, 1 percent in the evening, 4 percent on Saturdays, and almost 4 percent on Sundays. The amount of space devoted to news grew by 5 percent in 1982, and greater use of color and graphics made the newspapers visually more exciting. To better serve the needs of its growing market, the *Star-Telegram* introduced two zoned Sunday editions in eastern Tarrant County, which resulted in editorial and advertising staff increases of 23 and 16 employees, respectively.

Plans continue to be developed for expanded production facilities for the *Star-Telegram*, and in early 1983, land was acquired for this purpose at the southern edge of Fort Worth.

The Cable Connection, a joint venture of the *Star-Telegram* and the Fort Worth cable television franchisee, received strong acceptance during its first full year of operation. Despite a subscription charge of $1.50 a month and competition from other publications, a majority of the area's cable television customers now subscribe to the magazine. The circulation-supported publication is expected to break even in early 1983.

In 1982, *Star-Text*, a joint venture of the *Star-Telegram* and Tandy Corporation, was introduced to Tarrant County. Originally designed for certain Tandy terminals, the videotext service was modified in October so it can be received by any home computer with the necessary equipment. At year-end, *Star-Text* had nearly 300 subscribers and a 90-percent renewal rate. The project will continue to be evaluated in 1983.

The depressed automotive economy in Pontiac, Michigan, reduced advertising revenues at *The Oakland Press* by more than 6 percent; however, flat expenses cushioned the effect on profits.

Sunday circulation of the *Press* set new records in 1982, passing 80,000 on the edition's fourth anniversary in September. Daily circulation was down slightly, but has now steadied. The *Press* expanded its weekly publication for nonsubscribers, *Oakland Extra*, and added new and smaller advertising zones. This publication now reaches 150,000 homes in its primary market for advertising delivery, twice the circulation of the basic newspaper.

The 1982 results for the *News-Democrat*, in Belleville, Illinois, reflect the value of cost controls. Despite lower revenues than expected and decreased advertising linage, belt-tightening kept operating income at an acceptable level. Modest gains were made in circulation, and growth is expected to continue during 1983.

In October, the *News-Democrat* began construction of a 20,000-square-foot production plant which will result in a more attractive newspaper being delivered more quickly and more efficiently. The *Highland News Leader*, a weekly newspaper acquired in 1981, met its budget during its first full year of operation under the *News-Democrat*.

The Times Leader, in Wilkes-Barre, Pennsylvania, moved further down the road to recovery in 1982, as total revenues increased 14 percent over 1981 and operating losses were reduced. All of the unions involved in the strike which started in October 1978 have been decertified, and litigation is still pending against the unions to determine if they acted legally in publishing a competing newspaper.

The Democrat-Herald group of newspapers managed an overall circulation gain in spite of Oregon's ailing timber-based economy. Revenues dropped 6 percent in 1982, but the Oregon newspapers countered by reducing expenses 5 percent.

The Shore Line Newspapers, a group of thirteen weekly newspapers in southern Connecticut, reported a decline in operating income in 1982. The costs of converting six weekly publications from free distribution to paid circulation adversely affected 1982 results, but it is

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anticipated that the changes will significantly reduce distribution costs and thereby improve future operating earnings of the Shore Line Newspapers.

Pennypower Shopping News achieved operating profits in 1982 with reduced revenues. Headquartered in Wichita, Kansas, Pennypower distributes shopping guides through carriers in Topeka and Wichita, Kansas, and in Springfield, Missouri. In December 1981, Pennypower discontinued its start-up publications in Dallas and Tulsa.

* * * *

In summary, despite a difficult economic environment, the Publishing Division had a year of growth and achievement.

Publishing Division

John B. Sias, *President*

DAILY NEWSPAPERS

THE KANSAS CITY STAR/TIMES (Kansas City, MO)
James H. Hale, *Chairman of the Board & Publisher*
Michael J. Davies, *President & Editor*
THE OAKLAND PRESS (Pontiac, MI)
Bruce H. McIntyre, *President & Publisher*
NEWS-DEMOCRAT (Belleville, IL)
Darwin C. Wile, *President & Publisher*
THE TIMES LEADER (Wilkes-Barre, PA)
Richard L. Connor, *Publisher*
THE DAILY REGISTER (Red Bank, NJ)
James E. McKearney, Jr., *Publisher*
ALBANY DEMOCRAT-HERALD (Albany, OR)
Glenn C. Cushman, *Publisher*
THE DAILY TIDINGS (Ashland, OR)
Thomas T. Reid, *Publisher*

Carter Publications

FORT WORTH STAR-TELEGRAM (Fort Worth, TX)
Phillip J. Meek, *President & Publisher*

WEEKLY NEWSPAPERS

SHORE LINE NEWSPAPERS (Guilford, CT)
John Coots, *Publisher*
THE ARLINGTON CITIZEN-JOURNAL (Arlington, TX)
R. Thomas Cronk, *Publisher*
GRESHAM OUTLOOK (Gresham, OR)
NEWPORT NEWS-TIMES (Newport, OR)
SPRINGFIELD NEWS (Springfield, OR)
COTTAGE GROVE SENTINEL (Cottage Grove, OR)
LEBANON EXPRESS (Lebanon, OR)
SANDY POST (Sandy, OR)
HIGHLAND NEWS-LEADER (Highland, IL)
THE OCEAN COUNTY REPORTER (Toms River, NJ)

STAMP PUBLICATIONS

STAMP COLLECTOR (Albany, OR)
STAMP WHOLESALER (Albany, OR)
James A. Magruder II, *Publisher*

PENNYSAVERS

PENNYPOWER SHOPPING NEWS
(Wichita and Topeka, KS; and Springfield, MO)
William Kurz, *Vice President*

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SPECIALIZED PUBLICATIONS GROUP

John B. Fairchild, *Chairman & Chief Executive Officer*

Daniel Newman, *President & Chief Operating Officer*

Philip L. McGovern, *Senior Vice President & Treasurer*

Richard J. Lynch, *Senior Vice President, Operations*

George T. Groh, *Vice President, General Services*

Ann L. Regan, *Secretary*

Fairchild Publications (New York, NY)

WOMEN'S WEAR DAILY
W
MEN'S WEAR
Michael F. Coady, *Senior Vice President*
Eugene F. Fahy, *Vice President & Advertising Director*
DAILY NEWS RECORD
SPORTSTYLE (BUSINESS EDITION)
SPORTSTYLE
Stephen G. Stoneburn, *Senior Vice President*
Herbert Blueweiss, *Vice President & Publisher, DNR*
Nathan R. Abelson, *Vice President & Associate Publisher, DNR*
Clara Hancox, *Vice President & Director of Publishing, DNR*
HFD—RETAILING HOME FURNISHINGS
ENTRÉE
ELECTRONICS RETAILING
HOME FASHIONS TEXTILES
SUPERMARKET NEWS
David S. Branch, *Senior Vice President*
Ernest D. Obermeyer, *Vice President & Publisher, SN*
Robert Freeman, *Vice President & Publisher, Entrée & ER*
Kate Kelly-Smith, *Publisher, HFT*
AMERICAN METAL MARKET
METALWORKING NEWS
METAL/CENTER NEWS
HEAT TREATING
FOOTWEAR NEWS
Kenneth Share, *Senior Vice President*
James M. Lamoree, *Publisher, M/CN & HT*
R. Michael Couch, *Publisher, FN*
ELECTRONIC NEWS
MIS WEEK
Martin P. Rosenblum, *Senior Vice President*
Zachary J. Dicken, *Vice President & Publisher, EN*
James J. Lydon, *Vice President & Editor, EN*
ENERGY USER NEWS
James G. Chapman, *Publisher*
MULTICHANNEL NEWS
Paul L. Maxwell, *Publisher*

FAIRCHILD NEWS SERVICE
FAIRCHILD BOOK DIVISION

International Medical News Group (Rockville, MD)

FAMILY PRACTICE NEWS
INTERNAL MEDICINE NEWS
OB. GYN. NEWS
PEDIATRIC NEWS
SKIN & ALLERGY NEWS
CLINICAL PSYCHIATRY NEWS
ACHES & PAINS
MERCURY PRESS
Charles J. Siegel, *Vice President & Publisher, IMNG*
Meadie E. Pace, *Manager, Washington Operations, IMNG & Mercury Press*
William Rubin, *Editor, IMNG*

Professional Press Group (New York, NY)

OPTOMETRIC MONTHLY
OPTICAL INDEX
INTERNATIONAL CONTACT LENS CLINIC
JOURNAL OF LEARNING DISABILITIES
Robert L. Wilson, *Vice President & General Manager*

American Traveler Group (New York, NY)

THE TRAVEL AGENT
INTERLINE REPORTER
EL TRAVEL AGENT INTERNACIONAL
Eric Friedheim, *Editor & Publisher*

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Cable Television Division

The Cable Television Division was profitable for the first time in 1982. Operating income was $1,700,000, compared with a loss of $3,100,000 in 1981. Following is a comparison of 1982 financial results for the Division with 1981 pro forma (includes full-year results of operations of Cablecom-General, Inc., acquired July 2, 1981) and 1981 actual (dollars in millions):

		1981	
	1982	Pro forma	Actual
Revenues:			
Acquired systems...	$45.1	$37.7	$19.7
New systems......	8.2	1.7	1.7
Total revenues...	$53.3	$39.4	$21.4
Operating cash flow:			
Acquired systems...	$18.6	$14.2	$ 7.3
New systems......	.2	(1.6)	(1.6)
Unallocated expense.	(1.6)	(2.0)	(2.0)
Total operating cash flow......	17.2	10.6	3.7
Depreciation........	(9.2)	(6.3)	(3.8)
Amortization of intangibles........	(6.3)	(6.0)	(3.0)
Total operating income (loss)......	$ 1.7	$ (1.7)	$(3.1)

Revenues of the acquired systems increased 20 percent in 1982 compared with pro forma 1981, with revenues for basic service advancing 15 percent, and tier and premium units, 39 percent. The eight new systems, six of which are now fully built and marketed, reported substantial revenue gains but were behind budget as a result of various construction delays during the year.

Operating cash flow at the acquired systems improved 31 percent compared with pro forma 1981, and the new systems achieved a positive cash flow. Total operating cash flow increased from $10,600,000 to $17,200,000, or 62 percent. The Cable Television Division's 1982 aftertax cash return, after giving effect to investment tax credits and deferred income taxes, amounted to $21,000,000, a 30 percent increase from the 1981 pro forma of $16,100,000.

The breakdown of basic subscribers and premium units between acquired systems and new systems is as follows:

William R. James, *President, Cable Television Division*

	At December 31,	
	1982	1981
Basic subscribers:		
Acquired systems	286,000	269,000
New systems....................	39,000	19,000
Total basic subscribers........	325,000	288,000
Premium units:		
Acquired systems	149,000	134,000
New systems....................	62,000	34,000
Total premium units..........	211,000	168,000
Premium units to basic subscribers:		
Acquired systems	52%	50%
New systems..................	159%	179%
Total systems	65%	58%

The number of basic subscribers to the acquired systems increased 6 percent; premium units, 11 percent. New systems were behind budgeted levels at year-end but should be close to the original budget by mid-1983.

Acquisition activity during 1982 consisted of the purchase of the remaining outside interests in

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Odessa, Texas (74%) and minority interests in Altus, Oklahoma (49%) and Trenton, Missouri (49%), at a combined purchase price of $16,500,000. These interests added annual operating cash flow of $2,300,000. In addition, systems in Vinita and Nowata, Oklahoma, were acquired in January 1983. While small, these systems are nearby our existing operations, were available at a reasonable price, offered substantial opportunity for increasing revenue, and generally met our acquisition and return on investment criteria.

In our opinion, the acquisition prices of cable television systems for the past eighteen months have been unreasonably high. As should be the case with any return-oriented investor, we are reluctant to make acquisition offers where cash flows, realistically projected upon levels of services and rates that are reasonably achievable, do not result in an adequate return on the capital invested. Further, we would expect to achieve a satisfactory return on our investment for cable television system acquisitions within the term remaining on the existing franchise, without assigning any material value to the assets of the system at the end of its franchise period. Accordingly, while we have analyzed many purchase opportunities, we have made no acquisitions other than described above. Recently, however, prices appear to have softened somewhat, and we are optimistic that additional acquisitions which will meet our return on investment objective will be available in the future.

Promises and commitments attendant with cable television franchise proposals continue, in our view, to be excessive and costly with respect to reasonable expectations of future cash flow. Therefore, we have made no new franchise proposals in 1982 except in smaller areas contiguous to existing operations where satisfactory return on investment can be achieved. In the past twelve months, we have been granted franchises in Lake Township, Ohio; Clinton, Ohio; and Bargersville, Indiana. These communities will be served as line extensions of existing systems, which should be completed by the end of 1983. We anticipate little or no franchising activity in 1983.

Total capital spending for the Cable Television Division in 1982 amounted to $31,100,000, which was $4,000,000 more than the $27,100,000 spent in 1981. This brings the Division's cumulative capital spending since its start in 1980 to $66,500,000. For 1983, our plans anticipate a capital budget of approximately $30,000,000, principally for the rebuilding of acquired systems.

Capital spending for the eight new systems will be completed in 1983. The total cost of these projects, as originally configured, will be $40,000,000, compared with an original budget, prepared over two years ago, of $37,700,000. An additional $2,300,000 will be spent in 1983 on contiguous new franchises. We are reassured that our capital costs were this close to forecast in a general environment of inflation and underestimated capital budgets. When fully marketed by mid-1983, the original franchises are forecast to have over 50,000 basic subscribers, 30,000 tier (expanded basic service) subscribers, and over 80,000 premium units.

Capital spending for the rebuilding of older, acquired systems is expected to peak in 1983 and 1984. These rebuilding programs will upgrade existing 12-channel systems to capacities of 35 to 60 channels, providing substantially improved services to our customers. During 1982, the rebuild and expansion of the system in Show Low and Pine Top, Arizona, was completed. The Gulfport, Mississippi, rebuild will be completed in early 1983; and Joplin, Missouri, in mid-1983. Rebuilds were commenced in 1982 and should be completed this year in Odessa, Texas; Miami, Oklahoma; and Santa Rosa, California. Rebuilds of several other systems (including Sherman, Denison and Bonham, Texas; Altus, Ardmore and Ponca City, Oklahoma; Modesto and Oakdale, California) are anticipated to begin in 1983, or as soon as mutually satisfactory agreements can be reached with the local communities.

All told, we will have spent in excess of $50,000,000 on these modernization programs when completed. By 1985, over 300,000 of our subscribers will have access to at least 35 channels of potential service, and in most cases 50 to 60 channels. Preliminary marketing results from the rebuild program have indicated quite favorable reaction to the choice of new services. We are optimistic that return on investment for rebuilding our older systems will be favorable and will provide for our subscribers a range of services equal to newly built systems.

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Control of these substantial capital expenditures is of considerable importance. In 1982, new financial systems were initiated to better track both materials inventories and capital expenditures by project. Physical inventories are taken frequently to assure that projects are properly charged and that materials shortages are identified quickly. Our experience to date is reassuring, with respect to both project budgets and inventory control. We are taking additional steps, including a centralized warehouse, to minimize our materials inventories in 1983. Other financial systems, including improved reporting of construction labor and mechanized recording of materials usage, will be implemented in 1983.

There were a number of important executive changes in the Cable Television Division in 1982, and the Western Division was divided into two Divisions—Western and Southwestern.

- Peter C. Newell was named Senior Vice President for the Northern Division. He has been with Capital Cities since 1964, and since 1980, had been general manager of our cable television system in suburban Detroit.
- Harvey T. Boyd was named Senior Vice President for the Western Division. He most recently had been Vice President-Operations of the Western Division.
- Harold H. Wells was named Senior Vice President for the Southwestern Division. For the past ten years, he had managed our Santa Rosa, California, system.

After three years in the cable television business, Capital Cities has evolved an operating philosophy that we feel is central to future success—service is primary. We must provide our subscribers with quality video reception, dependability, and timely reaction to the problems that inevitably occur. And we must continually upgrade our offerings to include new services and features our customers will enjoy and appreciate—all at fair prices that reflect adequate returns to our shareholders. We believe adherence to this philosophy will make us welcome and successful citizens of every community in which we operate.

Cable Television Division

William R. James, *President*
Richard A. Forsling, *Chairman of the Board*
Harvey T. Boyd, *Senior Vice President, Western Division*
Peter C. Newell, *Senior Vice President, Northern Division*
William D. Petty, *Senior Vice President, Southern Division*
Harold H. Wells, *Senior Vice President, Southwestern Division*
Harcharan S. Suri, *Vice President & Director of Engineering*

CABLE TELEVISION SYSTEMS

Northern Division

Fargo, ND
Green Township, OH
Greenwood, IN
Highland Park, IL
Norfolk, NE
Plymouth, MI
Saline, MI
Sioux City, IA

Southern Division

Abilene, KS
Altus, OK
Ardmore, OK
Beloit, KS
Brookfield, MO
Childress, TX
Clarksdale, MS
Clay Center, KS
Concordia, KS
Dyersburg, TN
Gulfport, MS
Hobart, OK
Idabel, OK
Joplin, MO
Kirksville, MO
Mangum, OK
Memphis, TX
Miami, OK
Nowata, OK
Ponca City, OK
Trenton, MO
Vinita, OK
Wellington, TX

Western Division

Burlingame, CA
Clifton, AZ
Cottonwood, AZ
Globe, AZ
Holbrook, AZ
Modesto, CA
Oakdale, CA
Page, AZ
Safford, AZ
Santa Rosa, CA
Show Low, AZ
Winslow, AZ

Southwestern Division

Aransas Pass, TX
Bonham, TX
Denison, TX
Lampasas, TX
Lufkin, TX
Odessa, TX
Port Lavaca, TX
Rio Rancho, NM
Roswell, NM
Sherman, TX

We Talk to People

(Our corporate commitment to the nation and the communities we serve)



Capital Cities Special Reports and Family Specials telecast over the past year included (left to right): *America's Battle with Crime*, hosted by Tom Wicker; *High Powder*, featuring Dick Van Patten and Timothy Van Patten; and *The Juggler of Notre Dame* featuring Carl Carlsson.

In 1982, Capital Cities continued its commitment to produce programming of distinction and value to a national audience, and we are pleased to report strong support from the stations making up our ad hoc networks and from our viewers. Our ad hoc networks represented an average of almost 90 percent of television homes in the United States, and six of our programs placed in the top twenty syndicated specials for the year, the third straight year that Capital Cities placed more programs in the top twenty than any other single program producer.

We inaugurated in 1982 a new approach to public service programming in connection with our family specials. A public service announcement is produced in behalf of the national agency whose service closely fits the subject of the program, and the television stations carrying the program are encouraged to telecast the public service announcement in advance of, and subsequent to, the telecast of the drama. We believe this effort to be a first of its kind and are happy to report overwhelming enthusiasm among the stations which carry our programs for this opportunity to augment their service to their local audiences.

An example of this new service is a public service announcement produced in behalf of two organizations: the National Safety Council, and the American Driver Training and Traffic Safety Education Association. Preliminary indications are that 142 television stations averaged 19 plays of this announcement in advance and 38 plays following the telecast of *Leadfoot*, which dramatized the tragic consequences of a teenager's reckless driving.

We are pleased to report that stations on our ad hoc networks continued to produce specials in conjunction with our programs. For example, WJBK-TV, in Detroit, followed our documentary, *U.S. Autos: Gearing Up for Survival*, with a studio discussion including union leaders, independent analysts, and automobile industry executives. The *Detroit News* said of the entire program: "...performs the important duty of keeping Detroit's and Detroiters' eyes fastened on the crisis."

As an aid to the hearing-impaired who have special converters, all of our programs in 1982 were closed-captioned. With this method, the captioning is not visible on sets without the converter. This is the second year we have provided this service in order to bring our documentaries and family specials to this segment of our audience, and we plan to continue it on all these programs in the future.

We again produced our programs with budgets at or near those expended on comparable network programs. We do not think the expense of these productions, or the revenues they produce, are the only criteria for judging this effort, but the figures do quantify the commitment of Capital Cities to its audiences. The total expense for these specials in 1982 was $2,200,000, and net revenues from the half of the available commercial time which we retained for sale to national advertisers totaled $1,400,000. The Company, therefore, committed $800,000 in support of this effort.

As is evident elsewhere in this Annual Report, our television and radio stations make an outstanding contribution to their communities on a daily basis. To supplement that distinguished record, we intend to continue to produce programming of substance for national audiences.

Capital Cities Special Reports

This series of documentaries consisted of two programs telecast in 1982 and one produced for telecast early in 1983.

America's Battle with Crime, which was produced in 1981 and described in last year's report, was telecast in March 1982. We estimate that more than 11,000,000 viewers saw this special which examined the country's $26,000,000,000 war on crime. *The Christian Science Monitor* described it as "a solid, incisive documentary which correlates the facts fascinatingly...an honest show which offers no easy solutions."

U.S. Autos: Gearing Up for Survival reported on efforts of the United States automobile industry to regain its position in the marketplace. The program, telecast on June 7, 1982, was hosted by Tom Wicker, Associate Editor of *The New York Times*, and included the views of the chief executives of the major American automobile manufacturers, the analyses of an expert on the Japanese automobile industry and a Wall Street specialist on the industry, and reports from consumer magazines specializing in automobiles. Kenneth Clark, television critic for United Press International, called the program "...the most straightforward, full-speed-ahead TV documentary this year."

Our Daily Bread, with Tom Wicker as reporter, was produced in 1982 for telecast in early 1983. This special examines the plight of American agriculture, with particular focus on grain farmers. Reporting from various states in the heartland of this country, the program reviews what is happening to one of our greatest resources and its effect on our lives—and our daily bread.

Capital Cities Family Specials

This series consists of half-hour original dramas which treat issues of major concern to today's teenagers and their families, augmented from time to time with one-hour specials.

During 1982, these half-hour programs dealt with such subjects as the intergenerational differences between a grandfather and a granddaughter, a young man's search for some meaning to his life, and the struggle of a father and a son to work out their differences.

We also produced and telecast in 1982 a one-hour family special treating the issues of drugs and peer pressure among teenagers. *High Powder*, featuring Dick, Tim and Jim Van Patten and Sherry Hursey, reached an estimated audience in excess of 9,000,000 viewers.

The Juggler of Notre Dame, also a one-hour family special, was produced and distributed for Christmas 1982. This moving retelling of the medieval folk tale starred Merlin Olsen, Melinda Dillon, Patrick Collins, and Carl Carlsson as the juggler, and was carried by 175 stations representing over 95 percent of all television homes in the United States.

The critical assessment of the program was particularly gratifying:

- "...as beautiful a Christmas present as television is likely to bring this year."—*The New York Times*
- "filmed with attractive lyricism and performed with spare dignity."—*The Washington Post*

Our first one-hour family special, *Girl on the Edge of Town*, dealt with teenage pregnancy and was the highest-rated syndicated special in 1981. In August 1982, a rerun of this program was seen by an estimated 10,000,000 viewers.

The fifth season of Capital Cities Family Specials began in December 1982 with *Leadfoot*, which has already been described. Subsequent programs, all of which will have public service announcements especially produced in support of the show's principal theme, will deal with unemployment among minority teenagers, a young man's determined search for his life's work, and reruns of programs dealing with teenage sexuality, parent-teenager communications, and an allegory about a street-wise boy who defies his gang to help the elderly in the neighborhood.

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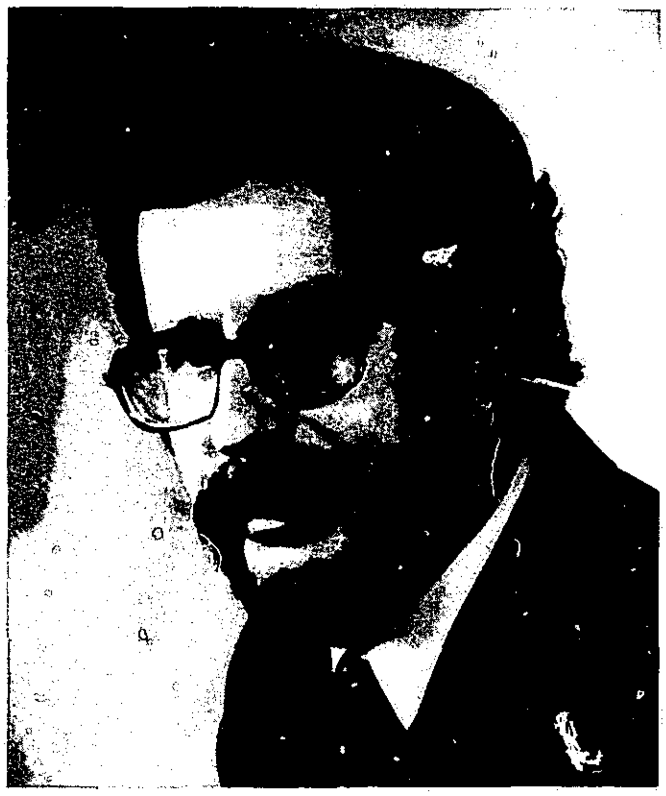
Financial Overview

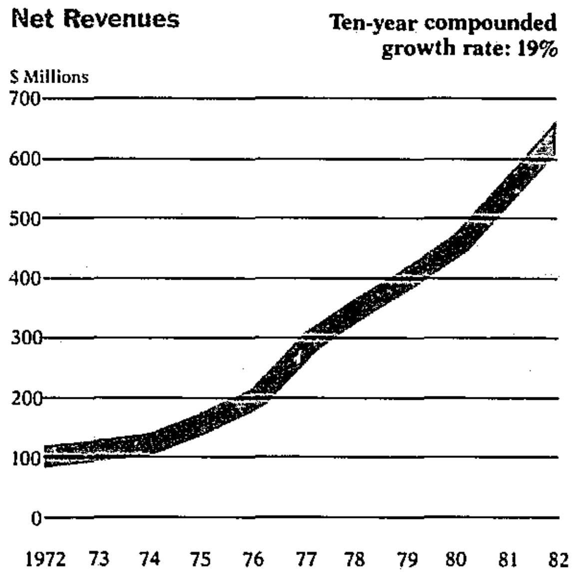


Ronald J. Doerfler, *Senior Vice President & Chief Financial Officer*

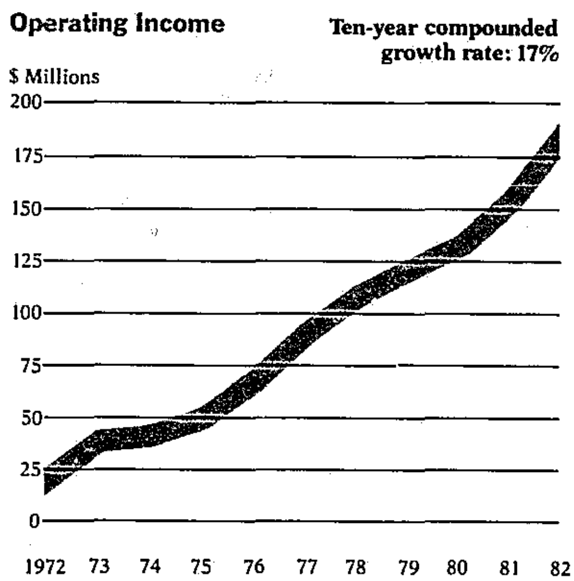
Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations—1982 Compared to 1981

Net revenues in 1982 increased $89,796,000 to $663,580,000, or 16% over the $573,784,000 reported in 1981. Broadcasting Division revenues were up $27,933,000, a 14% increase over 1981, with television and radio operations showing increases of 14% and 16%, respectively. The Cable Television Division revenues increased $31,867,000 to $53,302,000, due to the acquisition of Cablecom-General, Inc. (Cablecom) on July 2, 1981, and a greater level of activity in systems which were started up. Revenues for the Publishing Division were up $29,995,000, or 8%, over 1981, primarily as a result of higher advertising and circulation rates offsetting a 5% decrease in newspaper advertising linage. Specialized publications and newspapers showed revenue gains of 12% and 8%, respectively.



Costs and expenses for 1982 were up $59,194,000, or 14%, over 1981. Expenses for the Broadcasting Division were up $13,935,000, or 15%, reflecting higher television programming and news costs and general and administrative expenses. Cable Television Division costs and expenses were up $27,093,000 (including $3,345,000 in amortization of intangibles) over 1981, due primarily to the acquisition of Cablecom as well as the greater level of activity of cable television systems started up. Publishing Division costs and expenses were up $18,506,000, or 6%, due to higher distribution, editorial and general and administrative costs.



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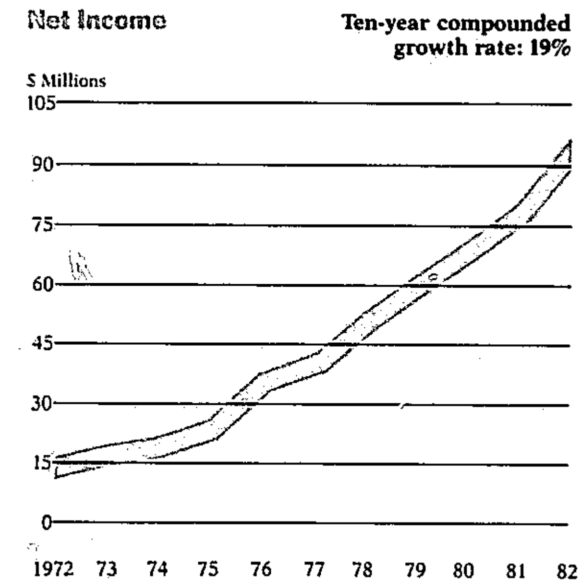
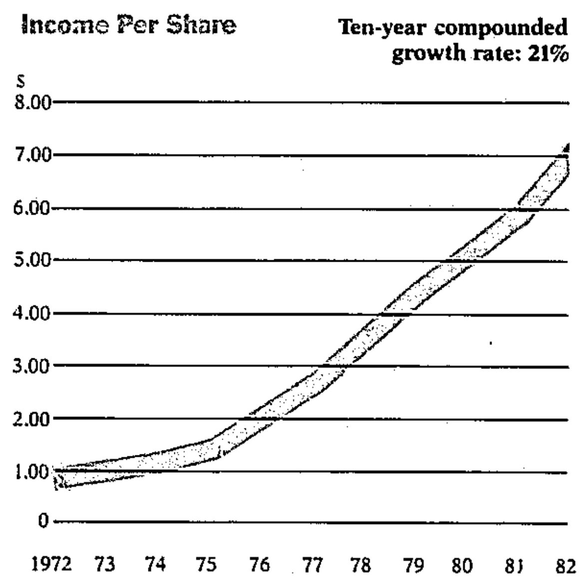
Operating income for 1982 rose 19% to $189,788,000 from the $159,186,000 reported in 1981. Broadcasting and publishing operations showed gains of 14% and 17%, respectively. Cable operations earned $1,678,000 in 1982, compared to a loss of $3,096,000 in 1981. Losses for publications and cable television systems started up since 1980 amounted to $3,100,000 in 1982, compared to $6,300,000 in 1981.





Net financial expense (interest expense less interest income) for 1982 increased $198,000 compared to 1981. Interest of $1,593,000 and $2,282,000 was capitalized in 1982 and 1981, respectively. The Company's effective tax rate was 48.0% in 1982 and 48.1% in 1981.

Net income for 1982 of $96,317,000 was up $15,799,000, or 20%, while income per share of $7.25 increased $1.13, or 18%. Net income for 1982 and the last six months of 1981 includes the earnings of Cablecom. Cablecom's earnings, together with the related acquisition financing expense, the amortization of franchise and other intangible assets, and net of related income tax benefits, resulted in a reduction in 1982 and 1981 net income per share of approximately $.30 and $.34, respectively.

Results of Operations—1981 Compared to 1980

Net revenues in 1981 increased $101,676,000, or 22%, over 1980. Broadcasting Division revenues were up $26,083,000, a 16% increase over 1980, with television and radio operations showing increases of 17% and 11%, respectively. The Cable Television Division provided $21,435,000 in revenues for 1981, due primarily to the acquisition of Cablecom on July 2, 1981. Revenues for the Publishing Division were up $54,188,000, or 18%, over 1980. Excluding new publication start-ups and 1981 and 1980 acquisitions, Publishing Division revenues increased 13%, primarily as a result of higher advertising and circulation rates offsetting a 2% decrease in newspaper advertising linage. Specialized publications and newspapers showed revenue gains of 15% and 13%, respectively.

Costs and expenses for 1981 were up $79,865,000, or 24%, over 1980. Expenses for the Broadcasting Division were up $11,778,000, or 15%, reflecting higher television programming and news costs and general and administrative expenses. Cable Television Division costs and expenses were up $21,970,000 (including $3,000,000 in amortization of intangibles) over 1980, due primarily to the acquisition of Cablecom as well as the greater level of activity compared to the start-up phase of a year ago. Publishing Division costs

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and expenses, excluding new publication start-ups and 1981 and 1980 acquisitions, were up 13% over 1980, due to higher production, distribution and general and administrative costs.

Operating income for 1981 increased $21,811,000, or 16%, from 1980, with broadcasting and publishing operations each showing gains of 16%. 1981 results included $2,400,000 of pretax operating losses and shut down costs for the Dallas and Tulsa pennysaver operations, which were terminated in December 1981. Start-up losses for other new publications and the cable television systems under construction amounted to $6,300,000.

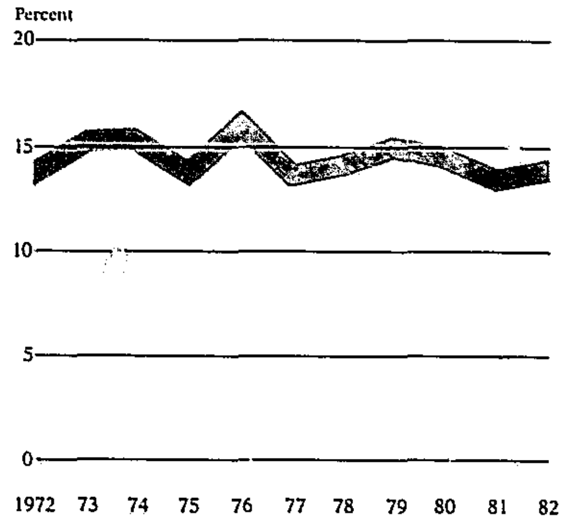
Net financial expense (interest expense less interest income) for 1981 increased $3,933,000 compared to 1980. This was due to an increase in net interest expense in the second half of 1981 as a result of borrowings to finance the Cablecom acquisition, offset by reductions in previously existing long-term debt and substantially higher rates earned on a larger portfolio of short-term investments in the first half of 1981. Interest of $2,282,000 and $450,000 was capitalized in 1981 and 1980, respectively. The Company's effective tax rate was 48.1% in 1981 as compared to 48.9% in 1980, due to higher investment tax credits in 1981.

Income before extraordinary gain for 1981 of $80,518,000 was up $9,735,000, while income per share before extraordinary gain of $6.12 increased $.74, both representing 14% increases over 1980. Net income for 1981 includes the earnings of Cablecom from its date of acquisition, July 2, 1981. Cablecom's earnings, together with the related acquisition financing expense, the amortization of franchise and other intangible assets, and net of related income tax benefits, resulted in a reduction in 1981 net income of approximately $.34 per share.

Return on Revenue

Return on revenue, the percentage relationship of net income before extraordinary gain to net revenues, was 14.5% for 1982, compared to 14.0% reported in 1981. The Company's return on revenue has remained relatively constant since 1972, with periodic minor downturns resulting from acquisitions and start-up activity.

Return on Revenue



Financial Condition

Working Capital

Working capital increased $12,065,000 to $16,353,000 at December 31, 1982. Internally generated funds from operations increased $29,321,000 from 1981. The 1982 funds from operations of $137,529,000 represented 93% of the Company's total sources of funds. These funds, along with long-term debt assumed on acquisitions of $1,944,000 and $8,050,000 from other sources, provided $22,376,000 for acquisitions of operating properties, $58,128,000 for debt reduction, $51,651,000 for capital expenditures, $2,627,000 for dividends to stockholders, $676,000 for treasury stock purchases and the increase of $12,065,000 of working capital.

Capital Structure

The Company's capital structure is made up of four components: stockholders' equity, interest-bearing debt, minority interest and deferred income taxes.

Stockholders' equity at December 31, 1982 amounted to $544,267,000, an increase of $100,445,000 from the 1981 year-end total of $443,822,000.

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At December 31, 1982, total interest-bearing debt was $48,449,000, a decrease of $53,923,000 from 1981. This decrease is a result of the application of available cash flow. At December 31, 1982, the Company's interest-bearing debt consisted of $14,830,000 of commercial paper, $23,400,000 in term bank loans and $10,219,000 in other notes primarily due to former owners of acquired companies. The commercial paper is supported by a $100,000,000 bank revolving credit agreement convertible into term loans (payable over four years) starting January 1, 1985. While the Company intends to refinance the commercial paper borrowings, the amount outstanding is expected to fluctuate and may be reduced from time to time. During the year, interest rates on the outstanding commercial paper averaged 2.5% less than the prevailing prime rate. The interest rates on virtually all of the other debt are fixed and average approximately 9%.

At December 31, 1982, minority interest in the Company's consolidated subsidiaries amounted to $14,116,000. This amount is almost entirely accounted for by the purchase of a 10% interest in Capital Cities Cable, Inc., (the parent company of Cablecom-General, Inc.) by Whitcom Investment Company for $13,800,000 in late 1981.

Deferred income taxes amounted to $12,314,000 at December 31, 1982, and are included in the capital structure, as they are considered to be essentially a permanent liability.

The Company's relationship of debt to total capital at December 31, for the last five years was as follows:

(dollars in millions)

	Debt	Total capital	Debt to total capital ratio
1982	$ 48.4	$619.1	8%
1981	$102.4	$571.0	18%
1980	$ 58.7	$427.2	14%
1979	$ 78.0	$386.9	20%
1978	$103.0	$372.5	28%

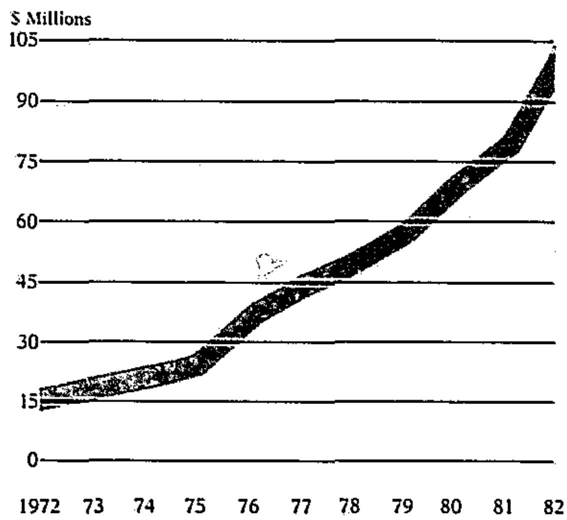
The Company's debt to total capital ratio at December 31, 1982 is a very conservative 8%, which would allow for a substantial increase in debt should attractive investment opportunities appear.

Available Cash Flow

Available cash flow is defined as funds from operations, less funds reinvested for capital expenditures. In determining the Company's available cash flow, construction expenditures for new cable television systems are excluded from capital spending, as they are considered to be essentially acquisition spending and not capital reinvested in existing operations.

In 1982, the Company's available cash flow amounted to $103,677,000, an increase of $23,737,000, or 30%, over the $79,940,000 reported in 1981.

Available Cash Flow

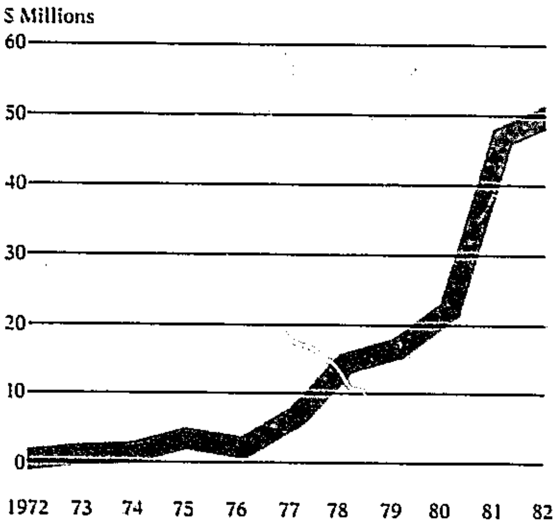


Unlike most industrial companies, Capital Cities does not require large amounts of capital to be reinvested each year in physical assets and inventories to maintain the same level of production or operations. The Company's available cash flows have historically been almost equal to reported net income. The continued generation of such available cash flow will allow the Company to continue to make selective acquisitions, invest in new business start-ups, reduce debt and, when deemed appropriate, repurchase its common stock. The judicious employment of this available cash flow should enhance the Company's future growth in earnings and stockholders' equity.

Capital Expenditures

In 1982, capital expenditures amounted to $51,651,000, a 6% increase from the $48,634,000 spent in 1981. The largest portion of 1982 capital spending was in the Cable Television Division, where a total of $31,100,000 was spent—$18,000,000 for the construction of new systems and $13,100,000 for extensions, upgrades and rebuilds of the Cablecom systems.

Capital Expenditures



For 1983, the Company's capital budget anticipates expenditures of approximately $57,000,000. The Cable Television Division is expected to spend $30,000,000—$3,000,000 completing the construction of new systems, with the balance for rebuilds, upgrades and extensions of older Cablecom systems.

The Broadcasting Division anticipates spending $13,000,000 in 1983. Major projects include the completion of the construction of a new studio building in New Haven for WTNH-TV and conversion to one-inch videotape technology.

Publishing Division capital expenditures in 1983 are budgeted at $14,000,000 and anticipate the start of a facility expansion at the *Fort Worth Star-Telegram*, together with the continuing upgrade and expansion of electronic data processing systems at the daily newspapers and specialized publications.

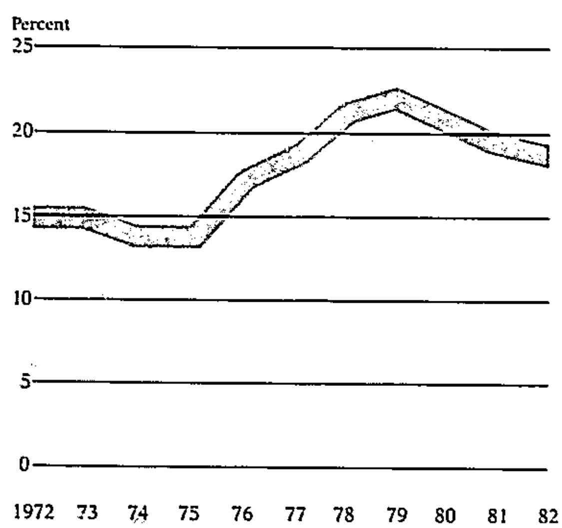
Impact of Inflation

For information on the impact of inflation on the Company, see Note 13 to the Consolidated Financial Statements.

Return on Equity

Return on equity is an important measurement of the effectiveness with which the stockholders' equity is being employed. It is expressed as the percentage relationship that net income (before extraordinary gain) bears to stockholders' equity. Capital Cities' return on equity has benefited both from the Company's ability to finance its growth from internally generated capital and debt rather than new equity capital, and from a program of repurchasing its common stock over recent years.

Return on Average Stockholders' Equity



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The Company's return on average stockholders' equity for the last five years was:

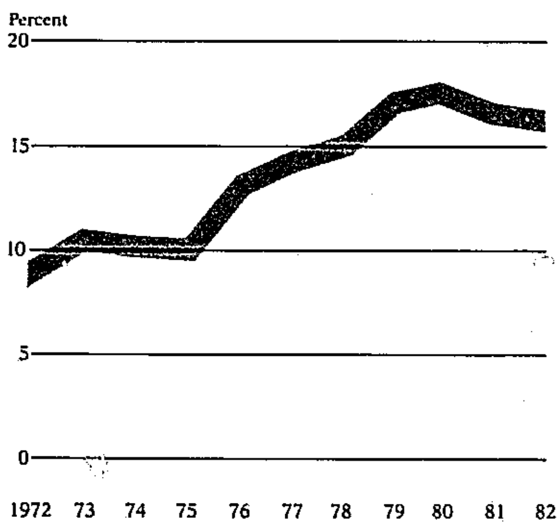
(dollars in millions)

	Average stockholders' equity	Net income	Rate of return
1982	$494.0	$96.3	19.5%
1981	$401.4	$80.5	20.1%
1980	$328.8	$70.8	21.5%
1979	$278.3	$63.8	22.9%
1978	$248.3	$54.0	21.8%

Return on Total Capital

Another measure of management performance is the rate of return on total capital employed in the business. Total capital is defined as the sum of stockholders' equity, interest-bearing debt, minority interest and deferred income taxes. Return is defined as the sum of net income plus interest expense after taxes. By including the aftertax cost of interest in calculating this return, business performance is measured without being affected by financing policies.

Return on Average Total Capital



The Company believes this is as important a measure of the profitability of a business as is return on equity. The Company's return on average total capital over the last five years was:

(dollars in millions)

	Average total capital	Return	Rate of return
1982	$595.1	$100.5	16.9%
1981	$499.1	$ 85.7	17.2%
1980	$407.0	$ 73.6	18.1%
1979	$378.9	$ 67.2	17.7%
1978	$372.6	$ 58.3	15.6%

A refinement of this approach to performance measurement is the return on operating capital. This calculation removes from total capital the nonoperating assets (short-term cash investments, marketable equity securities and other assets) and from the return, the aftertax income associated with these assets. The table below indicates the Company's return on average operating capital for the last five years:

(dollars in millions)

	Average operating capital	Return	Rate of return
1982	$537.7	$98.6	18.3%
1981	$449.8	$82.7	18.4%
1980	$348.1	$70.2	20.2%
1979	$319.6	$64.2	20.1%
1978	$309.5	$55.7	18.0%

Intangible Assets

At December 31, 1982, the Company's intangible assets, before accumulated amortization, totaled $394,431,000—$123,685,000 in broadcasting, $166,590,000 in publishing and $104,156,000 in cable television. Together, these intangible assets accounted for approximately 50% of the Company's total assets.

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Intangible assets represent the amounts by which acquisition prices exceed the value of tangible assets acquired. In accordance with *Accounting Principles Board Opinion No. 17*, the Company amortizes intangible assets for broadcasting and publishing properties acquired since 1970 over periods of up to 40 years. Such amortization is arbitrarily mandated by *Opinion No. 17* without regard to whether these assets have or have not declined in value. The substantial majority of acquired cable television intangible assets relate to the underlying system franchise agreements and are amortized over periods approximating the remaining lives of such franchises.

Approximately 75% of the Company's intangible assets have resulted from the acquisition of broadcasting and publishing properties. Historically, such intangible assets have long and productive lives and have tended to increase in value. We believe that the majority of these intangible assets have appreciated substantially in value since they were acquired and that the requirements of *Opinion No. 17* when applied to such publishing and broadcasting intangible assets understate net income and stockholders' equity.

Broadcasting and publishing intangible assets of $162,476,000 are subject to amortization. This had the effect of reducing net income by $4,323,000, or $.33 a share, in 1982. This amortization of such broadcasting and publishing intangible assets is not a deductible item in computing income taxes.

Stock Repurchase

In late 1976, the Company began a program of repurchasing its common stock. As of December 31, 1982, 2,962,000 shares of common stock had been acquired for an aggregate purchase price of $103,356,000, or an average price of $34.89.

These shares are held in the treasury to be issued under the Capital Cities Employee Stock Purchase Plan, for Employee Stock Options, or for other corporate purposes.

The repurchases of stock have contributed to gains in earnings per share and return on stockholders' equity in recent years. The Company believes that the repurchase of its common stock is one of the more effective uses of its available cash flow for the benefit of its stockholders.

Financial Summary 1972-1982

(Dollars in thousands except per share data)

	1982	1981	1980
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	**$220,996**	$193,063	$166,980
Cable Television	**53,302**	21,435	30
Publishing	**389,282**	359,286	305,098
Total	**663,580**	573,784	472,108
Operating income (loss)			
Broadcasting	**$116,228**	$102,230	$ 87,925
Cable Television	**1,678**	(3,096)	(2,531)
Publishing	**79,010**	67,520	58,186
Income from operations	**196,916**	166,654	143,580
General corporate expense	**7,128**	7,468	6,205
Total	**189,788**	159,186	137,375
Net income (a)	**$ 96,317**	$ 80,518	$ 70,783
Net income per share (a) (b)	**$7.25**	$6.12	$5.38
Cash dividends declared per common share (b)	**$0.20**	$0.20	$0.20
Average shares (000's omitted) (b)	**13,280**	13,150	13,165
Return on average stockholders' equity (c)	**19.5%**	20.1%	21.5%
MAJOR CHANGES IN FINANCIAL POSITION			
Funds provided			
Operations	**$137,529**	$108,208	$ 86,589
Increase in long-term debt	**1,944**	111,640	3,834
Sale of operating properties			
Funds applied			
Acquisitions of operating properties	**$ 22,376**	$160,734	$ 32,890
Purchases of common stock for treasury	**676**	125	14,753
Capital expenditures	**51,651**	48,634	23,611
Reduction of long-term debt	**58,128**	63,095	21,667
Dividends on common stock	**2,627**	2,603	2,573
AT YEAR-END			
Working capital	**$ 16,353**	$ 4,288	$ 35,408
Total assets	**776,013**	697,620	519,958
Long-term debt	**48,449**	102,372	58,667
Stockholders' equity	**544,267**	443,822	359,081
Number of shares outstanding (000's omitted) (b)	**13,180**	13,025	12,902
Closing market price of common stock (b)	**$119⅝**	$73¾	$58¾
Price range of common stock (b)	**$64⅜-136¾**	$56½-80½	$40-72

(a) Income before extraordinary gains of $2,430,000 ($.18 per share) in 1980 and $3,320,000 ($.22 per share) in 1977.
(b) All per share information has been adjusted for the two-for-one stock split in 1978.
(c) Income before extraordinary items divided by average stockholders' equity.
(d) The above information includes the effect of the acquisition of Cablecom-General, Inc., from July 2, 1981.

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1979	1978	1977	1976	1975	1974	1973	1972
$151,327	$133,360	$112,522	$104,307	$ 86,820	$ 78,576	$ 76,066	$ 69,885
263,563	234,116	193,624	107,860	88,066	60,009	51,432	48,603
414,890	367,476	306,146	212,167	174,886	138,585	127,498	118,488
$ 80,319	$ 70,080	$ 56,757	$ 50,277	$ 39,184	$ 36,359	$ 36,469	$ 31,553
50,668	48,781	43,681	25,592	17,699	12,752	9,800	8,192
130,987	118,861	100,438	75,869	56,883	49,111	46,269	39,745
5,334	4,563	3,673	2,826	2,748	2,492	1,704	1,659
125,653	114,298	96,765	73,043	54,135	46,619	44,565	38,086
$ 63,758	$ 54,033	$ 43,234	$ 35,620	$ 25,402	$ 22,025	$ 20,146	$ 17,015
$4.68	$3.80	$2.91	$2.30	$1.64	$1.43	$1.30	$1.11
$0.20	$0.175	$0.10	$0.10	$0.025			
13,615	14,220	14,852	15,478	15,466	15,376	15,438	15,394
22.9%	21.8%	19.4%	17.9%	14.4%	14.4%	15.2%	15.3%
$ 77,888	$ 66,811	$ 53,763	$ 43,309	$ 32,098	$ 25,833	$ 23,215	$ 20,167
1,900	2,696	90,628			40,500		
	15,526	14,389					
	$ 9,622	$125,877	$ 6,099		$ 61,602	$ 1,136	$ 1,300
$ 24,736	31,097	17,111	14,858				
18,178	16,314	8,209	4,049	$ 5,546	3,206	2,859	2,465
21,585	26,928	33,470	16,275	16,275	11,663	12,125	17,913
2,669	2,438	1,467	1,524	384			
$ 34,428	$ 18,980	$ 8,998	$ 38,058	$ 34,547	$ 23,864	$ 33,028	$ 22,075
473,134	444,797	435,096	328,522	315,128	300,880	237,865	232,860
77,955	102,983	126,257	59,404	75,679	87,342	56,967	75,092
298,497	259,691	236,834	208,501	188,921	163,860	141,906	121,620
13,058	13,514	14,212	14,832	15,374	15,368	15,364	15,356
$48⅝	$39⅝	$30	$28¼	$21⅜	$11¼	$15⅞	$30½
$36¾-49⅞	$27⅛-47¾	$22⅛-30½	$21⅛-28¼	$11-21¾	$8⅜-19⅝	$15-31¼	$24-32⅛

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Capital Cities Communications

Consolidated Statement of Income

Years Ended December 31, 1982, 1981 and 1980
(Dollars in thousands except per share amounts)

	1982	1981	1980
Net revenues	**$663,580**	$573,784	$472,108
Costs and expenses			
Direct operating expenses	**275,573**	245,702	205,152
Selling, general and administrative	**164,458**	145,780	114,650
Depreciation	**23,093**	16,124	11,467
Amortization of intangible assets	**10,668**	6,992	3,464
	473,792	414,598	334,733
Operating income	**189,788**	159,186	137,375
Other income (expense)			
Interest expense	**(7,982)**	(9,933)	(5,446)
Interest income	**2,596**	4,745	4,191
Miscellaneous, net	**915**	1,020	2,263
	(4,471)	(4,168)	1,008
Income before income taxes	**185,317**	155,018	138,383
Income taxes			
Federal	**78,800**	65,200	59,700
State and local	**10,200**	9,300	7,900
	89,000	74,500	67,600
Income before extraordinary gain	**96,317**	80,518	70,783
Extraordinary gain, net of taxes	**—**	—	2,430
Net income	**$ 96,317**	$ 80,518	$ 73,213
Income per share			
Income before extraordinary gain	**$7.25**	$6.12	$5.38
Extraordinary gain	**—**	—	.18
Net income	**$7.25**	$6.12	$5.56
Average shares outstanding (000's omitted)	**13,280**	13,150	13,165

See accompanying notes

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Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1982, 1981 and 1980
(Dollars in thousands)

	1982	1981	1980
Funds provided			
Operations			
Income before extraordinary gain	**$ 96,317**	$ 80,518	$ 70,783
Depreciation	**23,093**	16,124	11,467
Amortization of intangible assets	**10,668**	6,992	3,464
Other, net	**7,451**	4,574	875
Total funds from operations	**137,529**	108,208	86,589
Common stock issued under Employee Stock Plans	**7,431**	6,951	4,697
Long-term debt issued or assumed on acquisitions	**1,944**	111,640	3,834
Sale of minority interest in subsidiary	**—**	13,808	—
Other, net	**619**	3,464	1,354
	147,523	244,071	96,474
Funds applied			
Additions to fixed assets	**51,651**	48,634	23,611
Reduction of long-term debt	**58,128**	63,095	21,667
Acquisitions of operating properties	**22,376**	160,734	32,890
Dividends	**2,627**	2,603	2,573
Purchases of common stock for treasury	**676**	125	14,753
	135,458	275,191	95,494
Increase (decrease) in working capital	**$ 12,065**	$ (31,120)	$ 980
Working capital changes			
Cash and short-term cash investments	**$ 30,565**	$(30,178)	$ (3,047)
Accounts and notes receivable	**3,641**	18,390	5,048
Inventories	**(816)**	(891)	1,964
Film contract rights and other current assets	**(264)**	1,707	1,602
Taxes on income	**(13,216)**	(229)	57
Long-term debt due within one year	**(2,261)**	4,840	1,455
Film contracts and other current liabilities	**(5,584)**	(24,759)	(6,099)
Increase (decrease) in working capital	**$ 12,065**	$(31,120)	$ 980

See accompanying notes

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Consolidated Balance Sheet

December 31, 1982 and 1981
(Dollars in thousands)

Assets	1982	1981
Current assets		
Cash	$ 5,945	$ 5,243
Short-term cash investments	34,523	4,660
Accounts and notes receivable (less allowance for doubtful accounts of $4,919 in 1982 and $4,914 in 1981)	93,656	90,015
Inventories	7,008	7,824
Film contract rights	6,550	5,919
Other current assets	3,159	4,054
Total current assets	150,841	117,715
Property, plant and equipment, at cost		
Land	20,609	16,212
Buildings	63,848	56,521
Broadcasting, printing, cable television and other equipment	253,218	209,679
	337,675	282,412
Less accumulated depreciation	111,729	96,784
Property, plant and equipment, net	225,946	185,628
Intangible assets (net of accumulated amortization of $31,686 in 1982 and $21,018 in 1981)	362,745	353,062
Marketable equity securities	11,649	11,649
Other assets	24,832	29,566
	$776,013	$697,620

See accompanying notes

Liabilities and Stockholders' Equity	**1982**	**1981**
Current liabilities		
Accounts payable	**$27,702**	$ 25,744
Accrued compensation	**15,285**	12,729
Accrued expenses and other current liabilities	**26,727**	27,636
Film contracts	**7,153**	5,174
Taxes on income	**40,070**	26,854
Long-term debt due within one year	**17,551**	15,290
Total current liabilities	**134,488**	113,427
Deferred compensation	**15,220**	9,747
Deferred income taxes	**12,314**	10,336
Unearned subscription revenue	**14,851**	14,716
Other liabilities	**9,859**	4,058
Long-term debt due after one year	**30,898**	87,082
Total liabilities	**217,630**	239,366
Minority interest	**14,116**	14,432
Stockholders' equity		
Convertible preferred stock, $1 par value (600,000 shares authorized)	**—**	—
Common stock, $1 par value (40,000,000 shares authorized)	**15,394**	15,394
Additional paid-in capital	**7,431**	4,012
Retained earnings	**605,344**	511,654
	628,169	531,060
Less common stock in treasury, at cost (2,213,693 shares in 1982 and 2,368,388 shares in 1981)	**83,902**	87,238
Total stockholders' equity	**544,267**	443,822
	$776,013	$697,620

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Consolidated Statement of Stockholders' Equity

Years Ended December 31, 1982, 1981 and 1980
(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance December 31, 1979	$15,394	$ 362	$363,099	$(80,558)	$298,497
Net income for 1980	—	—	73,213	—	73,213
327,760 shares purchased for treasury	—	—	—	(14,753)	(14,753)
93,080 shares issued under Employee Stock Purchase Plan	—	729	—	2,476	3,205
78,563 shares issued on exercise of employee stock options	—	(628)	—	2,120	1,492
Cash dividends	—	—	(2,573)	—	(2,573)
Balance December 31, 1980	15,394	463	433,739	(90,515)	359,081
Net income for 1981	—	—	80,518	—	80,518
2,150 shares purchased for treasury	—	—	—	(125)	(125)
87,837 shares issued under Employee Stock Purchase Plan	—	1,218	—	2,394	3,612
37,275 shares issued on exercise of employee stock options	—	2,331	—	1,008	3,339
Cash dividends	—	—	(2,603)	—	(2,603)
Balance December 31, 1981	15,394	4,012	511,654	(87,238)	443,822
Net income for 1982	—	—	96,317	—	96,317
8,078 shares purchased for treasury	—	—	—	(676)	(676)
79,619 shares issued under Employee Stock Purchase Plan	—	2,977	—	1,911	4,888
83,154 shares issued on exercise of employee stock options	—	442	—	2,101	2,543
Cash dividends	—	—	(2,627)	—	(2,627)
Balance December 31, 1982	$15,394	$7,431	$605,344	$(83,902)	$544,267

See accompanying notes

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Notes to Consolidated Financial Statements

1. Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries.

Property, Plant and Equipment-Depreciation—Depreciation has generally been computed on the straight-line method for financial accounting purposes and on accelerated methods for tax purposes. Estimated useful lives for major categories are as follows:

	Years
Buildings and improvements	10-50
Broadcasting equipment	4-8
Printing machinery and equipment	5-10
Cable television plant	10

Leasehold improvements are amortized over the terms of the leases.

Intangible Assets—Intangible assets consist of amounts by which the cost of acquisitions exceeded the values assigned to net tangible assets. In accordance with *Accounting Principles Board Opinion No. 17*, intangible assets other than those attributable to cable television franchises are being amortized over periods of up to 40 years. Intangible assets relating to cable television franchises are amortized over the remaining terms of the franchises.

Marketable Equity Securities—Marketable equity securities are carried at the lower of cost or aggregate market value. Temporary unrealized declines in aggregate market value below cost would be charged to stockholders' equity; permanent declines would be charged to income.

Film Contract Rights—Film contract rights and the related liabilities are recorded at full contract prices when available for use. The costs are charged to income on accelerated bases related to the terms of the contracts or the usage of the films.

Unearned Subscription Revenue—Subscription revenue is recorded as earned over the life of the subscriptions. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

Investment Tax Credit—The investment tax credit is taken into income currently as a reduction of the provision for Federal income tax.

Inventories—Inventories, primarily of newsprint and other paper stock, are valued at the lower of cost (last-in first-out) or market.

Capitalized Interest—Interest is capitalized in accordance with *Financial Accounting Standards Board Statement No. 34*, "Capitalization of Interest Cost." As a result, $1,593,000, $2,282,000 and $450,000 have been added to property, plant and equipment in 1982, 1981 and 1980, respectively.

2. Income Per Share

The calculation of average common shares and common share equivalents outstanding during the year is as follows (000's omitted):

	1982	1981	1980
Common shares	13,105	12,989	12,883
Stock options	175	161	282
Total	13,280	13,150	13,165

3. Extraordinary Gain

In 1980, the Company sold its investment in New York Subways Advertising Co., Inc., an unconsolidated affiliate, which resulted in a gain of $4,130,000 less applicable taxes of $1,700,000, for an extraordinary gain of $2,430,000.

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4. Acquisitions

Cable Television

In July 1981, the Company acquired all of the outstanding stock of Cablecom-General, Inc. (Cablecom) for $132,200,000 in cash and the assumption of certain debt. Cablecom owns and operates 43 cable television systems in 12 states. During 1982, the Company acquired for $16,500,000, the remaining interests in three of Cablecom's partially owned cable television systems in Odessa, Texas; Altus, Oklahoma; and Trenton, Missouri. The aggregate purchase price included $58,700,000 for property, plant and equipment, $103,000,000 for intangible assets, and the assumption of the excess of liabilities over investments and all other assets of the units acquired.

In December 1981, pursuant to an existing agreement, Whitcom Investment Company purchased a 10% minority interest in Capital Cities Cable, Inc., parent company of Cablecom, for $13,800,000.

Publishing

During 1982, the Company acquired two weekly newspapers in Connecticut and all of the outstanding stock of the Red Bank Register, publisher of *The Daily Register* and *The Sunday Register*, serving Monmouth County, New Jersey, for an aggregate of $5,900,000. The purchase price included $5,100,000 of fixed assets and $800,000 of intangible assets.

Broadcasting

In November 1981, the Company acquired the assets of WBIE-FM (call letters changed to WKHX-FM), an FM radio station serving the Atlanta, Georgia market (licensed to Marietta, Georgia) for approximately $7,500,000 in cash. Virtually all of the purchase price was allocated to intangible assets.

5. Employees' Profit Sharing and Pension Plans

The Company has qualified profit sharing plans for certain employees. The plans provide for contributions by the Company in such amounts as the Board of Directors may annually determine. Such contributions charged to expense in 1982, 1981 and 1980 were $4,050,000, $3,583,000 and $3,174,000, respectively.

Other employees, not covered by the profit-sharing plans, are covered by Company non-contributory pension plans. In connection with these plans, contributions of $1,549,000, $1,873,000 and $1,735,000 were charged to expense in 1982, 1981 and 1980, respectively. Provision is made for normal cost and amortization of prior service costs over periods of 30 years. The Company's policy is to fund the amounts expensed.

A comparison of accumulated plan benefits and plan net assets for the Company's pension plans is presented below (000's omitted):

	January 1,	
	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$37,232	$37,997
Nonvested	1,160	1,118
	$38,392	$39,115
Net assets available for benefits	$45,497	$41,405

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for 1982 and 6½% for 1981.

6. Long-Term Debt

Long-term debt at December 31, 1982 is as follows (000's omitted):

	Total	Commercial Paper	Banks	Other
Payable during:				
1983 (current year)	$17,551	$ —	$10,800	$ 6,751
1984	11,267	—	10,800	467
1985	5,980	3,708	1,800	472
1986	4,184	3,708	—	476
1987	4,168	3,707	—	461
1988 and after	5,299	3,707	[illegible]	1,592
	$48,449	$14,830	$23,[illegible]	$10,219

To finance the acquisitions of Cablecom and WKHX-FM in 1981, the Company issued commercial paper, $14,830,000 of which is outstanding at December 31, 1982, with a weighted average interest rate of 9.1%. The commercial paper is supported by a $100,000,000 bank revolving credit agreement, convertible into term loans (payable over four years) starting January 1, 1985. The agreement requires a commitment fee of ½ of 1% of the unused portion of the available credit. Under terms of the bank revolving credit agreement, the Company is limited in paying cash dividends and purchasing its capital stock to $40,000,000 plus, in the aggregate, 33⅓% of consolidated income before extraordinary gains subsequent to January 1, 1977. As of December 31, 1982, unrestricted retained earnings under the credit agreement were $99,269,000. The credit agreement also provides that the Company maintain stockholders' equity of at least $300,000,000.

Commercial paper is supported by the bank revolving credit agreement mentioned above, and while the Company intends to refinance these borrowings, the amount of commercial paper outstanding is expected to fluctuate and may be reduced from time to time.

The Company also has a bank loan agreement which contains the same restrictions as the aforementioned bank revolving credit agreement. The bank debt bears interest at 8.2%. All other notes payable bear interest at a weighted average of 12.0%.

7. Commitments

The Company has entered into agreements for future delivery of syndicated and feature film programming for its television stations, which aggregate $8,358,000, payable from 1983 through 1989.

The Company anticipates 1983 capital expenditures for property, plant and equipment to be approximately $57,000,000, of which $11,400,000 was firmly committed at December 31, 1982.

The Company has guaranteed a bank loan made to the Whitcom Investment Company (Whitcom) in the amount of $13,800,000. The bank loan provides that Whitcom maintain certain levels of partnership net worth, excluding their 10% investment in Capital Cities Cable, Inc. The loan, and the Company's guarantee, are secured by a pledge of Whitcom's investment in Capital Cities Cable, Inc.

The Company has no material lease commitments.

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8. Income Taxes

The provision for income taxes differs from the amount of tax determined by applying the Federal statutory rate for the following reasons (000's omitted):

	1982		1981		1980	
	Amount	%	Amount	%	Amount	%
Income before taxes at Federal tax rate	$85,246	46.0	$71,308	46.0	$63,656	46.0
State income taxes, net of Federal tax benefit	5,508	3.0	5,012	3.2	4,266	3.1
Amortization of intangible assets	2,920	1.6	2,213	1.4	1,594	1.2
Investment tax credit	(4,800)	(2.6)	(3,676)	(2.3)	(1,100)	(.8)
Other, net	126	—	(357)	(.2)	(816)	(.6)
	$89,000	48.0	$74,500	48.1	$67,600	48.9

The 1982 provision for income taxes includes $2,000,000 for deferred income taxes of which $4,700,000 relates to the excess of tax over financial accounting depreciation. The deferred income taxes payable of $12,314,000 at December 31, 1982, results primarily from the excess of tax over financial accounting depreciation, the deferred gain on the 1971 sale of television station WTEN, Albany, New York and deferred compensation which is not deductible until paid.

9. Marketable Equity Securities

Marketable equity securities were carried at an aggregate cost of $11,649,000 and had an aggregate market value of $14,470,000 and $17,199,300 at December 31, 1982 and 1981, respectively.

10. Intangible Assets

The Company's intangible assets consist of the excess of purchase price paid over the fair market value of tangible assets of acquired broadcasting, cable television and publishing properties. The broadcasting and publishing intangible assets represent broadcasting licenses, network affiliation contracts and effective economic publishing franchises, all of which may be characterized as scarce assets, with very long and productive lives. Such assets have historically increased in value with the passage of time. In accordance with *Accounting Principles Board Opinion No. 17,* those intangible assets acquired subsequent to 1970 are being amortized over periods of 40 years, even though, in the opinion of Management, there has been no diminution of value of the respective properties. Cable television intangible assets principally represent amounts related to individual cable television franchises. Such franchise intangibles are amortized over the remaining lives of the franchises; other cable television intangible assets are amortized over 40 years. At December 31, 1982, the Company's intangible assets were as follows (000's omitted):

	Total	Broadcasting	Cable Television	Publishing
Intangible assets not subject to amortization	$127,799	$107,083	$ —	$ 20,716
Intangible assets required to be amortized	266,632	16,602	104,156	145,874
	394,431	123,685	104,156	166,590
Accumulated amortization	(31,686)	(2,101)	(9,345)	(20,240)
	$362,745	$121,584	$ 94,811	$146,350

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11. Segment Data

The Company is engaged in television and radio broadcasting, providing cable television service to subscribers and the publishing of newspapers and specialized publications. Operations are classified into three business segments: Broadcasting, Cable Television and Publishing.

Broadcasting operations consist of six network-affiliated television stations, five of which are VHF and one UHF, seven AM radio stations and seven FM radio stations.

Cable Television consists of 53 systems providing service to subscribers in 16 states.

Publishing operations consist of ten daily newspapers in eight communities (five of which have Sunday editions), 26 weekly community newspapers and shopping guides and 36 business and specialized publications.

There are no product transfers between segments of the Company, and virtually all of the Company's business for all segments is conducted within the United States.

The segment data follows (000's omited):

	1982	1981	1980	1979	1978
Broadcasting					
Net revenues	$220,996	$193,063	$166,980	$151,327	$133,360
Direct operating costs	98,842	85,791	74,457	67,018	59,619
Depreciation	5,511	4,782	4,366	3,758	3,429
Amortization of intangible assets	415	260	232	232	232
Total operating costs	104,768	90,833	79,055	71,008	63,280
Income from operations	$116,228	$102,230	$ 87,925	$80,319	$ 70,080
Assets at December 31	$222,827	$214,524	$191,039	$188,314	$178,739
Capital expenditures	14,778	9,593	6,032	7,472	8,157
Cable Television					
Net revenues	$ 53,302	$ 21,435	$ 30		
Direct operating costs	36,068	17,731	2,504		
Depreciation	9,211	3,800	57		
Amortization of intangible assets	6,345	3,000	—		
Total operating costs	51,624	24,531	2,561		
Income (loss) from operations	$ 1,678	$ (3,096)	$ (2,531)		
Assets at December 31	$212,396	$173,384	$ 9,008		
Capital expenditures	31,130	27,085	8,319		
Publishing					
Net revenues	$389,282	$359,286	$305,098	$263,563	$234,116
Direct operating costs	298,444	280,655	236,932	204,260	176,909
Depreciation	7,920	7,379	6,748	5,790	5,665
Amortization of intangible assets	3,908	3,732	3,232	2,845	2,761
Total operating costs	310,272	291,766	246,912	212,895	185,335
Income from operations	$ 79,010	$ 67,520	$ 58,186	$ 50,668	$ 48,781
Assets at December 31	$260,890	$259,385	$257,998	$215,576	$209,255
Capital expenditures	5,535	6,498	6,527	10,185	7,818
Consolidated					
Net revenues	$663,580	$573,784	$472,108	$414,890	$367,476
Income from operations	$196,916	$166,654	$143,580	$130,987	$118,861
General corporate expense	7,128	7,468	6,205	5,334	4,563
Operating income	189,788	159,186	137,375	125,653	114,298
Interest expense	(7,982)	(9,933)	(5,446)	(6,835)	(8,603)
Interest and other income	3,511	5,765	6,454	6,040	5,138
Income before income taxes	$185,317	$155,018	$138,383	$124,858	$110,833
Assets employed by segments	$696,113	$647,293	$458,045	$403,890	$387,994
Investments and corporate assets	79,900	50,327	61,913	69,244	56,803
Total assets at December 31	$776,013	$697,620	$519,958	$473,134	$444,797

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12. Stock Option and Purchase Plans

The Company has stock option plans under which certain key personnel have been given the right to purchase shares of common stock over a 10 or 11-year period from the date of grant at prices equal to market value on the grant date. Each option is cumulatively exercisable as to 25% of the total shares represented thereby for each of the first four years after grant, provided that the individual remains in the employ of the Company. In 1982, the Company's stockholders authorized the issuance of 300,000 additional options. The following information pertains to the Company's stock option plans:

	1982	1981	1980
Outstanding options, beginning of year	502,000	546,150	498,963
Granted	4,000	3,000	133,250
Cancelled or expired	(2,251)	(9,875)	(7,500)
Exercised	(83,154)	(37,275)	(78,563)
Outstanding options, end of year	420,595	502,000	546,150
Average price of options exercised during the year	$22.58	$16.54	$14.36
Exercise price of outstanding options, end of the year	$9.13 to $101.50	$9.13 to $76.25	$9.13 to $63.88
Options exercisable, end of year	349,408	398,125	391,775
Options available for future grant	296,000	—	54

The Company has an Employee Stock Purchase Plan which provides for the issuance of a maximum of 400,000 shares during the five-year period ending in April 1987. The Plan provides that eligible employees, through contributions of up to 15% of their compensation, may purchase shares at 85% of the lower of fair market value at the Grant Date or at the Purchase Date (normally one year subsequent). Employees purchased 79,619, 87,837 and 93,080 shares under the Plan in 1982, 1981 and 1980, respectively.

13. Supplementary Information on the Effects of Changing Prices (Unaudited)

The following supplementary data is presented pursuant to the requirements of the *Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices" (FAS No. 33).* This statement requires two supplementary computations of operating results; one based on the effect of general inflation as measured by the Consumer Price Index for All Urban Consumers ("constant dollar") and the other based on the effect of the changes in specific prices of inventories and property, plant and equipment used in the operations of the Company ("current cost").

The constant dollar method measures the impact of general inflation by adjusting historical financial data to dollars of equal purchasing power (average 1982 dollars).

The current cost method reflects the changes in specific costs of the Company's assets from the dates they were originally acquired to the present. Current costs for the Company's property, plant and equipment and inventories were determined by reference to recent vendors' quotations, invoice prices or independent appraisals. These current costs represent estimates for existing assets, without regard to technological improvements and efficiencies which generally result from normal replacement. The current costs reported, while believed to be reasonable, are subjective and do not necessarily represent amounts for which the assets could be disposed.

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In the accompanying data, the Statement of Income restates depreciation expense for general inflation and changes in specific prices. The effect of revaluing inventories on the supplementary Statement of Income is not material. No adjustment has been made to the actual provision for income taxes because FAS No. 33 does not permit the recognition of tax benefit arising from the pro forma effects of general inflation.

During periods of inflation, a net monetary liability position results in a gain of purchasing power because obligations will be repaid with dollars having less purchasing power than when the liabilities were incurred. The Company's net monetary liabilities are the excess of its payables and other debt over certain assets which include cash, cash investments and receivables. The gain in purchasing power shown is part of the overall effect of inflation on the Company's operations. However, since this gain does not represent a receipt of funds, it should not be considered as providing funds in the current period for distribution or reinvestment.

The unaudited supplementary data presented must be viewed with caution, as must any other analytical data that subjectively attempts to reflect the inflationary factors affecting the Company. Therefore, the Company has not concluded that this presentation, made in compliance with FAS No. 33 is or is not the best representation of the impact of inflation upon the Company.

Statement Of Income Adjusted For Changing Prices
Years Ended December 31, 1982 and 1981
(in thousands of average 1982 dollars)

	1982	1981
Net income	$96,317	$85,454
Adjustment to restate depreciation for the effect of general inflation	(7,961)	(7,381)
Net income adjusted for general inflation	88,356	78,073
Adjustment to restate depreciation for the difference between general inflation and changes in specific prices (current cost)	(3,634)	(4,641)
Net income adjusted for changes in specific prices	$84,722	$73,432
Gain from decline in purchasing power of net monetary liabilities	$ 3,364	$ 5,534
Increase in value of inventories and property, plant and equipment:		
Due to changes in current cost	$14,027	$27,250
Due to general inflation	10,845	19,385
Increase due to general inflation under increase due to changes in current cost	$ 3,182	$ 7,865

At December 31, 1982 and 1981, the current cost of inventories was $8,779 and $10,494 respectively, and the current cost of net property, plant and equipment was $300,954 and $269,035.

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Five-Year Comparison Of Selected Supplementary Financial Data Adjusted For Effects Of Changing Prices
(Average 1982 dollars in thousands except per share data)

	1982	1981	1980	1979	1978
Net revenues	$663,580	$608,961	$553,024	$551,724	$543,691
Constant dollar information:					
Income before extraordinary gain	$88,356	$78,073	$76,600	$79,751	
Income per share before extraordinary gain	$6.65	$5.94	$5.82	$5.88	
Net assets at year-end	$618,137	$540,476	$479,329	$405,436	
Current cost information:					
Income before extraordinary gain	$84,722	$73,432	$72,258	$74,804	
Income per share before extraordinary gain	$6.38	$5.58	$5.49	$5.49	
Increase in value of inventories and property, plant and equipment due to general inflation under (over) increase due to changes in current cost	$3,182	$7,865	$ (4,669)	$551	
Net assets at year-end	$617,985	$548,855	$490,070	$431,924	
Other information:					
Gain from decline in purchasing power of net monetary liabilities	$3,364	$5,534	$6,566	$10,568	
Cash dividends per share	$0.20	$0.21	$0.23	$0.26	$0.26
Market price per share at year-end	$118.27	$75.74	$65.73	$61.15	$56.46
Average Consumer Price Index (1967=100)	289.1	272.4	246.8	217.4	195.4
Historical Financial Information *(Dollars in thousands except per share data):*					
Net revenues	$663,580	$573,784	$472,108	$414,890	$367,476
Income before extraordinary gain	$96,317	$80,518	$70,783	$63,758	$54,033
Income per share before extraordinary gain	$7.25	$6.12	$5.38	$4.68	$3.80
Net assets at year-end	$544,267	$443,822	$359,081	$298,497	$259,691
Cash dividends per share	$0.20	$0.20	$0.20	$0.20	$0.175
Market price per share at year-end	$119.63	$73.75	$58.75	$48.63	$39.63

14. Common Stock and Stockholder Information (Unaudited)

As of January 31, 1983, the approximate number of holders of common stock was 4,400. Dividends of $.05 per share have been paid for each quarter of 1982 and 1981. For restrictions on the Company's ability to pay dividends, see Note 6 of Notes to Consolidated Financial Statements. The common stock is traded on the New York Stock Exchange. The high, low and closing prices of the Company's common stock for each quarter of 1982 and 1981 are as follows:

	1982			1981		
Price Range	High	Low	Close	High	Low	Close
1st quarter	$ 74½	$64⅜	$ 71⅝	$69	$56½	$68¾
2nd quarter	80½	70¼	72¼	80½	68¼	77⅞
3rd quarter	95⅜	67¾	93¾	77½	65¾	68¾
4th quarter	136¾	89¼	119⅝	79½	68	73¾

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15. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1982, 1981 and 1980 (000's omitted except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1982					
Net revenues	$149,350	$172,409	$159,176	$182,645	$663,580
Costs and expenses	112,873	117,240	116,523	127,156	473,792
Operating income	36,477	55,169	42,653	55,489	189,788
Interest expense	(2,626)	(2,363)	(1,269)	(1,724)	(7,982)
Interest and other income	759	848	1,129	775	3,511
Income before income taxes	34,610	53,654	42,513	54,540	185,317
Income taxes	16,600	25,800	20,200	26,400	89,000
Net income	$ 18,010	$ 27,854	$ 22,313	$ 28,140	$ 96,317
Net income per share	$1.37	$2.10	$1.68	$2.10	$7.25
1981					
Net revenues	$122,912	$144,141	$143,579	$163,152	$573,784
Costs and expenses	92,502	98,156	106,405	117,535	414,598
Operating income	30,410	45,985	37,174	45,617	159,186
Interest expense	(993)	(890)	(4,612)	(3,438)	(9,933)
Interest and other income	2,137	1,906	1,102	620	5,765
Income before income taxes	31,554	47,001	33,664	42,799	155,018
Income taxes	15,200	22,700	16,200	20,400	74,500
Net income	$ 16,354	$ 24,301	$ 17,464	$ 22,399	$ 80,518
Net income per share	$1.25	$1.85	$1.32	$1.70	$6.12
1980					
Net revenues	$106,726	$120,502	$113,886	$130,994	$472,108
Costs and expenses	77,236	80,817	84,958	91,722	334,733
Operating income	29,490	39,685	28,928	39,272	137,375
Interest expense	(1,452)	(1,497)	(1,194)	(1,303)	(5,446)
Interest and other income	1,973	1,917	1,244	1,320	6,454
Income before income taxes	30,011	40,105	28,978	39,289	138,383
Income taxes	14,900	19,500	13,900	19,300	67,600
Income before extraordinary gain	15,111	20,605	15,078	19,989	70,783
Extraordinary gain, net of taxes	—	—	2,430	—	2,430
Net income	$ 15,111	$ 20,605	$ 17,508	$ 19,989	$ 73,213
Net income per share					
Income before extraordinary gain	$1.14	$1.57	$1.15	$1.52	$5.38
Extraordinary gain	—	—	.18	—	.18
Net income	$1.14	$1.57	$1.33	$1.52	$5.56

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Report of Certified Public Accountants

ARTHUR YOUNG & COMPANY
277 PARK AVENUE
NEW YORK, NEW YORK 10172

The Board of Directors and Shareholders
Capital Cities Communications, Inc.

We have examined the accompanying consolidated balance sheet of Capital Cities Communications, Inc. at December 31, 1982 and 1981, and the related consolidated statements of income, stockholders' 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 statements mentioned above present fairly the consolidated financial position of Capital Cities Communications, Inc. at December 31, 1982 and 1981, and the consolidated results of operations and changes in 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 during the period.

Arthur Young & Company
Arthur Young & Company

February 28, 1983

Board of Directors

THOMAS S. MURPHY
Chairman of the Board and Chief Executive Officer

DANIEL B. BURKE
President and Chief Operating Officer

GERALD DICKLER
Secretary; Partner, Hall, Dickler, Lawler, Kent & Howley, Attorneys at Law

JOSEPH P. DOUGHERTY
Executive Vice President; President, Broadcasting Division

JOHN B. FAIRCHILD
Executive Vice President; Chairman and Chief Executive Officer, Special Publications Group

WILLIAM S. LASDON
Vice Chairman of the Board and Chairman of the Executive Committee, Warner-Lambert Company

JOHN H. MULLER, JR.
Chairman of the Board and President, General Housewares Corp.

JOHN B. SIAS
Executive Vice President; President, Publishing Division

WILLIAM I. SPENCER
Retired President and Chief Administrative Officer, Citicorp and Citibank

M. CABELL WOODWARD, JR.
Executive Vice President and Chief Financial Officer, International Telephone and Telegraph Corporation

Corporate Officers

THOMAS S. MURPHY
Chairman of the Board and Chief Executive Officer

DANIEL B. BURKE
President and Chief Operating Officer

JOSEPH P. DOUGHERTY
Executive Vice President

JOHN B. FAIRCHILD
Executive Vice President

WILLIAM R. JAMES
Executive Vice President

JOHN B. SIAS
Executive Vice President

RONALD J. DOERFLER
Senior Vice President and Chief Financial Officer

ROBERT W. GELLES
Vice President and Treasurer

ANDREW E. JACKSON
Vice President

GERALD DICKLER
Secretary

ALLAN J. EDELSON
Controller

Transfer Agent and Registrar

Chemical Bank
55 Water Street
New York, New York 10041

Executive Offices

24 East 51st Street
New York, New York 10022
(212) 421-9595

General Counsel

Hall, Dickler, Lawler, Kent & Howley
460 Park Avenue
New York, New York 10022

The Company's Common Stock is listed for trading on the New York Stock Exchange (Symbol: CCB)

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