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

CAPITAL CITIES COMMUNICATIONS INC 10-K

NYS FN C 10 15 00 000

CARD 1 DISCLOSURE INC WASHINGTON D. C. 20016 FOR 12/31/83

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TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
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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
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Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F			F	F	F

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

Capital Cities Communications

1983 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

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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, 1983 | 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 $1,608,000,000 as of February 29, 1984.

The number of shares outstanding of the issuer's common stock as of February 29, 1984: 12,839,654 shares, excluding 2,553,842 treasury shares.

Portions of Part I are incorporated herein by reference to the 1983 Annual Report to Shareholders and a definitive Proxy Statement for the annual meeting of shareholders on May 10, 1984.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1983 Annual Report to Shareholders.

Part III is incorporated herein by reference to a definitive Proxy Statement for the annual meeting of shareholders on May 10, 1984.

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. At December 31, 1983, the Company had approximately 7,890 employees: 1,140 in broadcasting operations, 840 in cable television, 5,880 in publishing and 30 at its corporate offices in New York City.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 35 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 sources of cable television revenues are 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, six standard (AM) radio stations and six frequency modulation (FM) radio stations. Market locations, frequencies, transmitter power and other station details are set forth below:

Television stations owned

Station and location	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, 1985
KTRK-TV Houston, Texas	13	Aug. 1, 1988	ABC	Apr. 2, 1985
WKBW-TV Buffalo, New York	7	June 1, 1984	ABC	July 2, 1986
WTNH-TV New Haven, Connecticut	8	Apr. 1, 1984(2)	ABC	Jan. 1, 1985
WTVD Durham, North Carolina	11	Dec. 1, 1986	CBS	Sept. 11, 1985
KFSN-TV Fresno, California	30	Dec. 1, 1988	CBS	Feb. 28, 1986

Radio stations owned

Station and location	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	Dec. 1, 1990	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, 1990	ABC
WKBW, Buffalo, New York	1520 K	50,000	June 1, 1984	ABC
WPRO, Providence, Rhode Island	630 K	5,000	Apr. 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	ABC
KSCS-FM, Fort Worth, Texas	96.3 M	100	Aug. 1, 1990	None
WPRO-FM, Providence, Rhode Island	92.3 M	39	Apr. 1, 1984	ABC
KZLA-FM, Los Angeles, California	93.9 M	49	Dec. 1, 1990	None
WKHX-FM, Marietta, Georgia (Metropolitan Atlanta)	101.5 M	100	Apr. 1, 1989	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 is described under *Renewal Matters* on page K-5 of this report.

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. 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 "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 are taking effect as the Company files for, and is granted, renewals of the licenses of its stations. 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.

A petition to deny the pending license renewal application of WTNH-TV, New Haven was filed before the FCC in March 1984, on behalf of New Haven Radio Inc. The petition reasserts matters which were raised on behalf of the same party against the station's prior renewal application. The earlier petition was denied, and Company's counsel believes that the present petition should be dismissed or denied on the strength of the earlier 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. On October 29, 1983 the Commission initiated rulemaking looking toward relaxation or abandonment of the "7-7-7 multiple ownership" rule. The Company now owns six AM radio stations, six 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,

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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 Commission, on January 17, 1984, instituted a proceeding looking toward the elimination of this rule. The Company cannot predict the outcome of this proceeding.

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. The United States Court of Appeals for the District of Columbia Circuit upheld the increased royalty fees. As a result of the Copyright Tribunal's actions, the Company has ceased the carriage of some distant signals on some of its cable television systems. The Company is not able to predict the prospects for further litigation on this subject.

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 non-broadcast frequencies to transmit subscription television services to individual homes and businesses. On September 9, 1983, the Commission expanded the number of frequencies available for MDS, allocating two groups of four channels each for the so-called multi-channel MDS. In addition, the Commission authorized licensees in the Instructional Television Fixed Service (ITFS) to lease their excess capacity for commercial use, including subscription television service. The Company has filed applications for authorization to operate multi-channel MDS services in one hundred markets. 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 non-broadcast 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 and recently issued a list of approximately 650 locations for such assignments. 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. The Commission, on August 12, 1983, issued a tentative decision looking toward substantial relaxation of the rules. The Company in its pleading on the subject had opposed some of the changes contained in this tentative decision. On November 16, 1983, the Commission announced it was deferring action on the tentative decision until May 10, 1984 to allow further opportunity for consideration and formulation of various compromise proposals. 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, 1983, served 349,520 basic subscribers with 249,850 premium units. All systems are 100% owned by the Company or its subsidiaries except for 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. 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	Channel Capacity
Arizona					
Clifton	1,820	1,330	2,700	40	20
Cottonwood	1,620	430	2,310	50	12
Globe	4,190	2,090	6,680	100	12
Holbrook	1,380	670	2,230	30	20
Page	1,590	1,280	1,590	20	12
Safford	4,520	1,840	5,220	110	20
Show Low	5,290	1,580	9,040	190	20
Winslow	2,520	1,120	2,700	40	20
California					
Burlingame	4,500	6,080	10,840	80	110
Modesto	31,980	18,370	46,460	470	20
Oakdale	1,950	1,120	3,180	40	12
Santa Rosa	34,150	18,980	36,000	360	54
Illinois					
Highland Park	7,240	15,560	16,700	210	52
Indiana					
Greenwood	5,170	8,050	12,370	180	52
Iowa					
Sioux City	17,300	16,240	30,870	380	35
Kansas					
Abilene	2,530	790	2,990	30	13
Beloit	1,770	700	2,000	20	13
Clay Center	1,990	490	2,090	30	21
Concordia	2,580	770	2,920	30	13
Michigan					
Plymouth	15,760	25,050	35,110	400	52
Saline	2,860	3,720	7,350	120	52
Mississippi					
Clarksdale	6,370	2,520	7,920	70	35
Gulfport	12,770	7,890	17,100	230	40
Missouri					
Brookfield	2,250	630	2,640	40	24
Joplin	8,690	6,380	18,910	220	35
Kirksville	5,150	2,300	7,310	70	24
Trenton	2,630	960	2,980	50	21

Principal Community Served(1)	Number of Basic Subscribers	Number of Premium Units(2)	Estimated Dwelling Units Passed by Cable(3)	Number of Plant Miles	Channel Capacity
Nebraska					
Norfolk	6,950	6,360	11,170	160	35
New Mexico					
Rio Rancho	2,280	2,640	5,760	90	52
Roswell	11,120	5,420	15,930	200	23
North Dakota					
Fargo	12,410	12,710	22,860	210	35
Ohio					
Green Township	8,460	11,140	17,100	300	52
Oklahoma					
Altus	7,950	4,250	8,670	100	13
Ardmore	8,750	4,910	10,270	160	16
Hobart	1,890	580	2,240	30	13
Idabel	2,290	1,140	3,770	50	13
Mangum	1,660	380	1,900	30	13
Miami	4,240	2,450	7,040	90	27
Nowata	690	440	1,800	40	13
Ponca City	11,280	6,090	12,670	170	13
Vinita	1,540	910	2,640	20	21
Tennessee					
Dyersburg	5,020	1,590	6,210	70	13
Texas					
Aransas Pass	3,000	4,180	6,820	140	35
Bonham	2,750	1,000	3,020	40	20
Childress	2,500	610	2,570	40	13
Denison	8,780	3,240	10,290	130	20
Lampasas	2,160	960	2,690	50	20
Lufkin	13,660	6,220	17,720	320	30
Memphis	1,130	340	1,490	20	30
Odessa	22,530	17,880	39,280	380	20
Port Lavaca	3,900	2,110	4,850	70	20
Sherman	10,830	4,520	12,890	150	20
Wellington	1,180	340	1,290	20	12
	349,520	249,950	531,150	6,700	

(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.

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. Additionally, they have 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 broadcast by out of state TV stations that are carried by the cable systems in question. The United States Supreme Court is presently reviewing the validity of the 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 announced 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 35 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, circulation revenue, and paid circulation for the five years ended December 31, 1983 (000's omitted):

	1983	1982	1981	1980	1979	Pro Forma(b) 1983	Pro Forma(b) 1982
Inches of advertising							
Newspapers (a)	20,161	18,302	19,255	16,729	14,899	18,909	18,049
Specialized publications	2,731	2,317	2,252	2,085	1,996	2,375	2,291
Advertising revenue							
Newspapers—ROP	$213,330	$189,833	$177,878	$155,485	$140,277	$206,925	$188,388
Newspapers—inserts	21,609	16,971	15,135	13,189	11,152	20,958	16,907
Specialized publications	135,102	105,227	93,915	79,229	70,636	121,709	102,814
Pennysavers	7,751	5,953	8,152	5,892	—	6,681	5,953
Circulation revenue							
Newspapers	$ 46,914	$ 43,438	$ 39,205	$ 30,179	$ 23,424	$ 45,267	$ 42,941
Specialized publications	20,904	18,738	15,966	13,915	12,644	19,702	18,414
Paid circulation at December 31							
Newspapers (Mon.-Fri.)	976	964	941	967	958	947	931
Newspapers (Sun.)	838	821	766	777	735	808	787
Specialized publications	678	642	626	630	566	574	572

(a) Does not include inserts.
(b) Excludes 1983 and 1982 acquisitions, start-ups and discontinued publications.

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. Following are the publications:

Title	Frequency	Circulation
Fairchild Publications Group		
Newspapers		
Women's Wear Daily	Daily	71,000
Daily News Record	Daily	23,000
American Metal Market	Daily	13,000
HFD—Retailing Home Furnishings	Weekly	32,000
Energy User News	Weekly	16,000
Footwear News	Weekly	22,000
Supermarket News	Weekly	54,000
Electronic News	Weekly	68,000
Metalworking News	Weekly	29,000
MIS Week	Weekly	100,000(1)
Multichannel News	Weekly	13,000
W	Biweekly	210,000
SportStyle	Semimonthly	26,000(1)
Entrée	Monthly	13,000(1)
Magazines		
M	Monthly	55,000
Metal Center News	Monthly	13,000(1)
Home Fashions Textiles	Monthly	14,000(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	57,000(1)
Ob. Gyn. News	Semimonthly	27,000(1)
Pediatric News	Monthly	28,000(1)
Clinical Psychiatry News	Monthly	27,000(1)
Skin & Allergy News	Monthly	34,000(1)
Aches & Pains	Monthly	80,000(1)
Professional Press Group		
Optometric Monthly	Monthly	9,000
Optical Index	Monthly	26,000(1)
International Contact Lens Clinic	Bimonthly	14,000(1)
Journal of Learning Disabilities	Monthly	14,000
American Traveler Group		
The Travel Agent	Twice Weekly	35,000
Interline Reporter	Monthly	14,000
El Travel Agent Internacional	Monthly	8,000(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, 1983 are as follows:

		Daily	Sunday
The Kansas City Times	Morning	286,000	
The Kansas City Star	Evening	240,000	399,000
Fort Worth Star-Telegram	Morning	115,000	278,000
Fort Worth Star-Telegram	Evening	130,000	
The Oakland Press (Pontiac, Mich.)	Evening	72,000	81,000
News-Democrat (Belleville, Ill.)	Morning	41,000	50,000
The Times Leader (Wilkes-Barre, Pa.)	All-day	36,000(1)	
The Daily Register (Red Bank, N.J.)	All-day	29,000	30,000
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 ten states. The weekly newspapers include, with aggregate circulation parenthetically noted, six in Oregon (43,000), thirteen in Connecticut (108,000), two in Illinois (26,000), two in Rhode Island (19,000), *The Arlington Citizen-Journal*, in Arlington, Texas (43,000) and the *Ocean County Reporter*, Ocean County, New Jersey (83,000). The pennysavers include, five in Orange, Riverside and San Diego counties, California (1,000,000), Sacramento and Stockton, California (300,000), Wichita and Topeka, Kansas and Springfield, Missouri (314,000) and Seattle-Tacoma, Washington (200,000).

In addition, the Company publishes, in Oregon, two philatelic magazines with a combined circulation of 26,000.

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), the *Shore Line* (Connecticut) newspapers and all the pennysaver operations 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	9	23%
Fort Worth Star-Telegram	5	34%
The Oakland Press	4	42%
News-Democrat	4	83%
The Times Leader	6	31%
Shore Line Newspapers	2	90%
Democrat-Herald Group	5	33%
The Daily Register	4	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, with the exception of the *Ocean County Reporter*, 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 1994. All broadcast studios and offices are owned except radio stations in Detroit, Atlanta-Marietta, and Buffalo, 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 change in distribution from the use of independent contract carriers to a reliance on delivery agents.

Following further hearings, the Court found that the proposed terminations would violate Section 2 of the Sherman Act. A permanent injunction was issued. The District Court also awarded plaintiffs counsel fees and disbursements in the sum of approximately $2,900,000. The Star appealed to the United States Court of Appeals for the Eighth Circuit which by a 2 to 1 decision affirmed the District Court's granting of the injunction. However, it reduced counsel fees and disbursements to $1,300,000. 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. On February 6, 1984, the Full Bench of the United States Court of Appeals for the Eighth Circuit reversed the 3 Judge Panel of that Court, dismissed the action in its entirety, vacated the award of counsel fees and dissolved the injunction. It is expected that the plaintiffs will seek a writ of certiorari to the United States Supreme Court in the hope the Supreme Court will review the case.

On or about April 23, 1979, an action was commenced against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, by William G. Strub, et al., 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. Counsel for the Company will move to dismiss this case on the basis of the decision in the Paschall case.

On or about May 25, 1979, an action was commenced against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, by Paul Dean Feegans 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 and the Company. Counsel for the Company will move to dismiss this case on the basis of the decision in the Paschall case.

An action was commenced against the Star in the United States District Court for the Western District of Missouri, by Brennan, et al. 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. Counsel for the Company will move to dismiss this case on the basis of the decision in the Paschall case.

An action was commenced against the Star in the United States District Court for the Western District of Missouri, by John J. Mixer, alleging a cause of action 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. Counsel for the Company will move to dismiss this case on the basis of the decision in the Paschall case.

A previous action had been commenced in the United States District Court for the Western District of Missouri, Western Division, against the Star on or about March 1, 1979, 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. The Paschall decision has no direct effect on this action.

On or about June 14, 1983, actions were commenced against the Star in the United States District Court for the Western District of Missouri, Western Division, by the Aaron plaintiffs (consisting of 147 named carrier plaintiffs or their representatives), the Baldwin plaintiffs (consisting of 25 named carrier plaintiffs or their representatives) and the Fowler plaintiffs (consisting of 3 named carrier plaintiffs or their representatives). The three actions seek permanent injunctive relief prohibiting the Star from selling its newspapers to each of the plaintiffs based upon the type of customers to whom plaintiffs sell at retail. The actions seek an order requiring the Star to sell its newspapers to plaintiffs on a balanced draw or individual copy basis. The actions are founded upon alleged violations of the Sherman and Clayton Antitrust Acts. The plaintiffs seek treble damages in an unspecified amount, in addition to counsel fees, costs and expenses. Answers were interposed in all three actions denying the allegations of the complaints. The Paschall decision has no direct effect on these actions.

On or about September 20, 1978, an action was commenced against the Star and the Company in the Circuit Court of Jackson County, Missouri by Robert S. Miskimen on behalf of himself and approximately 267 other parties plaintiff. 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, 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' motion for a new trial, or in the alternative, to vacate and modify the judgment entered against them, has been denied. These plaintiffs have appealed. Argument on the appeal was held on January 18, 1984 before the Missouri Court of Appeals, Western District.

There are 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 these actions may be dismissed upon the legal determination in Miskimen.

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	58	1957	1958	Chairman of the Board of Directors and Chief Executive Officer
Daniel B. Burke	55	1967	1962	President, Director and Chief Operating Officer
Joseph P. Dougherty	59	1967	1959	Executive Vice President, President of Broadcasting Division and Director
John B. Fairchild	57	1968	1968	Executive Vice President, Chairman and Chief Executive Officer of Specialized Publications Group and Director
William R. James	50		1969	Executive Vice President and President of Cable Television Division
John B. Sias	57	1977	1975	Executive Vice President, President of Publishing Division and Director
Ronald J. Doerfler	42		1977	Senior Vice President and Chief Financial Officer
Robert W. Geiles	60		1963	Vice President and Treasurer
Andrew E. Jackson	49		1971	Vice President
Gerald Dickler	71	1954	1954	Secretary and Director
Allan J. Edelson	41		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 & Friedman, 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 38 of the 1983 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 24 and 25 of the 1983 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 18 through 23 of the 1983 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 26 through 39 of the 1983 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 10, 1984. Information concerning the executive officers is included in Part I, on page K-17.

Item 11. *Executive Compensation.*

Incorporated herein by reference to pages 3 through 6 of the Company's definitive proxy statement for the annual meeting of shareholders on May 10, 1984.

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 10, 1984.

Item 13. *Certain Relationships and Related Transactions.*

(a) The information called for is not applicable.

(b) Incorporated herein by reference to pages 3 and 4 of the Company's definitive proxy statement for the annual meeting of shareholders on May 10, 1984.

PART IV

Item 14. *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 1983.

CAPITAL CITIES COMMUNICATIONS, INC.

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

(Item 14(a)1.)

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, 1983, are hereby incorporated by reference. With the exception of the items referred to in Items 1, 5, 6 and 7, the 1983 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, 1983 of our report dated March 1, 1984 included in the 1983 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 March 1, 1984 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, Form S-8 No. 2-59014 for the registration of 287,195 shares and Form S-8 No. 2-86863 for the registration of 300,000 shares of its common stock and in the related Prospectuses of our above report.

Arthur Young & Company

ARTHUR YOUNG & COMPANY

New York, New York
March 23, 1984

CAPITAL CITIES COMMUNICATIONS, INC.

INDEX TO EXHIBITS (Item 14(a)2.)

(13) The Company's 1983 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.) (page 23-6

(22) Subsidiaries of the Company. (page 23)

(28) Undertakings. (page 24-26)

SCHEDULE V— PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)

	Balance at beginning of period	Additions at cost: Operating companies acquired	Additions at cost: Other	Retire-ments or sales	Other changes—reclassifi-cation (a)	Balance at close of period
Year ended December 31, 1983:						
Land and improvements	$ 20,609	291	$ 570	$ (162)	$ (119)	$ 21,189
Buildings and improvements	63,848	552	5,625	(549)	(262)	69,214
Broadcasting equipment	53,370		8,907	(2,094)		60,183
Printing machinery and equipment	68,287	1,840	6,606	(1,419)	(2,580)	72,734
Cable television distribution systems and equipment	90,568	1,945	33,745	(89)		126,169
Other, including construction-in-progress	40,993	122	(7,858)	(1,030)	(91)	32,136
	$337,675	$ 4,750	$47,595	$(5,343)	$(3,052)	$381,625
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

(a) Represents in 1983, 1982, and 1981, final adjustments to the purchase price allocation of the 1982 acquisition of the Red Bank Register, the 1981 acquisition of Cablecom-General, Inc., and the 1980 acquisition of the Democrat-Herald Publishing Company, respectively.

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 to 12 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—reclassifi-cation (a)	Balance at close of period
Year ended December 31, 1983:					
Land improvements	$ 612	$ 109	$ (2)		$ 719
Buildings and improvements	22,428	2,654	(493)		24,589
Broadcasting equipment	29,680	5,041	(1,728)		32,993
Printing machinery and equipment	42,363	6,708	(1,052)		48,019
Cable television distribution systems and equipment	7,585	10,824	359		18,768
Other	9,061	2,763	(553)		11,271
	$111,729	$28,099	$(3,469)		$136,359
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	([illegible])		2,801
Other	6,537	1,851	([illegible])	(35)	7,745
	$ 85,492	$16,124	$(4,480)	$ (352)	$ 96,784

(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, 1983	$4,919	$5,927	$(4,923)	$5,923
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

(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, Secretary

March 14, 1984

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) — March 14, 1984

Principal Financial Officer:

(Ronald J. Doerfler) — March 14, 1984

Controller:

(Allen J. Edelson) — March 14, 1984

Directors:

(Daniel B. Burke) — March 14, 1984

(Gerald Dickler) — March 14, 1984

(Joseph P. Dougherty) — March 14, 1984

(John B. Fairchild) — March 14, 1984

(William S. Lasdon) — March 14, 1984

(Thomas S. Murphy) — March 14, 1984

(Joseph Muller, Jr.) — March 14, 1984

(John B. Sias) — March 14, 1984

(William I. Spencer) — March 14, 1984

(M. Cabell Woodward, Jr.) — March 14, 1984

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, 1983 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%

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. 2-58945

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.

(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. 2-59014

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.

EXHIBIT 28

To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-86863

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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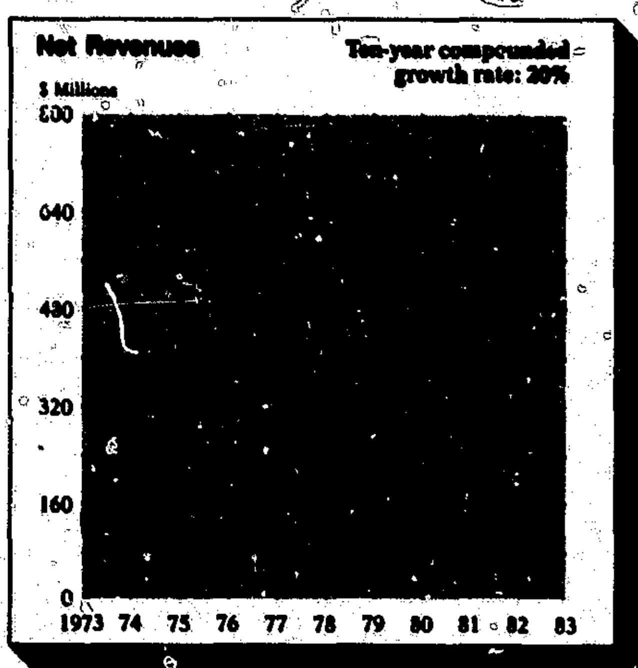
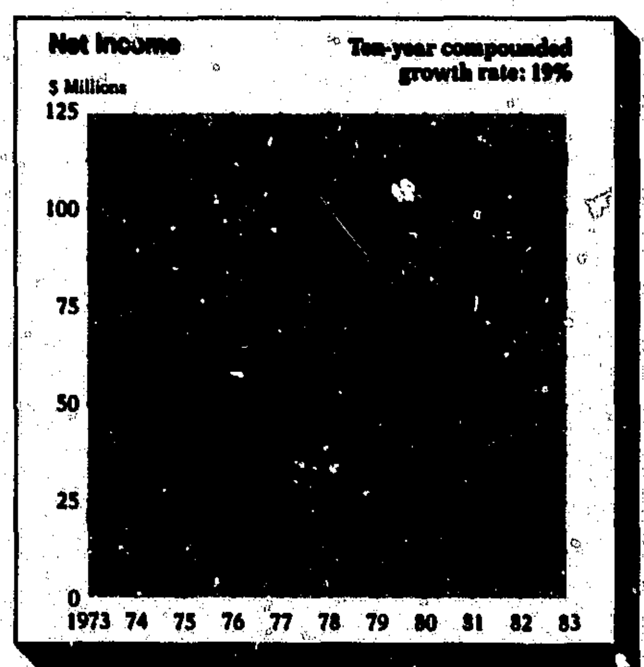
(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange 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.

Operating Highlights

	1983	1982
Net revenues	$762,295,000	$663,580,000
Operating income	$220,364,000	$189,788,000
Net income	$114,704,000	$ 96,317,000
Net income per share	$8.53	$7.25
Return on equity	19.6%	19.5%

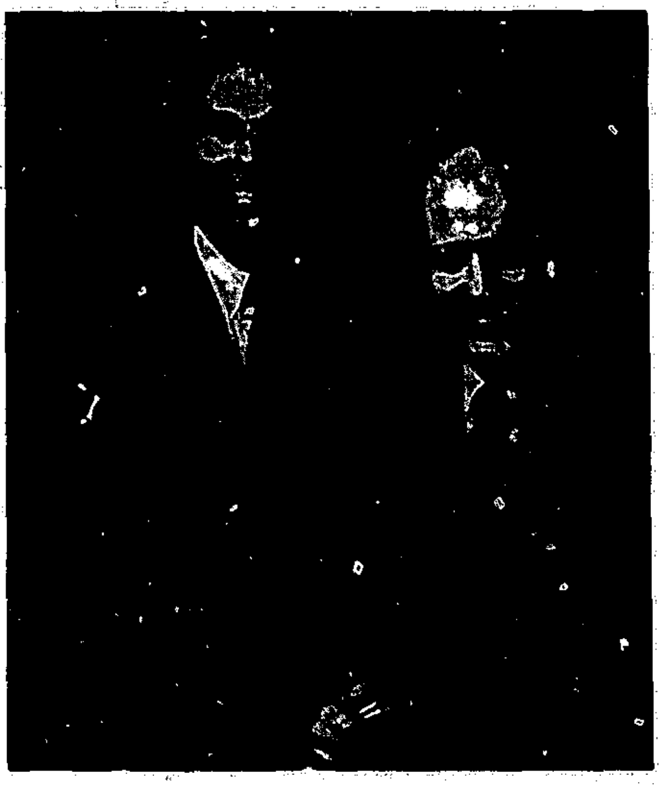




To Our Shareholders

We are pleased to report that Capital Cities Communications, Inc., achieved its twenty-ninth consecutive year of record financial performance in 1983. Two significant milestones were passed during the year: (1) Net revenues went over the three-quarter-billion-dollar mark; (2) Net income exceeded one hundred million dollars for the first time. Highlights were as follows (dollars in millions except net income per share):

	1983	1982	Percentage increase
Net revenues	$762.3	$663.6	15%
Operating expenses	$541.9	$473.8	14%
Operating income	$220.4	$189.8	16%
Net income	$114.7	$ 96.3	19%
Net income per share	$ 8.53	$ 7.25	18%



Right: Thomas S. Murphy, *Chairman & Chief Executive Officer*
Left: Daniel B. Burke, *President & Chief Operating Officer*

Our 1983 plan anticipated satisfactory business conditions and revenue growth for each of our major business categories. Our greatest concerns involved budgeted cost levels which were almost uniformly higher than the expected rates of inflation and/or revenue gains. While our plan was not based on dramatic improvement in the national economy, we were hopeful that the moderate recovery which was developing in late 1982 would continue and strengthen through the year. Happily, this turned out to be the case, and our 1983 overall results were favorably affected. Nonetheless, the year produced sharper departures from plan—both up and down—than we have experienced since Capital Cities was a much smaller company.

Broadcasting Division revenues and income from operations, while ahead of last year, were under plan. On the other hand, the Publishing Division was surprisingly strong at virtually all locations. Recovery from depressed levels of activity in the classified and local retail categories drove advertising volumes ahead faster than had been anticipated, and the relative softness of newsprint prices for the first nine months of the year moderated cost increases. This combination sent earnings up well ahead of plan throughout the Publishing Division and lifted its percentage of the Company's total operating earnings from 40 percent in 1982 to 45 percent for 1983. Capital Cities made its first publishing investment in 1968; and as recently as 1973, the Publishing Division accounted for only 21 percent of corporate profits. This growth has come from three areas: (1) acquisitions—both large and small; (2) important improvements in continuing operations; and (3) publications conceived and introduced successfully by the organization during the past twelve years.

The Cable Television Division also experienced a satisfactory year. The new four-region organizational structure functioned well, major rebuilds and expansions of several systems progressed on schedule, and planned growth was achieved in total basic subscribers and premium and tier units. Because we limited our proposals for new franchises to areas close to our existing operations, we are not involved in the discussions now taking place in large urban areas between certain cable system operators and city officials. In order to anticipate reasonable financial returns, some franchise holders wish to reduce their commitments and/or increase subscriber rates, but city officials naturally prefer not to consider any changes in franchise agreements.

There were substantial changes in the Company's balance sheet in 1983. The year began with debt of $48,400,000, and cash and short-term investments of $40,500,000. By midyear, debt had been reduced to $21,500,000 and cash was almost unchanged at $38,500,000.

In June 1983, we decided to take advantage of prevailing market conditions and the Company's strong credit ratings by selling $200,000,000 of thirty-year subordinated debentures. This first sale of public debt by Capital Cities took place on June 27, 1983, at an interest rate priced to yield 11.81 percent. The debentures, even though subordinated to potentially large amounts of future debt, were rated Aa3 by Moody's and AA– by Standard & Poor's.

No specific use for the funds raised had been identified at the time the bonds were sold, but we feel that the flexibility afforded the Company is well worth the cost differential (approximately $2,500,000 aftertax, or $.20 per share, on an annual basis) between interest expense and interest earned.

As 1983 ended, therefore, the Company's balance sheet looked very different than it ever had before. Debt due in one year or less was down to $14,100,000, and long-term debt stood at $206,900,000. Cash and cash equivalents, however, had risen to $271,900,000—and this was after $113,200,000 had been reinvested during the year as follows: $47,600,000 for capital expenditures; $43,600,000 for repurchase of the Company's common stock; and $22,000,000 for acquisitions.

We are determined to make all expenditures necessary to keep plant and equipment in first-rate working condition and to fund the purchases required to keep news-gathering, program and production facilities up to very modern standards. We believe that the earnings of the many outstanding consumer franchises which make up Capital Cities can only be enhanced if the organization has state-of-the-art equipment available with which to compete vigorously.

As the operating outlook and earnings continued to be very satisfactory throughout the second half of 1983, additional common stock was repurchased in the public market pursuant to an existing authorization of the Board of Directors. In December, additional purchases up to a maximum of 300,000 shares were authorized. Since stock was first repurchased in 1976, 3,546,000 shares have been bought through the end of February 1984 at a total cost of $183,665,000 and an average price of $52.

Acquisition spending in 1983 was once again less than we had hoped. While no specified amount or percentage of available cash flow has been developed as an annual target for investment in acquisitions, we feel that the activity rate since Cablecom-General was acquired for $139,200,000 in July 1981 has been less than ideal. Over the years, we have experienced other periods when the opportunities available to us did not justify their market prices and have found that by staying flexible financially, active in the search, and readily available to potential sellers, we can be properly positioned when the tide eventually turns—as it will. Despite the crowded market, a total of $22,000,000 was invested during 1983 in acquisitions, which are discussed in the Publishing Division and Cable Television Division sections of this report.

On March 1, 1984, the Company acquired all of the common stock of Sutton Industries, Inc., Mission Viejo, California, from its founder, Herbert W. Sutton. Sutton Industries is principally engaged in the publication and distribution of direct-mail pennysaver shopping guides which carry retail and classified advertising and inserts. The *Pennysaver* is distributed weekly in 117 zoned editions to 1,000,000 households in Orange, Riverside and San Diego counties in southern California and to approximately 300,000 households in the Sacramento and Stockton areas in northern California.

We are very pleased with this acquisition for several reasons. First, Sutton Industries is already large enough to materially contribute to Publishing Division results. Second, Sutton's geographical areas of operation are growing very rapidly and are expected to continue to do so. Finally, Sutton Industries is very well organized and managed, and it is operating in a business

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with which our organization has become familiar through the operation of the pennysavers the Company acquired in 1980. We are hopeful that more can be learned from study of the investment procedures and business practices which have contributed to the success of Sutton Industries, and that these lessons and the many fine new associates who have joined Capital Cities will offer attractive expansion possibilities.

We are very aware of our continuing obligation both to protect the future of Capital Cities from technological developments or other changes in media delivery patterns which could diminish the importance and profitability of our current businesses and also to evaluate new technologies to determine whether they would be desirable businesses for Capital Cities to enter.

We believe that fine opportunities exist for Capital Cities in electronic database publishing. This term is used to describe the accumulation, sale and transmission (usually via telephone lines from a central computer to video display terminals at user locations) of data which the end user wants and is willing to pay for.

During 1983, the Company acquired Securities Data Company, Inc., which markets financial information from electronic databases to the investment community. In addition, two developmental commitments were made in 1983 and early 1984:

- Capital Cities is providing most of the funding for a company which has created an electronic database which will aid hospitals and other providers of health care in purchasing all forms of medical devices and supplies. Users would support this service by payment of connect charges.
- We plan to fund a company which is creating a database of electronic components, complete with technical specifications, prices and delivery schedules, for use by designers of any product that requires such electronic components. In this case, suppliers will pay for advertising and listings just as they have for many years in the paper catalogs which have heretofore been in general use in that industry.

Capital Cities' pretax investment in these two ventures is likely to exceed $7,000,000 by the time reliable judgments about their potential can be made. Should one or both prove viable, the returns to Capital Cities could develop quite quickly and might be substantial. As is our practice, spending for these investments and all other start-ups is expensed as incurred.

During 1983, we investigated several opportunities to enter the cellular radio (mobile telephone) business. For many years, the availability of mobile telephones has been severely limited by technology. Now, through the use of computer-controlled switches and multiple, instead of a single location, transmitter sites (called cells), radio transmission can be used to provide mobile local telephone service, with access to land lines and all other traditional telephone distribution services.

This technology provides service of very high quality and reliability, and there is evidence of substantial pent-up demand. While the capital cost of building fixed facilities in major markets is high, there are many indications that usage levels and pricing potential will be adequate to provide attractive returns on the required investments. Accordingly, we intend to continue to search for opportunities in this category.

Another technology which we have been evaluating is direct broadcast satellite-to-home telecasting, which is commonly referred to as DBS. Television signals of limited power are beamed to earth from stationary orbiting satellites and are received in the home via small rooftop dishes and converters.

The technology necessary for this approach has been available for some time and is expected to improve in terms of efficiency, cost and the number of signals available for transmission and reception. Direct broadcast satellite service, however, would be far more limited than modern cable systems in terms of number of signals provided, would present difficult customer service problems, and would appear to have a very substantial potential for theft of pay signals. After considerable investigation and analysis, Capital Cities has no plans at the present time to participate in any of the several major ventures which have been announced.

Comments have now been received by the Federal Communications Commission on the staff report, published in December 1982, which recommended sweeping relaxation of the current limits of station ownership by any one company or individual to fourteen radio stations (seven AM and seven FM) and seven television stations, only five of which may be VHF. While most observers continue to believe that some significant change from the present status is likely, few are willing to conjecture as to timing. It is still our judgment that the rule is both arbitrary and outdated, and in our comments to the FCC, we have advocated liberalization, and eventual elimination, of the limits. If and when a change is finalized, we would confirm our continuing confidence in the future of the commercial broadcasting business, both radio and television, by actively pursuing properties.

When Capital Cities was started in 1954, it was a minor factor in the radio and television station business. Over twenty-nine years, the Company's growth has been accomplished almost entirely in the same business or in related categories. As managers and shareholders, we are privileged to have had the opportunity to be involved in businesses where the potential for growth, profitability and public service are so substantial. The appeal of these businesses, combined with a highly decentralized organizational style, has attracted a great many able and energetic people to Capital Cities, and the Company's growth has provided opportunities and encouragement for the majority of them to build satisfying long-term careers here. We are, of course, very proud of the record these talented people have achieved, and we thank them all for their loyalty and their friendship.

At the same time, we wish to once again express our gratitude to our shareholders for their continuing interest and support. The year 1984 is off to a good start, and we are confident that the Company has the organization, resources and determination necessary to anticipate an extended future of great promise. We join the rest of the more than 8,000 employees of Capital Cities in a pledge to you of our best efforts to fulfill these fine opportunities.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

Daniel B. Burke

DANIEL B. BURKE
President

Broadcasting Division

Joseph P. Dougherty, *President, Broadcasting Division*

In 1983, our broadcasting operations achieved moderately good results in a year when revenue gains were less than expected. Operating income for the Broadcasting Division reached $122,600,000, a 6 percent increase over 1982, while revenue increased 7 percent to $235,800,000, with television and radio operations reporting comparable gains. Our television stations serving the Durham-Raleigh and Fresno markets achieved outstanding revenue growth, as did our radio stations in the Atlanta, New York and Providence markets.

Costs at most of our stations were up by more than the rate of inflation, but increases were kept under our original plan, partially compensating for the shortfall of overall Division revenues.

Television

Four of our six television stations maintained their dominant rankings in 1983. With the benefit of network affiliations (four ABC, two CBS) and strong local programming efforts, KTRK-TV, WPVI-TV, WKBW-TV and KFSN-TV ranked number one in their markets and WTNH-TV and WTVD ranked second, based on November sign-on to sign-off ratings.

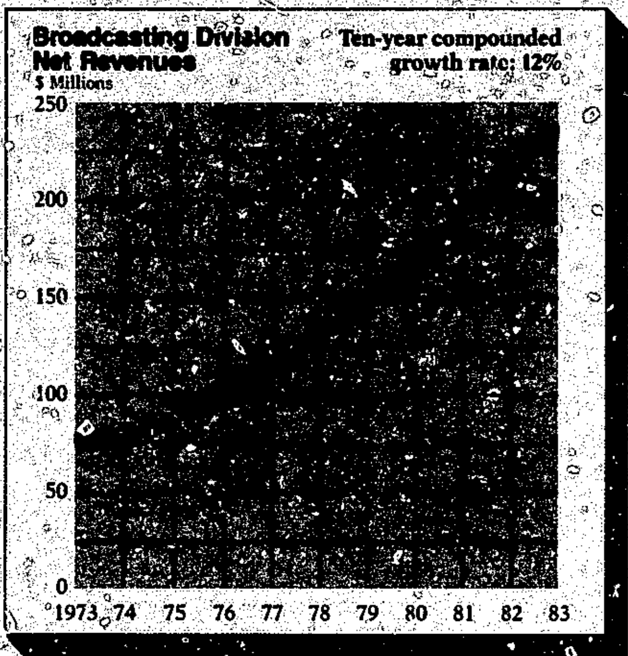
During 1983, our television national spot revenue showed a significantly smaller annual percentage increase than in the previous year. Factors which influenced 1983 national spot revenue were:

- A much lower rate of inflation.
- Economic and competitive conditions in individual markets.
- Network expansion of prime-time commercial inventory, which diverted national advertising revenue to the networks away from television spot.
- Increased use of barter spots in syndicated programs, which also served to reduce station national spot revenues.

National revenue should recover in 1984 based on an improved economy and special events, such as the Winter and Summer Olympics, which our four ABC-affiliated television stations will carry. Local revenue was also soft during most of 1983 but improved markedly in the fourth quarter, primarily as a result of increased usage by retail advertisers. We expect this strength to continue in 1984. Past experience indicates that both local and national revenue should be favorably influenced by the 1984 political elections.

The television industry continues to change and become more competitive. In most markets there are now independent stations which have developed significant audiences by counter-programming against network-affiliated stations, and once adequate ratings have been achieved, vigorous sales efforts follow. The number of independent stations in the United States has grown from 83 in 1978 to 179 in 1983. In our markets, there were 10 independents in 1978 and 14 in 1983.

The growth of cable television has also increased the competition for audience and



advertising dollars, and is summarized in our markets in the following table:

Market	% TV households with cable television 1983	1982	1978
Philadelphia	41	36	19
Houston	40	33	7
Buffalo	55	55	24
New Haven-Hartford	57	52	23
Durham-Raleigh	41	38	17
Fresno	30	29	7
Continental United States	41	35	18

Source: Nielsen

Some national and local advertisers are now willing to experiment with cable television advertising. It is estimated that $325,000,000, or 2 percent of all television advertising, was placed on cable television in 1983.

Our television station revenues and commercial inventory may be affected unfavorably short-term by the recent pressure from some advertisers to allow two separate commercials within each 30-second spot and/or to create 15-second commercial units.

It is impossible to quantify the impact of all of these competitive forces, but it is clear that our television stations must continue to be aggressive in local programming, promotion, and community involvement in order to maintain and advance their shares of both audience and advertising revenue. In this regard, our commitment to the development of superior local news and public affairs programs continued in 1983. News expenses increased by 12 percent during the year in support of these efforts. As indicated by the November ratings below, most of our stations' local news programs continue to be dominant in their respective markets:

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

Source: Nielsen, November 1983

Several major improvements in our broadcast facilities were completed during 1983. Equipment has now been installed at all of our stations which enables them to receive news, information and entertainment programming directly from satellites. WTNH-TV began broadcasting from its new 39,000-square-foot building in downtown New Haven in May 1983.

Radio

During 1983, our radio stations produced record levels of revenue and operating income. Costs rose 6 percent over 1982, the second consecutive year with only a single-digit increase.

AM radio declined to 34 percent of total radio listening nationally during 1983. Revenue growth at several of our AM stations continued to slow, reflecting this trend, but fortunately, most of our FM stations again had healthy sales increases.

Audience fragmentation has continued in all our markets as a result of more specialized radio programming, but our stations have maintained strong audience positions in most cases, as follows:

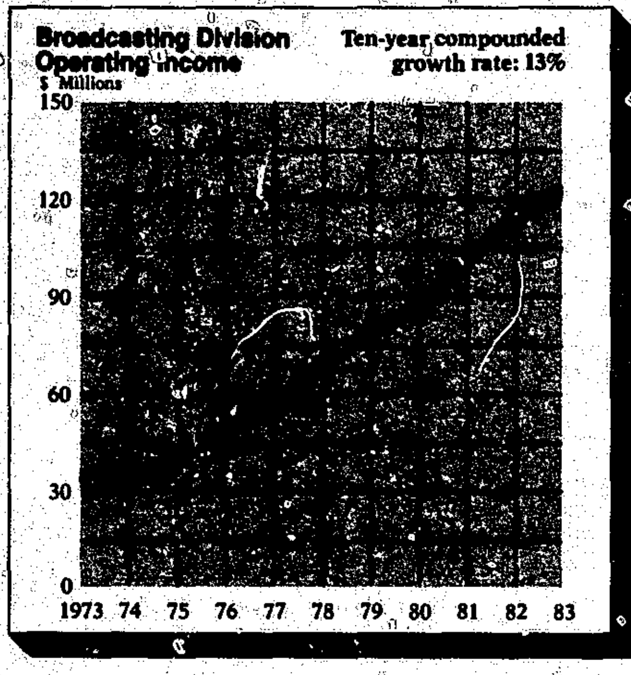
Station and market	No. of stations in market	Audience Fall 1983 Share	Fall 1983 Rank	Fall 1982 Share	Fall 1982 Rank
WPAT-AM/FM(a) (New York)	46	4.6	4	6.1	1
KZLA-AM/FM(a) (Los Angeles)	42	2.2	17	2.4	15
WJR-AM	27	9.6	1	9.3	1
WHYT-FM (Detroit)		3.8	11	4.9	7
WBAP-AM	31	5.4	7	4.8	9
KSCS-FM (Fort Worth-Dallas)		6.0	3(b)	8.3	1
WKHX-FM (Atlanta)	25	9.2	3	9.4	3
WKBW-AM (Buffalo)	20	5.1	10	5.2	8
WPRO-AM	24	6.2	4	7.0	4
WPRO-FM (Providence)		9.3	2	9.4	2

(a) Combined audience shares (b) Tied
Source: Fall 1983 and Fall 1982 ARB, 6 AM-Midnight, Monday-Sunday, total persons 12+

WKHX-FM, our most recent radio acquisition, continued to enhance its market position in 1983. It had the largest gains in revenue and operating income of all our radio stations and again ranked first in the audience segment which is its primary target (adults 25-54).

On December 2, 1983, WROW-AM and WROW-FM, in Albany, New York, were sold. WROW-AM was the first radio station our Company purchased in 1954 and helped to provide the foundation upon which Capital Cities was built. Also in December, Robert M. Peebles, long-time and very able Vice President and General Manager of WROW, retired.

The sale of WROW-AM/FM leaves us with six AM and six FM stations. Since current regulations of the Federal Communications Commission allow us to own a maximum of seven AM and seven FM stations, we are now positioned to acquire two new stations, as well as to continue our efforts to upgrade the size and potential of our radio properties.



Public Affairs

In 1983, our television and radio stations continued to respond to the needs of their communities with local news and public affairs programming. For example, KTRK-TV broadcast sixty hours of around-the-clock coverage, including hourly live reports in Spanish, when Hurricane Alicia devastated Houston in late August.

The Company also continued its national programming commitment, presenting two documentaries in our series of *Capital Cities Special Reports*, as well as another season of *Capital Cities Family Specials*. Our programs were all closed-captioned for the hearing-impaired and were accompanied by public service announcements, based on the theme of the show, in behalf of a national agency whose work concerns that problem.

Each of our programs telecast in 1983 was carried by stations with the aggregate potential to reach at least 90 percent of the television homes in the United States, and we estimate that in excess of 80 million people saw our programs during the year. Four of our shows placed on the list of twenty top-rated syndicated specials, and five national awards were received. We are very pleased that *The Juggler of Notre Dame*, which was first aired in December 1982 and repeated in December 1983, received a national Emmy award for outstanding achievement in religious programming.

Regrettably, the business climate changed somewhat in 198[illegible], negatively affecting our advertiser support. Competition for the advertiser's dollar in the barter syndication market, where we operate, intensified substantially. This development, coupled with a lackluster selling season generally in television, enlarged the net operating loss for these projects beyond that of previous years. While financial results have never been the only criterion by which we have judged this effort, we have taken pride in achieving consistent advertising support for these programs and are disappointed with this outcome. We intend to continue our commitment to public affairs and family programming at budget levels sufficient to guarantee the highest in production values and are making plans to respond aggressively to the changing selling conditions.

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, *President & General Manager*
KTRK-TV (Houston, TX) • CHANNEL 13 • ABC
Kenneth M. Johnson, *President & General Manager*
WKBW-TV (Buffalo, NY) • CHANNEL 7 • ABC
Philip R. Beuth, *President & General Manager*
WTNH-TV (New Haven-Hartford, CT) • CHANNEL 8 • ABC
Peter K. Orne, *President & General Manager*
WTVD (Durham-Raleigh, NC) • CHANNEL 11 • CBS
Paul L. Bures, Jr., *President & General Manager*
KFSN-TV (Fresno, CA) • CHANNEL 30 • CBS
Marc Edwards, *President & General Manager*

RADIO

WPAT-AM/FM (Paterson, NJ-Metropolitan NYC) • 930/93.1
Frederick D. Weinhaus, *President & General Manager*
KZLA-AM/FM (Los Angeles, CA) • 1540/93.9
Verners J. Ore, *President & General Manager*
WJR-AM/WHYT-FM (Detroit, MI) • 760/96.3 • NBC/ABC
Ronald R. Pancratz, *President & General Manager*
WBAP-AM/KSCS-FM (Fort Worth-Dallas, TX) • 820/96.3 • ABC
Warren Potash, *President & General Manager*
WKHX-FM (Marietta-Atlanta, GA) • 101.5
Norman S. Schrutt, *President & General Manager*
WKBW-AM (Buffalo, NY) • 1520 • ABC
Frank R. Woodbeck, *President & General Manager*
WPRO-AM/FM (Providence, RI) • 630/92.3 • ABC
Aaron M. Daniels, *President & General Manager*

CAPITAL CITIES TELEVISION PRODUCTIONS

Charles Keller, *General Manager*

Publishing Division

Strong sales, lower average newsprint and magazine paper prices, and the reduced rate of inflation set the stage for the Publishing Division's record financial performance in 1983. Revenues of $459,500,000 and operating profit of $104,000,000 were increases over 1982 of 18 percent and 32 percent, respectively. This profit growth and the record operating margin of 22.6 percent (up from 20.3 percent in 1982) will be difficult to repeat in the near future.

Several attractive acquisitions were completed during the year:

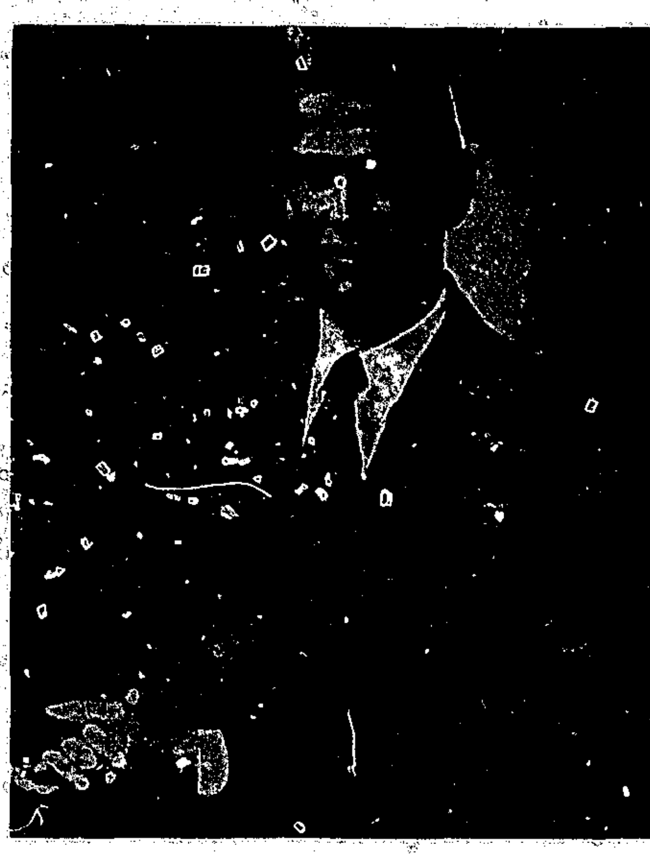
- As mentioned in the 1982 Annual Report, American Traveler and the *Ocean County Reporter* (New Jersey) were acquired in January 1983.
- In August 1983, we purchased the *Little Nickel Want Ads* publications, located in Lynnwood, Washington. Total distribution in suburban Seattle and Tacoma exceeds 200,000 a week in six editions, and further expansion into additional communities is now under way.
- Securities Data Company, Inc., an on-line electronic database providing financial information to the investment banking community, was acquired in August 1983. The financial database operations of Abrahamsen & Company were purchased in early 1984 and merged with Securities Data.

In January 1984, the Company purchased Wilson Publishing, of Narragansett, Rhode Island, which publishes two paid weekly newspapers—*The Narragansett Times* and *The Standard-Times*, of North Kingstown—both in Rhode Island. These weekly publications, with combined circulation of 19,000, will continue to serve their communities as independent editorial voices and will be operated by Shore Line Newspapers.

On March 1, 1984, we acquired Sutton Industries, Inc., which publishes and distributes direct-mail pennysaver shopping guides in California.

Specialized Publications Group

Revenues for the Specialized Publications Group reached record levels, and operating earnings increased very satisfactorily over 1982.



John B. Sias, *President, Publishing Division*

Paid circulation advanced by over 5 percent, with *W* attaining most of the increase.

Favorable market conditions helped *W, Women's Wear Daily, HFD, Daily News Record, Footwear News, Supermarket News, Electronic News*, and the International Medical News Group achieve record revenues and profits.

The metals publishing group—*American Metal Market, Metalworking News, Metal Center News* and *Heat Treating*—suffered revenue declines in 1983 as a result of depressed markets, but all remained profitable and present bookings point to better results in 1984.

The Travel Agent contributed impressive revenues and profits for the year and was honored with two American Business Press Neal Editorial Awards for excellence. The Professional Press Group achieved substantial gains in revenues and operating income compared with 1982.

Publications started since 1976 contributed overall to the improvement in earnings of the

36

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

Group in 1983. Increases in revenues and earnings were achieved by *Energy User News*, *SportStyle* (Business Edition), *Home Fashions Textiles*, *Electronics Retailing*, *MIS Week*, and *Multichannel News*. *Entrée* and *Aches & Pains* were marginally unprofitable in 1983.

Investment spending in start-ups by the Specialized Publications Group more than doubled in 1983 to $3,800,000, from $1,800,000 in 1982. Most of the 1983 investment was spent introducing a monthly consumer-oriented edition of *SportStyle*. Unfortunately, the magazine did not attract a sufficient number of readers, and the decision was made to suspend publication with the December 1983 issue.

In December 1983, *HFD*, the weekly home furnishings newspaper, switched entirely to coated stock, and early reactions to the change have been positive. *Daily News Record* also began publishing a coated stock monthly magazine supplement in October, aimed at the market formerly served by *Men's Wear* magazine, which ceased publication in August.

In October, the *W/Women's Wear Daily* group at Fairchild Publications launched an upscale life-style magazine, called *M*, aimed at affluent male readers. The publication has attracted considerable advertising, and its early circulation and sales results are encouraging.

Acquisitions and start-ups since Fairchild Publications joined Capital Cities in 1968 now account for almost half of the Specialized Publications Group's total revenues and about one-quarter of its earnings.

A Fairchild video department became fully operative in 1983 and completed a small first venture with the Steel Service Center Institute. Other opportunities to provide video products for specialized audiences are being explored.

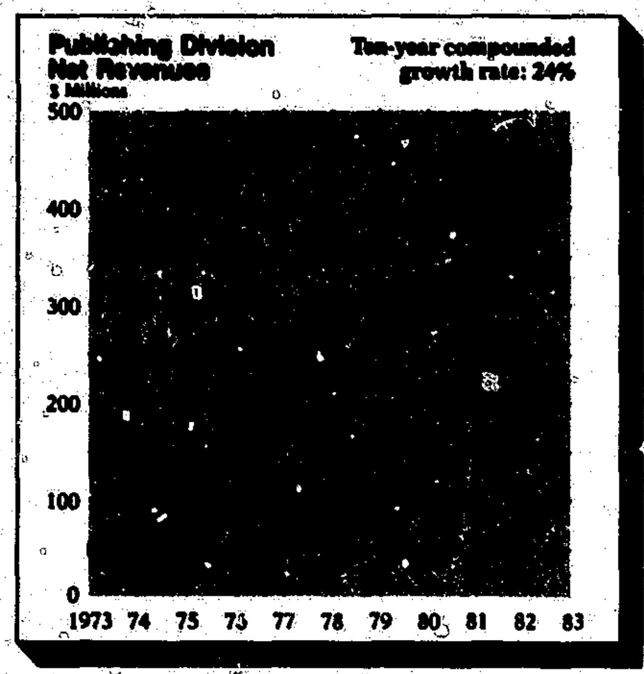
Newspapers

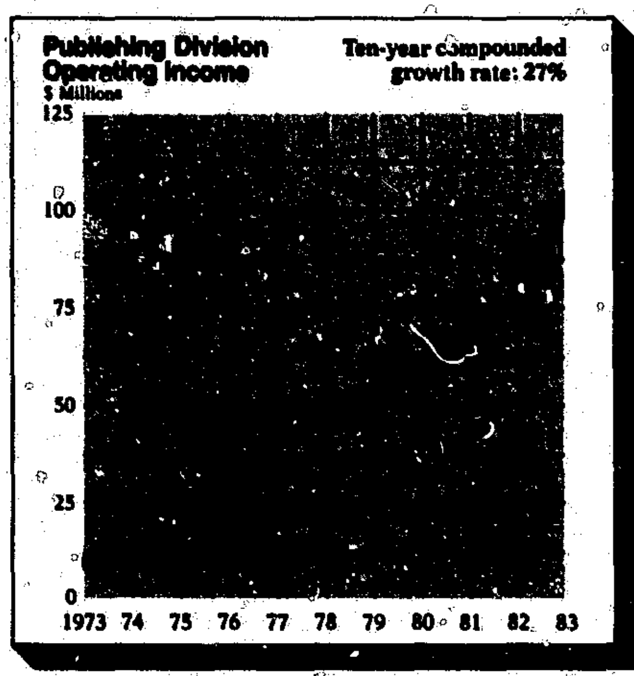
Revenues from newspapers, shopping guides and other publishing activities increased 14 percent to $296,500,000 in 1983, while operating profit advanced at a faster pace. In addition to outstanding performances by the *Fort Worth Star-Telegram* and *The Kansas City Star/Times*, the newspaper group was buoyed by a substantial improvement in the revenues and earnings of shopping guides.

Total advertising revenue for newspapers, excluding acquisitions made in 1983 and 1982, increased 11 percent over 1982, and average paid circulation climbed approximately 2 percent. During the past three years, the editorial capability of the newspapers has been significantly expanded, and we believe some of the circulation growth can be attributed to these editorial investments.

At *The Kansas City Star/Times*, advertising linage, led by classified, rose 3 percent over last year. The morning *Times*, the afternoon *Star* and the Sunday *Star* all registered gains in December year-to-year circulation.

Two new sections were introduced in the *Times*—*Sports Special* on Mondays, and *Business Special* on Tuesdays. An entertainment section, *Star Style Plus*, debuted in the Friday *Star*.





Midweek, a zoned total market coverage publication delivered by carriers to nonsubscribers, was expanded in 1983.

In March 1983, the Full Bench of the United States Court of Appeals for the Eighth Circuit heard The Kansas City Star Company's appeal of an adverse two-to-one Circuit Court panel decision which had found the Star Company's proposal to convert independent contract carriers to a delivery agent system in violation of the Sherman Act.

On February 6, 1984, the Full Bench of the Circuit Court of Appeals reversed the three-Judge Panel of that Court, dissolved the permanent injunction in its entirety and vacated the award of attorney's fees to the plaintiffs. Plaintiffs have indicated their intention to seek a writ of certiorari to the United States Supreme Court in the hope that the Supreme Court will review the case. Detailed explanations of these and other related proceedings are contained in Item 3, *Legal Proceedings*, of the Company's Form 10-K, which is included elsewhere in this report.

The *Fort Worth Star-Telegram* set new records for operating margin, linage, ad count, inserts, and paid circulation. Innovative promotion programs pushed circulation up 7 percent for the morning edition and 3 percent for Sunday. In June, the paper increased its weekly direct mail program to include all nonsubscriber households in Tarrant County.

Product development and editorial recognition continued during 1983. A weekly expanded business section was introduced in the morning *Star-Telegram* and increased business coverage was added daily to the evening paper. The first comprehensive three-color weather map in the Southwest was also introduced during the year.

Planning continues on the $60,000,000 to $70,000,000 project to move all *Star-Telegram* printing and distribution functions to a new production facility and to purchase three new offset press lines.

In December, the advertising and business functions of *The Arlington Citizen-Journal* were assumed by the *Star-Telegram*, which began printing and distributing the *Citizen-Journal* with its midweek and Sunday Arlington-zoned editions.

Recovery of the automotive industry brought a rebound in revenues for *The Oakland Press*, of Pontiac, Michigan. Despite a poor first quarter, profits for 1983 exceeded 1982 levels. Sunday circulation set new records, and the *Press* continued its expansion into advertiser-supported local publications, which include three real estate magazines and a shopping guide. The paper plans to acquire a supplementary offset press, which will allow it to compete more effectively in the small publication field.

Revenues at the *News-Democrat*, in Belleville, Illinois, showed solid gains in 1983 over 1982, but operating income rose only slightly as a result of costs involved in moving into a new production facility and in the conversion to offset printing. After a major competitor decided to cease publication in 1983, the *News-Democrat* converted from afternoon to morning publication in January 1984. The benefits of this move will be substantial to both readers and advertisers.

The Times Leader, in Wilkes-Barre, Pennsylvania, had a fine year. Revenues increased 10 percent; paid circulation gains were the highest in five years; total linage was up 10 percent; and the number of advertising units climbed 22 percent. In addition, the paper received recognition from the Pennsylvania Newspaper Publishers Association, which gave *The Times Leader* its general excellence award for newspapers with a circulation of 40,000 to 150,000.

An improved business climate resulting from a partial recovery of the timber industry, together with lower newsprint prices, contributed to a better operating performance by our Democrat-Herald newspaper group (Oregon). A modest gain in revenues, combined with expenses approximately even with a year ago, resulted in an earnings recovery back to 1981 levels for the group.

The Daily Register, in Red Bank, New Jersey, reported higher earnings on a 7 percent increase in revenues. In March, the *Register* incorporated the printing and production operations of the *Ocean County Reporter*, acquired in January 1983. This move helped the *Reporter* become profitable in 1983.

Profits at the Shore Line Newspapers increased substantially in 1983 after the weekly newspaper group switched from free to paid circulation. With the acquisition of two Rhode Island weeklies in January 1984, circulation for the total of fifteen publications increased to 120,000.

Capital expenditures for the Publishing Division almost doubled from 1982 to $10,700,000, as a result of beginning the major facilities improvement program at the *Fort Worth Star-Telegram* and conversion to offset of the printing process in Kansas City and Belleville.

Capital spending will considerably exceed depreciation for the next several years, as production capacity is expanded to meet the growth potential of the *Star-Telegram*. Over the next few years it will be necessary to replace first-generation electronic editing, circulation, advertising and business systems at all the newspapers at an estimated cost of $15,000,000 to $20,000,000.

Publishing Division

John B. Sies, *President*

DAILY NEWSPAPERS

THE KANSAS CITY STAR/TIMES (Kansas City, MO)
James H. Hale, *Chairman of the Board & Publisher*
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, *President & 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)
Robert Dickey, *General Manager*

Carter Publications

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

WEEKLY NEWSPAPERS

SHORE LINE NEWSPAPERS (Guilford, CT)
John E. 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)
OCEAN COUNTY REPORTER (Toms River, NJ)

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
M
Michael F. Coady, *Senior Vice President*
Eugene F. Fahy, *Vice President & Advertising Director; Publisher, M*
Etta M. Froio, *Vice President, WWD*
DAILY NEWS RECORD
SPORTSTYLE (Business Edition)
Stephen G. Stoneburn, *Senior Vice President*
Herbert M. Blueweiss, *Vice President & Publisher, DNR*
Clara F. Hancox, *Vice President & Director of Publishing, DNR*
Morris M. Chaklai, *Director of Advertising, DNR*
HFD—RETAILING HOME FURNISHINGS
ENTREE
ELECTRONICS RETAILING
HOME FASHIONS TEXTILES
SUPERMARKET NEWS
David S. Branch, *Senior Vice President*
Gene Marks, *Publisher, SN*
Robert B. Freeman, *Vice President & Publisher, ER*
Kate Kelly-Smith, *Publisher, HFT*
AMERICAN METAL MARKET
METALWORKING NEWS
METAL CENTER NEWS
HEAT TREATING
FOOTWEAR NEWS
Kenneth S. Share, *Senior Vice President*
James M. Lamoree, *Publisher, MCN & HT*
R. Michael Couch, *Vice President & Publisher, FN*
ELECTRONIC NEWS
MIS WEEK
Martin P. Rosenblum, *Senior Vice President*
Zachary J. Dicker, *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*

PENNYSAVERS
PENNYSAVER
(Orange, Riverside and San Diego counties, Sacramento and Stockton, CA)
Edward Trent, *President*
PENNYPOWER SHOPPING NEWS
(Wichita and Topeka, KS; and Springfield, MO)
William Kurz, *Vice President*
LITTLE NICKEL WANT ADS (Seattle-Tacoma, WA)

ELECTRONIC PUBLISHING
SECURITIES DATA (New York, NY)
William D. French, *President*

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

Cable Television Division

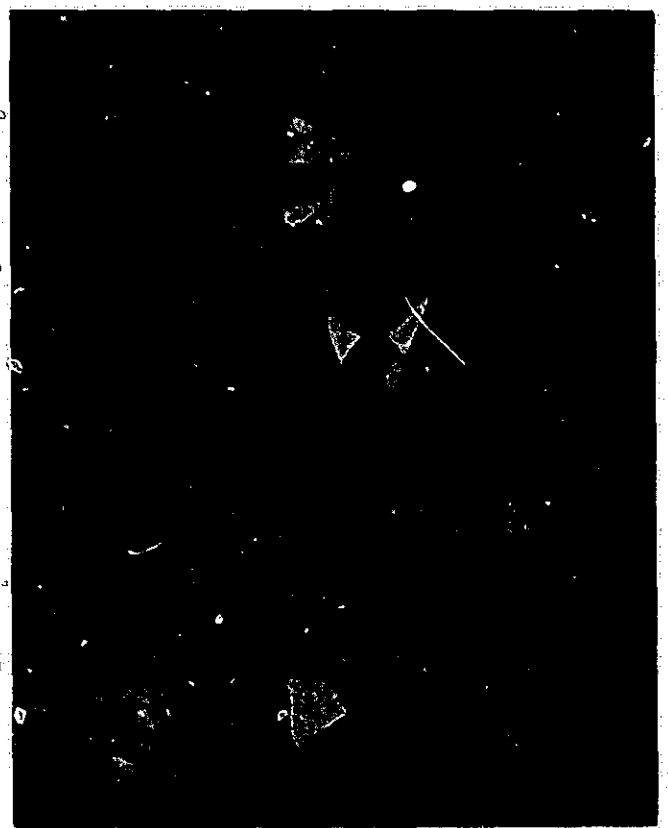
Operating income for the Cable Television Division increased modestly to $2,100,000 in 1983, from $1,700,000 in 1982. The following table summarizes operating results for the two years (dollars in millions):

	1983	1982	Percentage increase
Revenues			
Acquired systems	$53.6	$45.1	19%
New systems	13.4	8.2	63%
Total revenues	$67.0	$53.3	26%
Operating cash flow			
Acquired systems	$19.4	$17.4	11%
New systems	2.3	(.2)	—
Total operating cash flow	21.7	17.2	26%
Depreciation	(12.4)	(9.2)	35%
Amortization of intangibles	(7.2)	(6.3)	14%
Total operating income	$ 2.1	$ 1.7	24%

Acceptable improvement was achieved in operating cash flow from our new systems, which were completed and almost fully marketed by the end of the year. Cash flow from our acquired systems was affected somewhat adversely by marketing and associated installation expenses in the systems that were rebuilt and remarketed in 1983. These systems account for about 25 percent of our subscriber count in acquired systems. In 1984, cash flow will again be affected by expenses associated with additional planned rebuilds and upgrades of other acquired systems.

Depreciation expense in 1983 increased 35 percent. Amortization of intangibles also rose as the result of acquisitions made in 1982 and 1983. The Cable Television Division's 1983 aftertax cash return, after giving effect to investment tax credits and deferred income taxes, amounted to $30,000,000, a 43 percent increase from $21,000,000 in 1982. The aftertax cash return on our total investment in cable television was 12 percent, up from 10 percent in 1982.

During 1983, our basic subscriber count, premium (pay service) units and tier (expanded basic service) units increased as follows:



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

	At December 31,	
	1983	1982
Basic subscribers		
Acquired systems	301,000	286,000
New systems	49,000	39,000
Total basic subscribers	350,000	325,000
Premium units		
Acquired systems	174,000	149,000
New systems	76,000	62,000
Total premium units	250,000	211,000
Tier units		
Acquired systems	24,000	13,000
New systems	34,000	21,000
Total tier units	58,000	34,000

These subscriber increases, together with rate adjustments and acquisitions, resulted in a 22 percent increase in basic service revenue and a 35 percent increase in premium and tier revenues. The ratios of premium and tier units to basic subscribers grew satisfactorily in 1983, and significant future growth of these optional services is anticipated as rebuilds and upgrades are completed.

Capital expenditures for 1983 totaled $25,200,000 as detailed below:

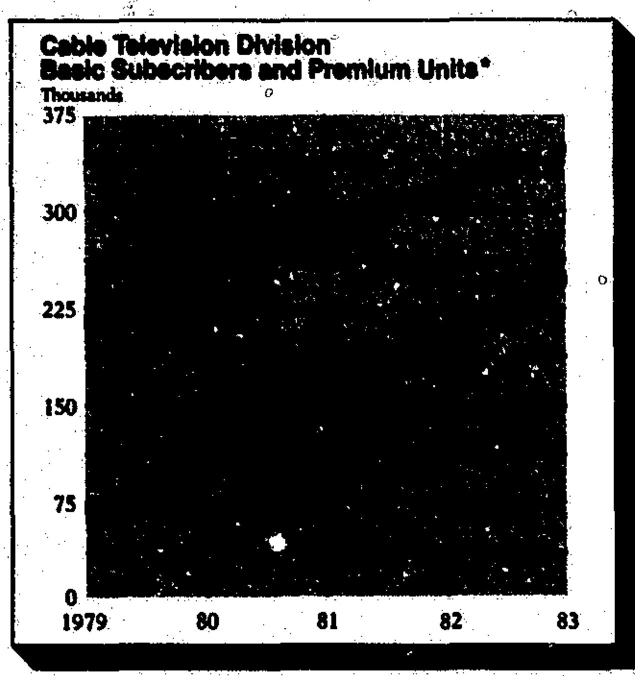
Major rebuilds and upgrades of acquired systems	$11,600,000
On-going capital expenditures	10,400,000
Completion of construction of new systems	3,200,000
	$25,200,000

During 1983, construction which began in 1980 and 1981 on our eight new systems was completed, and the rebuilding and upgrading of acquired systems continued. Major rebuilds in Gulfport, Mississippi, and in Joplin, Missouri, as well as upgrades in Miami, Oklahoma, and in Kirksville, Missouri, were accomplished, and complete rebuilds of Santa Rosa, California, and of Odessa, Texas, will be finished this spring. Marketing of our new services in these systems will continue into the summer.

We plan to eventually spend approximately $65,000,000 on major rebuilds and upgrades of 34 of the acquired systems. This includes expenditures to date of almost $20,000,000. The major rebuilding of eleven of these systems will account for approximately 85 percent of the investment, or $55,000,000. In these eleven systems, we anticipate adding 10,000 basic subscribers, 50,000 premium units and 40,000 tier units.

Our return on investment for these expenditures is projected to be very satisfactory, and our increased channel capacities will enable us to add many new services in the years ahead. By the end of 1985 or early 1986, almost all of our cable television systems will have a capacity of thirty to sixty channels, and all will meet the latest technical requirements.

We have started a major rebuild in Ardmore, Oklahoma, and are in negotiations to rebuild the systems in Altus and Ponca City, Oklahoma; Sherman and Denison, Texas; Dyersburg, Tennessee; and Modesto, California.



* Includes Cablecom from 1979.

In addition, major upgrades of service will be accomplished in 1984 in twelve other systems.

We anticipate that ongoing capital expenditures on our present systems will continue in the $7,000,000 to $10,000,000 range annually. For the most part, these expenditures are for new services and line extensions, which will generate additional revenues, but a small percentage is for the routine replacement of worn-out and obsolete equipment.

An important development late in 1983 was the decision of many of the non-pay cable television networks to initiate or increase their charges to system operators. These networks, which concentrate on such categories as sports, weather, health and news, did not come into existence until the late 1970s or early 1980s, several years later than the first pay cable television networks. Their business plans assumed that sufficient advertising revenue could be generated to support their operations, with very nominal, if any, per-subscriber charge to system operators. This assumption has proven incorrect despite substantial growth in the number of subscribers with access to these networks and acceptable audience ratings for most of the approximately fifteen such networks. To survive, many of these networks have chosen to supplement their advertising revenues with increases in per-subscriber charges to system operators.

We have chosen to support the cable television networks by paying more for their programming, because should most system operators collectively refuse to do so, the survival of these networks would be questionable and our ability to provide a wide variety of programming for our customers would also be in doubt. The annual increased cost to our systems in the years ahead will approximate $1,000,000 to $1,500,000 over the 1983 level. It is our judgment that these additional revenues, on an industry-wide basis, will enable many programming sources to survive until added advertising income develops.

During 1983, we purchased for $3,100,000 four systems in Diboll, Burke, Corrigan and Livingston, Texas, which are near our Lufkin system, and two systems in Vinita and Nowata, Oklahoma, near our system in Miami. The acquisition of these systems, which serve approximately 6,000 subscribers, is attractive because of the reasonable average price of $515 per subscriber and because they can be operated efficiently as satellites of our nearby systems, thus providing greater cash flow than if run as stand-alone systems. In 1984, several of these systems will be upgraded to provide more channels of service and additional revenue opportunities.

At the present time, there is mounting evidence that more acquisition opportunities will become available at reasonable cash flow multiples in 1984 and subsequent years, and we will pursue both acquisition and expansion possibilities.

Our experience in the cable television industry to date has convinced us that it is, and will continue to be, a good business. While it is capital intensive, we believe we can make investments in our existing systems and in new ventures on terms that will provide satisfactory returns to shareholders.

Cable Television Division

William R. James, *President*
Harcharan S. Suri, *Senior Vice President & Director of Engineering*
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*

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

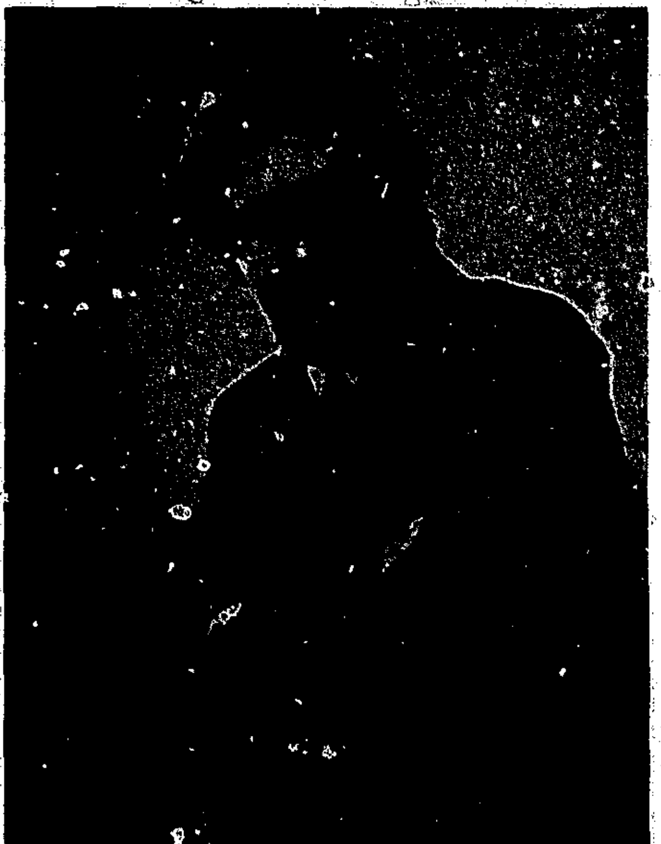
Western Division

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

Financial Overview



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

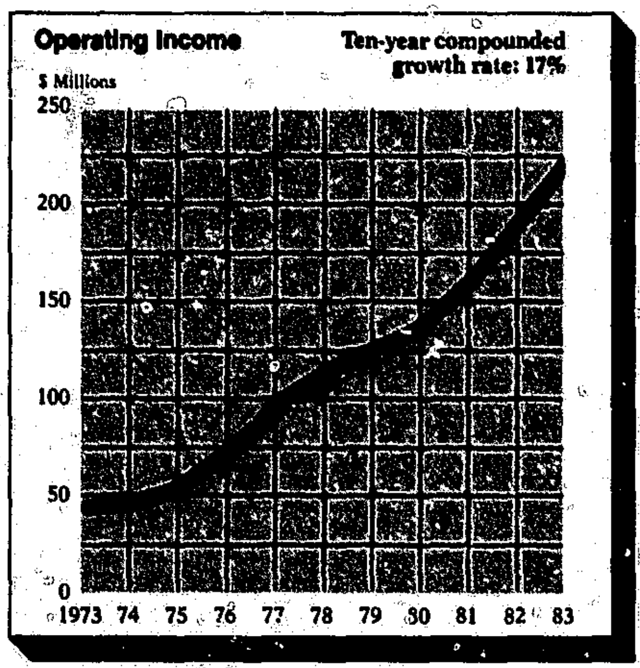
Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations—1983 Compared to 1982

Net revenues in 1983 increased $98,715,000 to $762,295,000, or 15% over the $663,580,000 reported in 1982. Broadcasting Division revenues were up only 7%, or $14,758,000, with television and radio operations each showing comparable gains over 1982, reflecting the soft demand for advertising time during much of the year. The Cable Television Division revenues increased $13,729,000, or 26%, primarily as a result of basic and premium subscriber growth. Publishing Division revenues were up $70,228,000, or 18%, mainly as a result of higher advertising rates, increased demand for classified advertising and the effect of 1982 and 1983 acquisitions and start-ups. Excluding 1982 and 1983 acquisitions and start-ups, Publishing Division revenues increased 12%, with specialized publications and newspapers reporting gains of 17% and 10%, respectively. Linage for the specialized publications and newspapers increased 4% and 5%, respectively.

Total costs and expenses for 1983 were up $68,139,000, or 14%, over 1982. Expenses for the Broadcasting Division were up $8,341,000, or 8%, as a result of higher television programming and news costs and selling, general and administrative expenses. Cable Television costs and expenses were up $13,356,000, or 26%, reflecting greater variable costs associated with subscriber growth, and higher depreciation expense. Publishing Division costs and expenses were up $45,204,000, or 15%, over 1982. Excluding 1982 and 1983 acquisitions and start-ups, Publishing Division costs and expenses increased 8% due to higher advertising and editorial expenses somewhat offset by lower average newsprint prices.

Operating income for 1983 rose 16% to $220,364,000 from the $189,788,000 reported in 1982, with publishing and broadcasting operations showing gains of 32% and 6%, respectively. Operating income for the Cable Television Division increased $373,000. Losses for new publishing ventures amounted to $6,100,000 in 1983, compared to $1,800,000 in 1982.



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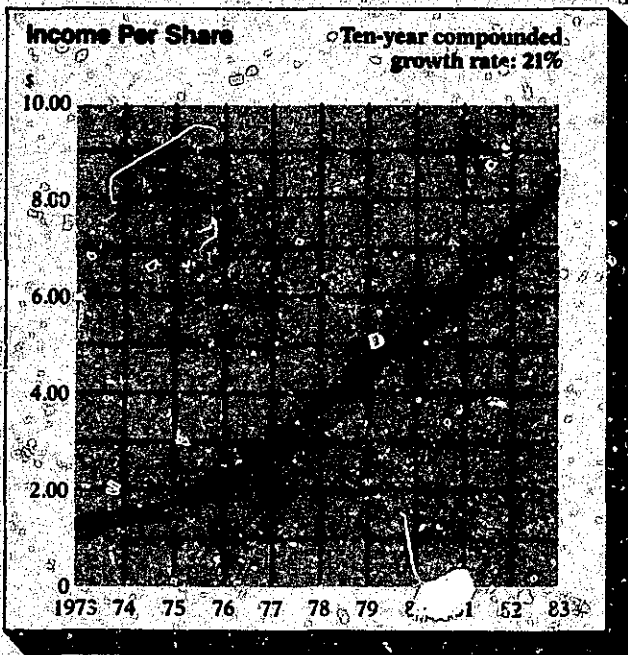
Net financial income (interest income less interest expense) for 1983 increased $7,171,000 compared to 1982, due to the increase in short-term investments in excess of interest-bearing debt. Interest of $1,320,000 and $1,593,000 was capitalized in 1983 and 1982, respectively. The Company's effective tax rate was 48.9% in 1983 and 48.0% in 1982. Net income for 1983 of $114,704,000 was up $18,387,000, or 19%, while net income per share of $8.53 increased $1.28, or 18%.



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 %, 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.

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 television 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 net 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.

Impact of Inflation

For information on the impact of inflation on the Company, see Note 11 to the Consolidated Financial Statements.

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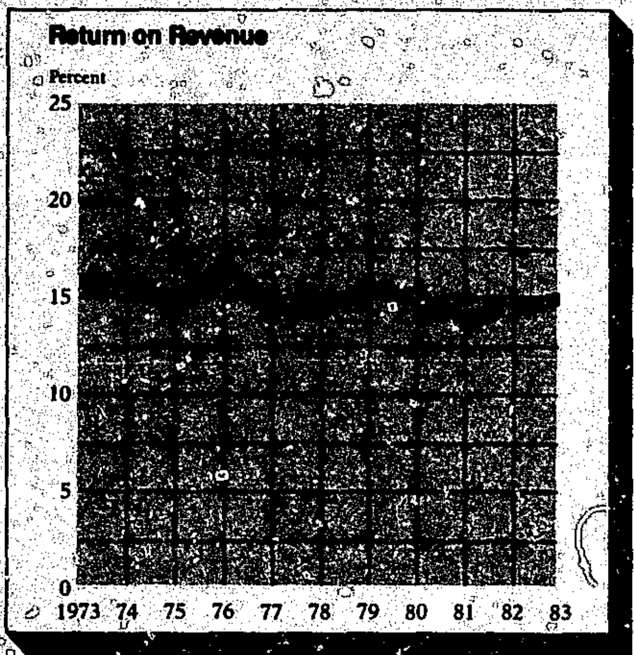
Return on Revenue

Return on revenue, the percentage relationship of net income before extraordinary gain to net revenues, was 15.0% for 1983, compared to 14.5% in 1982. The Company's return on revenue has remained relatively constant since 1972, with periodic minor downturns resulting from acquisitions and start-up activity.

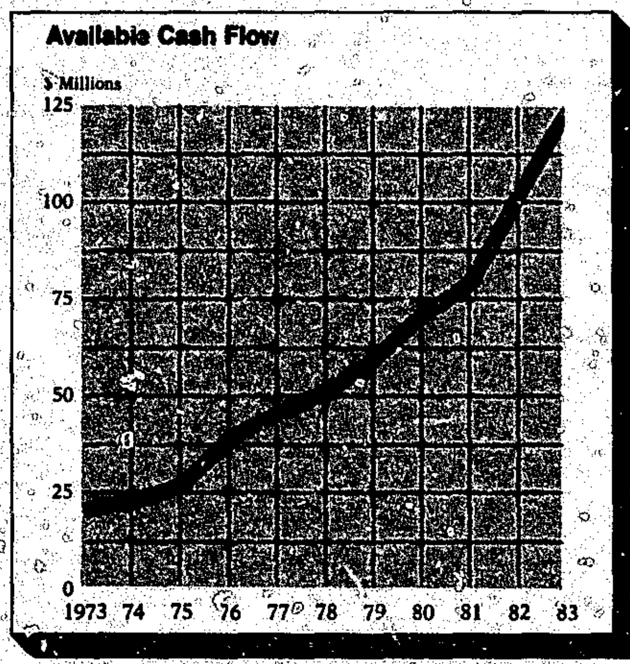


Available Cash Flow

Available cash flow is defined as cash from operations, less amounts reinvested in such operations 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 acquisition spending and not capital reinvested in existing operations.

In 1983, the Company's available cash flow amounted to $124,945,000, an increase of $21,268,000, or 21%, over the $103,677,000 reported in 1982.

Unlike most industrial companies, Capital Cities does not require that large amounts of capital 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 or higher than 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.



The 1983 available cash flow of $124,945,000, along with the proceeds from the issuance of subordinated debentures of $197,250,000 and $26,771,000 from other sources, resulted in total funds of $348,966,000. These funds provided $22,016,000 for acquisitions of operating properties, $43,619,000 for treasury stock purchases, $32,766,000 for long-term debt reduction, $19,153,000 for other applications and resulted in an increase of $231,412,000 in cash and cash investments.

Capital Expenditures

In 1983, capital expenditures amounted to $47,595,000, an 8% decrease from the $51,651,000 spent in 1982. The largest portion of 1983 capital spending was in the Cable Television Division, where a total of $25,200,000 was spent—

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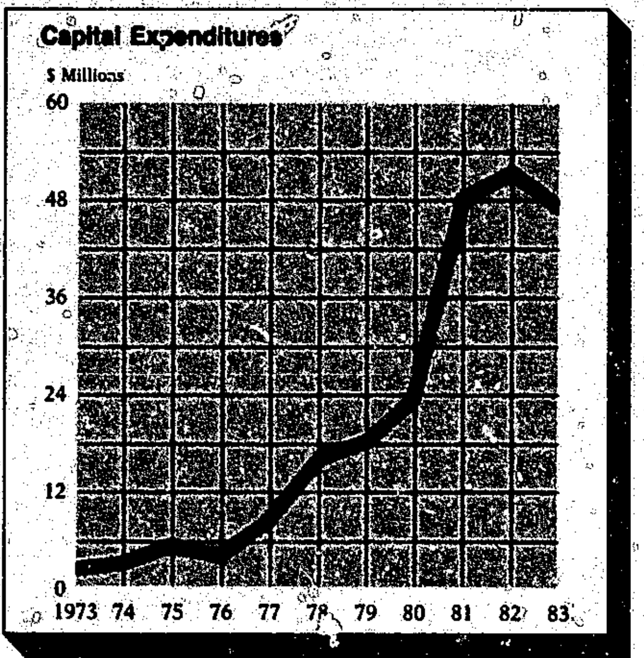
$3,200,000 for the construction of new systems and $22,000,000 for extensions, upgrades, rebuilds and improvements of the Cablecom systems.



For 1984, the Company's capital budget anticipates expenditures of approximately $56,000,000. The Cable Television Division is expected to spend $29,000,000, primarily for rebuilds, upgrades and extensions of the older Cablecom systems. A substantial percentage of the capital spending for the Cable Television Division is for projects which are supported by attractive returns on investment.

The Broadcasting Division anticipates spending $9,000,000 in 1984. Major projects include completing the conversion to one-inch videotape technology and upgrading existing television studio facilities.

Publishing Division capital expenditures in 1984 are budgeted at $18,000,000 and anticipate initial spending for a new production facility 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.

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, 1983, amounted to $625,255,000, an increase of $80,988,000 from the 1982 year-end total of $544,267,000.

At December 31, 1983, total interest-bearing debt was $220,960,000, an increase of $172,511,000 from 1982.

Of the total interest-bearing debt outstanding at December 31, 1983, $200,000,000 is represented by 11.75% subordinated debentures, due 2013. Proceeds from the sale of these subordinated debentures, which took place on June 27, 1983, were added to the Company's general funds for use in possible future acquisitions, capital expenditures, stock repurchase and for other general corporate purposes. Interest-bearing debt also includes $12,600,000 in term bank loans, and $8,360,000 in other notes, primarily due to former owners of acquired companies. The interest rates on the term bank loans and other notes are generally fixed and average approximately 9%.

During 1983, the Company repaid all of its outstanding commercial paper and cancelled a bank revolving credit agreement which supported the issuance of the commercial paper.

At December 31, 1983, minority interest in the Company's consolidated subsidiaries amounted to $14,237,000. This amount is almost entirely accounted for by the 10% interest in Capital Cities Cable, Inc., owned by Whitcom Investment Company.

Deferred income taxes amounted to $23,325,000 at December 31, 1983, 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
1983	$221.0	$883.8	25%
1982	$ 48.4	$619.1	8%
1981	$102.4	$571.0	18%
1980	$ 58.7	$427.2	14%
1979	$ 78.0	$386.9	20%

The Company's debt to total capital ratio at December 31, 1983 is a relatively conservative 25%, which would allow for a substantial increase in debt should attractive investment opportunities appear.

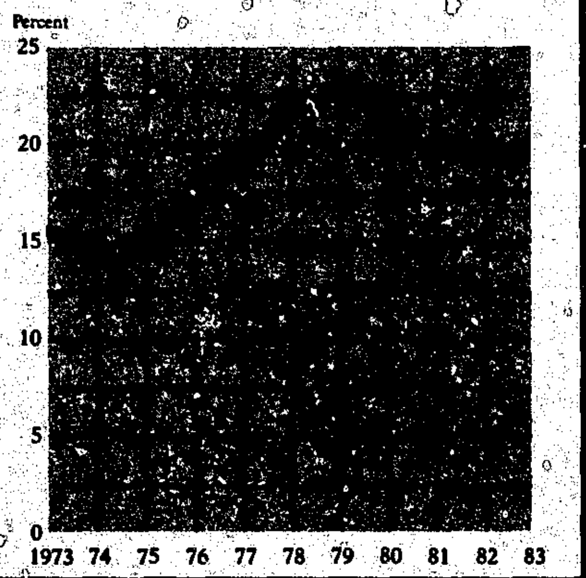
Return on Equity

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 its program of repurchasing its common stock over recent years.

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
1983	$584.8	$114.7	19.6%
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%

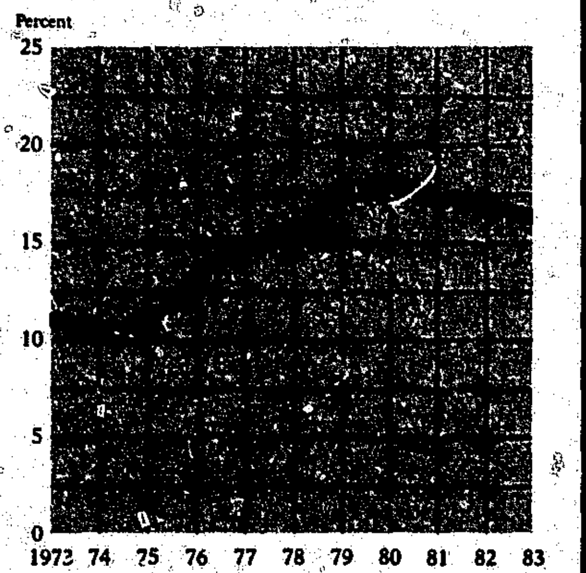
Return on Average Stockholders' Equity



Return on Capital

Another measure of management performance is the rate of return on total capital employed in the business. Total capital is defined as the total of stockholders' equity, interest-bearing debt, minority interest and deferred income taxes. Return is defined as the total 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
1983	$751.5	$122.2	16.3%
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%

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
1983	$568.2	$112.6	19.8%
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%

Stock Repurchase

In late 1976, the Company began a program of repurchasing its common stock. As of December 31, 1983, 3,266,000 shares of common stock had been acquired for an aggregate purchase price of $146,975,000, or an average price of $45.00. During 1983, the Company purchased 304,407 shares for an aggregate of $43,619,000. Through February 1984, an additional 280,000 shares were repurchased for $36,690,000.

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 1973-1983

(Dollars in thousands except per share data)

	1983	1982	1981
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	$ 235,754	$220,996	$193,063
Cable Television	67,031	53,302	21,435
Publishing	459,510	389,282	359,286
Total	762,295	663,580	573,784
Operating income (loss)			
Broadcasting	$ 122,645	$116,228	$102,230
Cable Television	2,051	1,678	(3,096)
Publishing	104,034	79,010	67,520
Income from operations	228,730	196,916	166,654
General corporate expense	8,366	7,128	7,468
Total	220,364	189,788	159,186
Net income (a)	$ 114,704	$ 96,317	$ 80,518
Net income per share (a) (b)	$8.53	$7.25	$6.12
Cash dividends declared per common share (b)	$0.20	$0.20	$0.20
Average shares (000's omitted) (b)	13,455	13,280	13,150
Return on average stockholders' equity (c)	19.6%	19.5%	20.1%
MAJOR CHANGES IN FINANCIAL POSITION			
Cash provided			
Operations	$ 169,363	$137,529	$108,208
Increase in long-term debt	202,527	1,944	111,640
Disposition of interest in operating properties	3,200		13,808
Cash applied			
Acquisitions of operating properties	$ 22,016	$ 21,588	$157,128
Purchases of common stock for treasury	43,619	676	125
Capital expenditures	47,595	51,651	48,634
Reduction of long-term debt	32,766	55,867	67,935
Dividends on common stock	2,656	2,627	2,603
AT YEAR-END			
Working capital	$ 265,847	$ 16,353	$ 4,288
Total assets	1,052,912	776,013	697,620
Long-term debt	220,960	48,449	102,372
Stockholders' equity	625,255	544,267	443,822
Number of shares outstanding (000's omitted) (b)	13,103	13,180	13,025
Closing market price of common stock (b)	$144	$119⅝	$73¾
Price range of common stock (b)	$114¾-157½	$64⅜-136¾	$56½-80½

(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.

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1980	1979	1978	1977	1976	1975	1974	1973
$166,980	$151,327	$133,360	$112,522	$104,307	$ 86,820	$ 78,576	$ 76,066
30							
305,098	263,563	234,116	193,624	107,860	88,066	60,009	51,432
472,108	414,890	367,476	306,146	212,167	174,886	138,585	127,498
$ 87,925	$ 80,319	$ 70,080	$ 56,757	$ 50,277	$ 39,184	$ 36,359	$ 36,469
(2,531)							
58,186	50,668	48,781	43,681	25,592	17,699	12,752	9,800
143,580	130,987	118,861	100,438	75,869	56,883	49,111	46,269
6,205	5,334	4,563	3,673	2,826	2,748	2,492	1,704
137,375	125,653	114,298	96,765	73,043	54,135	46,619	44,565
$ 70,783	$ 63,758	$ 54,033	$ 40,234	$ 35,620	$ 25,402	$ 22,025	$ 20,146
$5.38	$4.68	$3.80	$2.91	$2.30	$1.64	$1.43	$1.30
$0.20	$0.20	$0.175	$0.10	$0.10	$0.025		
13,165	13,615	14,220	14,852	15,478	15,466	15,376	15,438
21.5%	22.9%	21.8%	19.4%	17.9%	14.4%	14.4%	15.2%
$ 86,589	$ 77,888	$ 66,811	$ 53,763	$ 43,309	$ 32,098	$ 25,833	$ 23,215
3,834	1,900	2,696	90,628			40,500	
		15,526	14,389				
$ 32,308		$ 10,017	$132,159	$ 6,500		$ 60,137	$ 1,136
14,753	$ 24,736	31,097	17,111	14,858			
23,611	18,178	16,314	8,209	4,049	$ 5,546	3,206	2,859
23,122	26,928	25,970	23,775	16,275	11,663	10,125	18,125
2,573	2,669	2,438	1,467	1,524	384		
$ 35,408	$ 34,428	$ 18,980	$ 8,998	$ 38,058	$ 34,547	$ 23,864	$ 33,028
519,958	473,134	444,797	435,096	328,522	315,128	300,880	237,865
58,667	77,955	102,983	126,257	59,404	75,679	87,342	56,967
359,081	298,497	259,691	236,834	208,501	188,921	163,860	141,906
12,902	13,058	13,514	14,212	14,832	15,374	15,368	15,364
$58¾	$48⅝	$39⅝	$30	$28¼	$21⅜	$11¼	$15⅞
$40-72	$36¾-49⅞	$27⅛-47¾	$22⅛-30½	$21⅝-28¼	$11-21¾	$8⅜-19⅝	$15-31¼

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Consolidated Statement of Income

Years ended December 31, 1983, 1982 and 1981
(Dollars in thousands except per share amounts)

	1983	1982	1981
Net revenues	$762,295	$663,580	$573,784
Costs and expenses			
Direct operating expenses	311,788	275,573	245,702
Selling, general and administrative	189,870	164,458	145,780
Depreciation	28,099	23,093	16,124
Amortization of intangible assets	12,174	10,668	6,992
	541,931	473,792	414,598
Operating income	220,364	189,788	159,186
Other income (expense)			
Interest expense	(14,633)	(7,982)	(9,933)
Interest income	16,418	2,596	4,745
Miscellaneous, net	2,355	915	1,020
	4,140	(4,471)	(4,168)
Income before income taxes	224,504	185,317	155,018
Income taxes			
Federal	95,800	78,800	65,200
State and local	14,000	10,200	9,300
	109,800	89,000	74,500
Net income	$114,704	$ 96,317	$ 80,518
Net income per share	$8.53	$7.25	$6.12
Average shares outstanding (000's omitted)	13,455	13,280	13,150

See accompanying notes

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1983, 1982 and 1981
(Dollars in thousands)

	1983	1982*	1981*
Cash provided			
Operations			
Net income	$114,704	$ 96,317	$ 80,518
Depreciation	28,099	23,093	16,124
Amortization of intangible assets	12,174	10,668	6,992
Other, net	14,386	7,451	4,574
Total cash from operations	169,363	137,529	108,208
Less capital expenditures for operations	44,418	33,852	28,268
Available cash flow from operations	124,945	103,677	79,940
Proceeds from the issuance of subordinated debentures, net	197,250	—	—
Long-term debt issued or assumed on acquisitions	5,277	1,944	111,640
Common stock sold under employee stock plans	12,559	7,431	6,951
Disposition of interest in operating properties	3,200	—	13,808
Other, net	5,735	619	3,464
	348,966	113,671	215,803
Cash applied			
Acquisitions of operating properties	22,016	21,588	157,128
Purchase of common stock for treasury	43,619	676	125
Construction of new cable television systems	3,177	17,799	20,366
Changes in other working capital items	13,320	(15,451)	(2,176)
Reduction of long-term debt	32,766	55,867	67,935
Dividends	2,656	2,627	2,603
	117,554	83,106	245,981
Increase (decrease) in cash and cash investments	231,412	30,565	(30,178)
Cash and cash investments			
Beginning of period	40,468	9,903	40,081
End of period	$271,880	$ 40,468	$ 9,903

*Reclassified to conform to current year's presentation

See accompanying notes

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Consolidated Balance Sheet

December 31, 1983 and 1982
(Dollars in thousands)

Assets	1983	1982
Current assets		
Cash	$ 5,259	$ 5,945
Short-term cash investments	266,621	34,523
Accounts and notes receivable (less allowance for doubtful accounts of $5,923 in 1983 and $4,919 in 1982)	112,985	93,656
Inventories	8,403	7,008
Film contract rights	5,317	6,550
Other current assets	4,254	3,159
Total current assets	402,839	150,841
Property, plant and equipment, at cost		
Land	21,189	20,609
Buildings	69,214	63,848
Broadcasting, printing, cable television and other equipment	291,222	253,218
	381,625	337,675
Less accumulated depreciation	136,359	111,729
Property, plant and equipment, net	245,266	225,946
Intangible assets (net of accumulated amortization of $43,860 in 1983 and $31,686 in 1982)	371,171	362,745
Marketable equity securities	13,279	11,649
Other assets	20,357	24,832
	$1,052,912	$776,013

See accompanying notes

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Liabilities and Stockholders' Equity	1983	1982
Current liabilities		
Accounts payable	$ 24,515	$ 27,702
Accrued compensation	18,962	15,285
Accrued expenses and other current liabilities	32,174	26,727
Film contracts	6,537	7,153
Taxes on income	40,727	40,070
Long-term debt due within one year	14,077	17,551
Total current liabilities	136,992	134,488
Deferred compensation	20,992	15,220
Deferred income taxes	23,325	12,314
Unearned subscription revenue	16,186	14,851
Other liabilities	9,042	9,859
Long-term debt due after one year	206,883	30,898
Total liabilities	413,420	217,630
Minority interest	14,237	14,116
Stockholders' equity		
Convertible preferred stock, $1 par value (600,000 shares authorized)	—	—
Common stock, $1 par value (80,000,000 shares authorized)	15,394	15,394
Additional paid-in capital	14,094	7,431
Retained earnings	717,392	605,344
	746,880	628,169
Less common stock in treasury, at cost (2,290,164 shares in 1983 and 2,213,693 shares in 1982)	121,625	83,902
Total stockholders' equity	625,255	544,267
	$1,052,912	$776,013

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Consolidated Statement of Stockholders' Equity

Years ended December 31, 1983, 1982 and 1981
(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
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
Net income for 1983	—	—	114,704	—	114,704
304,407 shares purchased for treasury	—	—	—	(43,619)	(43,619)
103,201 shares issued under Employee Stock Purchase Plan	—	4,249	—	2,663	6,912
124,735 shares issued on exercise of employee stock options	—	2,414	—	3,233	5,647
Cash dividends	—	—	(2,656)	—	(2,656)
Balance December 31, 1983	$15,394	$14,094	$717,392	$(121,625)	$625,255

See accompanying notes

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	10-12

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. Marketable equity securities were carried at aggregate costs of $13,278,800 and $11,649,000 and had aggregate market values of $18,959,400 and $14,470,000 at December 31, 1983 and 1982, respectively.

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, $1,320,000, $1,593,000 and $2,282,000 have been added to property, plant and equipment in 1983, 1982 and 1981, 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):

	1983	1982	1981
Common shares	13,295	13,105	12,989
Stock options	160	175	161
Total	13,455	13,280	13,150

3. Acquisitions

Publishing

During 1983, the Company acquired all of the outstanding common stock of Securities Data Company, Inc., which markets financial information from electronic databases; Toms River Publishing Company, Inc., publisher of a twice-weekly newspaper, the *Ocean County Reporter;* the assets of *Little Nickel Want Ads,* advertising-only tabloids; and the remaining 60% of the common stock of American Traveler, Inc., which publishes three magazines for the travel industry. In a prior year the Company had acquired 40% of American Traveler.

The aggregate purchase price for the 1983 publishing acquisitions was $18,706,000; $13,429,000 in cash, and $5,277,000 in debt issued or assumed. Included in the purchases were $2,800,000 of fixed assets, $16,801,000 of intangibles, $2,609,000 of working capital, exclusive of cash, and $420,000 of other net long-term liabilities. The 1983 purchase price excludes the carrying value of the 40% equity investment in American Traveler previously acquired, in the amount of $3,084,000.

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 $6,200,000.

Cable Television

During 1983, the Company acquired cable television systems in Vinita and Nowata, Oklahoma, four franchises adjacent to the Lufkin, Texas system and the 20% minority interest in the Highland Park, Illinois system for an aggregate cash purchase price of $3,310,000. The purchase price included $1,950,000 of fixed assets and $1,360,000 of intangible assets. During 1982, the Company acquired for $15,400,000, the remaining interests in three partially owned cable television systems in Odessa, Texas; Altus, Oklahoma; and Trenton, Missouri.

4. 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 1983, 1982 and 1981 were $4,388,000, $4,050,000 and $3,583,000, 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 $2,122,000, $1,549,000 and $1,873,000 were charged to expense in 1983, 1982 and 1981, 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, 1983	January 1, 1982
Actuarial present value of accumulated plan benefits:		
Vested	$45,135	$37,232
Nonvested	1,659	1,160
	$46,794	$38,392
Net assets available for benefits	$56,309	$45,497

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for 1983 and 1982.

5. Long-Term Debt

Long-term debt at December 31, 1983 and 1982 is as follows (000's omitted):

	1983	1982
Subordinated debentures	$200,000	$ —
Bank debt	12,600	23,400
Commercial paper	—	14,830
Other notes payable	8,360	10,219
	$220,960	$48,449

On June 27, 1983, the Company sold $200,000,000 of 11.75% subordinated debentures, due June 15, 2013. Interest is payable on June 15 and December 15 in each year. The debentures are redeemable at the option of the Company, in whole or in part, at a price equal to 111.25% if redeemed prior to June 15, 1984, at decreasing percentages thereafter through June 14, 2003, and thereafter at 100% of the principal amount thereof, together in each case with accrued interest to the redemption date. The debentures are subject to a sinking fund starting in 1994.

The bank debt bears interest at 8.2% and all other notes payable bear interest at a weighted average of 10.8%.

During 1983, the Company repaid all outstanding commercial paper and cancelled a bank revolving credit agreement which supported the issuance of the commercial paper.

The aggregate payments of long-term debt for the next five years are summarized as follows: 1984—$14,077,000, 1985—$4,594,000, 1986—$476,000, 1987—$461,000, 1988—$760,000.

6. 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):

	1983		1982		1981	
	Amount	%	Amount	%	Amount	%
Taxes on income at Federal tax rate	$103,272	46.0	$85,246	46.0	$71,308	46.0
State income taxes, net of Federal tax benefit	7,560	3.4	5,508	3.0	5,012	3.2
Amortization of intangible assets	3,292	1.4	2,920	1.6	2,213	1.4
Investment tax credit	(4,100)	(1.8)	(4,800)	(2.6)	(3,676)	(2.3)
Other, net	(224)	(.1)	126	—	(357)	(.2)
	$109,800	48.9	$89,000	48.0	$74,500	48.1

The 1983 provision for income taxes includes $11,011,000 for deferred income taxes of which $10,744,000 relates to the excess of tax over financial accounting depreciation. The deferred income taxes payable of $23,325,000 at December 31, 1983, 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.

7. Commitments

The Company has entered into agreements for future delivery of syndicated and feature film programming for its television stations, which aggregate $8,875,000, payable from 1984 through 1988.

The Company anticipates 1984 capital expenditures for property, plant and equipment to be approximately $56,000,000, of which $3,000,000 was firmly committed at December 31, 1983.

The Company has guaranteed a bank loan made to the Whitcom Investment Company (Whitcom) in the amount of $12,800,000. 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.

On March 1, 1984, the Company purchased all of the outstanding common stock of Sutton Industries, Inc. (Sutton). Sutton publishes and distributes the *Pennysaver*, advertiser-only tabloids in both southern and northern California with a combined weekly circulation of 1,300,000.

The Company has no material lease commitments.

8. 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 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, 1983, 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	287,232	16,602	105,511	165,119
	415,031	123,685	105,511	185,835
Accumulated amortization	(43,860)	(2,516)	(16,527)	(24,817)
	$371,171	$121,169	$ 88,984	$161,018

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9. Segment Data

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

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 omitted):

	1983	1982	1981	1980	1979
Broadcasting					
Net revenues	$ 235,754	$220,996	$193,063	$166,980	$151,327
Direct operating costs	106,214	98,842	85,791	74,457	67,018
Depreciation	6,480	5,511	4,782	4,366	3,758
Amortization of intangible assets	415	415	260	232	232
Total operating costs	113,109	104,768	90,833	79,055	71,008
Income from operations	$ 122,645	$116,228	$102,230	$ 87,925	$ 80,319
Assets at December 31	$ 232,286	$222,827	$214,524	$191,039	$188,314
Capital expenditures	11,572	14,778	9,593	6,032	7,472
Cable Television					
Net revenues	$ 67,031	$ 53,302	$ 21,435	$ 30	
Direct operating costs	45,389	36,068	17,731	2,504	
Depreciation	12,409	9,211	3,800	57	
Amortization of intangible assets	7,182	6,345	3,000	—	
Total operating costs	64,980	51,624	24,531	2,561	
Income (loss) from operations	$ 2,051	$ 1,678	$ (3,096)	$ (2,531)	
Assets at December 31	$ 223,055	$212,396	$173,384	$ 9,008	
Capital expenditures	25,210	31,130	27,085	8,319	
Publishing					
Net revenues	$ 459,510	$389,282	$359,286	$305,098	$263,563
Direct operating costs	342,253	298,444	280,655	236,932	204,260
Depreciation	8,646	7,920	7,379	6,748	5,790
Amortization of intangible assets	4,577	3,908	3,732	3,232	2,845
Total operating costs	355,476	310,272	291,766	246,912	212,895
Income from operations	$ 104,034	$ 79,010	$ 67,520	$ 58,186	$ 50,668
Assets at December 31	$ 287,523	$260,890	$259,385	$257,998	$215,576
Capital expenditures	10,666	5,535	6,498	6,527	10,185
Consolidated					
Net revenues	$ 762,295	$663,580	$573,784	$472,108	$414,890
Income from operations	$ 228,730	$196,916	$166,654	$143,580	$130,987
General corporate expense	8,366	7,128	7,468	6,205	5,334
Operating income	220,364	189,788	159,186	137,375	125,653
Interest expense	(14,633)	(7,982)	(9,933)	(5,446)	(6,835)
Interest and other income	18,773	3,511	5,765	6,454	6,040
Income before income taxes	$ 224,504	$185,317	$155,018	$138,383	$124,858
Assets employed by segments	$ 742,864	$696,113	$647,293	$458,045	$403,890
Investments and corporate assets	310,048	79,900	50,327	61,913	69,244
Total assets at December 31	$1,052,912	$776,013	$697,620	$519,958	$473,134

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10. 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. The following information pertains to the Company's stock option plans:

	1983	1982	1981
Outstanding options, beginning of year	420,595	502,000	546,150
Granted	85,500	4,000	3,000
Cancelled or expired	(2,002)	(2,251)	(9,875)
Exercised	(124,735)	(83,154)	(37,275)
Outstanding options, end of year	379,358	420,595	502,000
Average price of options exercised during the year	$18.69	$22.58	$16.54
Exercise price of outstanding options, end of year	$9.13 to $147.62	$9.13 to $101.50	$9.13 to $76.25
Options exercisable, end of year	259,515	349,408	398,125
Options available for future grant	211,250	296,000	—

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 103,201, 79,619 and 87,837 shares under the Plan in 1983, 1982 and 1981, respectively.

11. 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 1983 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

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present. Current costs for the Company's property, plant and equipment and inventories were determined by reference to recent vendors' quotations, invoice prices, price indices 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.

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, monetary assets, such as cash, cash investments and receivables lose purchasing power since these assets will purchase fewer goods or services in the future. Monetary liabilities, payables and other debt, are also affected by inflation since less purchasing power will be required to satisfy the obligations. The Company's monetary assets are in excess of its monetary liabilities which results in a loss in purchasing power.

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, 1983 and 1982
(in thousands of average 1983 dollars)

	1983	1982
Net income	$114,704	$99,415
Adjustment to restate depreciation for the effect of general inflation	(8,768)	(8,217)
Net income adjusted for general inflation	105,936	91,198
Adjustment to restate depreciation for the difference between general inflation and changes in specific prices (current cost)	(3,923)	(3,751)
Net income adjusted for changes in specific prices	$102,013	$87,447
(Loss) gain of purchasing power on net monetary items	$ (555)	$ 3,473
Increase in value of inventories and property, plant and equipment:		
Due to changes in current cost	$ 16,545	$14,478
Due to general inflation	11,725	11,194
Increase due to general inflation under increase due to changes in current cost	$ 4,820	$ 3,284

At December 31, 1983 and 1982, the current cost of inventories was $10,374 and $8,959, respectively, and the current cost of net property, plant and equipment was $327,498 and $307,130.

Five-Year Comparison Of Selected Supplementary Financial Data Adjusted For Effects Of Changing Prices
(Average 1983 dollars in thousands except per share data)

	1983	1982	1981	1980	1979
Net revenues	$762,295	$684,927	$628,550	$570,815	$569,472
Constant dollar information:					
Income before extraordinary gain	$105,936	$91,198	$80,584	$79,064	$82,317
Income per share before extraordinary gain	$7.87	$6.87	$6.13	$6.01	$6.05
Net assets at year-end	$701,147	$638,022	$557,862	$494,748	$418,478
Current cost information:					
Income before extraordinary gain	$102,013	$87,447	$75,794	$74,582	$77,211
Income per share before extraordinary gain	$7.58	$6.58	$5.76	$5.67	$5.67
Increase in value of inventories and property, plant and equipment due to general inflation under (over) increase due to changes in current cost	$4,820	$3,284	$8,118	$(4,819)	$568
Net assets at year-end	$703,431	$637,865	$566,511	$505,835	$445,818
Other information:					
(Loss) gain of purchasing power on net monetary items	$(555)	$3,473	$5,712	$6,777	$10,908
Cash dividends per share	$0.20	$0.21	$0.22	$0.24	$0.27
Market price per share at year-end	$141.58	$122.08	$78.18	$67.84	$63.11
Average Consumer Price Index (1967 = 100)	298.4	289.1	272.4	246.8	217.4
Historical Financial Information					
(Dollars in thousands except per share data):					
Net revenues	$762,295	$663,580	$573,784	$472,108	$414,890
Income before extraordinary gain	$114,704	$96,317	$80,518	$70,783	$63,758
Income per share before extraordinary gain	$8.53	$7.25	$6.12	$5.38	$4.68
Net assets at year-end	$625,255	$544,267	$443,822	$359,081	$298,497
Cash dividends per share	$0.20	$0.20	$0.20	$0.20	$0.20
Market price per share at year-end	$144.00	$119.63	$73.75	$58.75	$48.63

12. Common Stock and Stockholder Information (Unaudited)

As of January 31, 1984, the approximate number of holders of common stock was 4,750. Dividends of $.05 per share have been paid for each quarter of 1983 and 1982. 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 1983 and 1982 are as follows:

	1983			1982		
Price Range	High	Low	Close	High	Low	Close
1st quarter	$147	$114¾	$137½	$ 74½	$64⅜	$ 71⅝
2nd quarter	157½	135	149½	80½	70¼	72¼
3rd quarter	153¾	135¾	150¼	95⅜	67¾	93¾
4th quarter	156¼	133	144	136¾	89¼	119⅝

13. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1983, 1982 and 1981 (000's omitted except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1983					
Net revenues	$170,128	$194,018	$184,004	$214,145	$762,295
Costs and expenses	128,531	132,187	134,414	146,799	541,931
Operating income	41,597	61,831	49,590	67,346	220,364
Interest expense	(1,110)	(844)	(6,279)	(6,400)	(14,633)
Interest and other income	1,329	2,254	6,991	8,199	18,773
Income before income taxes	41,816	63,241	50,302	69,145	224,504
Income taxes	20,700	30,700	24,000	34,400	109,800
Net income	$ 21,116	$ 32,541	$ 26,302	$ 34,745	$114,704
Net income per share	$1.58	$2.41	$1.95	$2.59	$8.53
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

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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, 1983 and 1982, and the consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1983. 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, 1983 and 1982, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company
Arthur Young & Company

March 1, 1984

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Capital Cities: A Brief Chronology

1954 • Purchase of Hudson Valley Broadcasting Company, Inc., operator of a UHF television station (WROW-TV) and AM radio station (WROW-AM) in Albany, New York.

1957 • VHF approval granted for Albany, New York, and call letters changed to WTEN-TV.
• Purchase of television station WTVD, Durham, North Carolina.
• First public offering of the Company's common stock.

1959 • Purchase of television station WPRO-TV and radio stations WPRO-AM and FM, Providence, Rhode Island.

1961 • Purchase of television station WKBW-TV and radio station WKBW-AM, Buffalo, New York.
• Purchase of radio stations WPAT-AM and FM, Paterson, New Jersey (Metropolitan New York City).

1964 • Purchase of radio stations WJR-AM and WJR-FM (now WHYT-FM), Detroit, Michigan.
• Purchase of television station WSAZ-TV, Huntington, West Virginia.

1965 • Company's stock listed on the New York Stock Exchange.

1966 • Purchase of radio stations KPOL-AM and FM (now KZLA-AM and FM), Los Angeles, California.

1967 • Acquisition of television station KTRK-TV, Houston, Texas, in exchange for WPRO-TV, Providence, Rhode Island, and cash.

1968 • Acquisition of Fairchild Publications, Inc., New York City, publisher of *Women's Wear Daily* and seven other business publications.

1969 • Purchase of *The Pontiac Press* (now *The Oakland Press*), a daily newspaper in Pontiac, Michigan.

1971 • Purchase of television stations WPVI-TV, Philadelphia, WTNH-TV, New Haven, and KFSN-TV, Fresno, California, together with the sale of WTEN-TV, Albany, New York, and WSAZ-TV, Huntington, West Virginia.

1972 • Purchase of the *News-Democrat*, a daily newspaper in Belleville, Illinois.
• Purchase of *American Metal Market*, a daily business newpaper.
• Start-up of *W*, a consumer biweekly version of *Women's Wear Daily*.

1974 • Purchase of Carter Publications, Inc., publisher of the *Fort Worth Star-Telegram*, a morning, evening and Sunday newspaper, and operator of radio stations WBAP-AM and KSCS-FM, Fort Worth, Texas.

1976 • Purchase of the International Medical News Group, publisher of six specialized, controlled-circulation medical publications.
• Start-up of *Energy User News*, a weekly business newspaper.

1977 • Purchase of The Kansas City Star Company, publisher of *The Kansas City Times*, a morning newspaper, and *The Kansas City Star*, an evening and Sunday newspaper.

1978 • Purchase of Wilkes-Barre Publishing Company, publisher of *The Times Leader*, an all-day newspaper in Wilkes-Barre, Pennsylvania.
• Start-up of *SportStyle*, a twice-monthly business newspaper.

1979 • Start-up of *Home Fashions Textiles*, a monthly magazine for the textile industry, and *Entrée*, a monthly newspaper for the gourmet cooking and housewares trade.

1980 • Company enters the cable television business by acquiring seven companies with unbuilt franchises in six states.
• Purchase of the Democrat-Herald Publishing Company, publisher of two daily and six weekly newspapers in Oregon, and two national philatelic publications.
• Purchase of Pennypower Shopping News, Inc., publisher of weekly shopping guides in Wichita and Topeka, Kansas, and in Springfield, Missouri.
• Purchase of Shore Line Newspapers, Inc., publisher of nine weekly newspapers and shopping guides in Connecticut.
• Start-up of specialized publications: *MIS Week*, a weekly newspaper for the management information systems industry; *Multichannel News*, a weekly newspaper for the cable television industry; and *Aches & Pains*, a monthly clinical medical magazine.

1981 • Purchase of Cablecom-General, Inc., a major cable television operator with 43 systems.
• Purchase of radio station WKHX-FM, Marietta (Atlanta), Georgia.

1982 • Purchase of remaining partnership and minority interests in the Company's cable television systems in Odessa, Texas; Altus, Oklahoma; and Trenton, Missouri.
• Purchase of Red Bank Register, publisher of *The Daily Register* and *The Sunday Register*, serving Monmouth County, New Jersey.

1983 • Purchase of American Traveler, Inc. publisher of *The Travel Agent*, *Interline Reporter*, and *El Travel Agent Internacional*.
• Purchase of Toms River Publishing Company, Inc., publisher of the *Ocean County Reporter* a twice-weekly newspaper in Ocean County, New Jersey.
• Purchase of Securities Data Company, Inc. which markets financial information to the investment community from electronic databases.
• Start-up of *M*, a consumer monthly magazine covering men's fashion and lifestyle.
• Purchase of *Little Nickel Want Ads* advertising-only tabloids serving the Seattle-Tacoma, Washington area.
• Sale of radio stations WROW-AM and FM, Albany, New York.

Outside Directors: *(left to right)* M. Cabell Woodward, Jr.; Gerald Dickler; John H. Muller, Jr.; William S. Lasdon; William I. Spencer.

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 & Friedman, Attorneys at Law

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

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

WILLIAM S. LASDON
Director, Warner-Lambert Company

JOHN H. MULLER, JR.
Chairman, President and Chief Executive Officer, 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, ITT 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 & Friedman
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)

Capital Cities Communications, Inc.
24 East 51st Street
New York, New York 10022

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Bid

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