CAPITAL CITIES ABC INC /NY/ C 102000

CAPITAL CITIES BROADCASTING CORP /FMR **10-K**

SIC 4833 NYSE SEC # 1-4278 FOR 12/31/90

CARD 001 REC 03/21/91 (c) Disclosure Information Services, Inc. 91076934 NY

91 07 6934

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

■ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 1990.

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________.

RECEIVED
MAR 22 1991
87 | 22
DISCLOSURE INFORMATION SERVICES, INC.

RECD S.E.C.
MAR 21 1991
FEE 17

Commission file number 1-4278

Capital Cities/ABC, Inc.

(Exact name of registrant as specified in its charter)

New York	**14-1284013**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
77 West 66th Street, New York, N.Y.	**10023-6298**
(Address of principal executive offices)	**(Zip Code)**

L4 N

Registrant's telephone number, including area code (212) 456-7777

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 Pacific Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange Pacific 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 $6,286,000,000 as of February 28, 1991,

The number of shares outstanding of the issuer's common stock as of February 28, 1991: 16,715,435 shares, excluding 1,678,061 treasury shares.

Portions of Part I are incorporated herein by reference to the 1990 Annual Report to Shareholders and the definitive Proxy Statement for the annual meeting of shareholders to be held on May 7, 1991.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1990 Annual Report to Shareholders.

Part III is incorporated herein by reference to the definitive Proxy Statement for the annual meeting of shareholders to be held on May 7, 1991.

SEC MAIL PROCESSING SECTION
RECEIVED
MAR 21 1991
122
WASH., D.C.

1 of 87

3/22

PART I

Item 1. *Business.*

Capital Cities/ABC, Inc. and/or its subsidiaries (the "Company") operate the ABC Television Network, eight television stations, the ABC Radio Networks and 21 radio stations, and provide programming for cable television. The Company publishes newspapers, shopping guides, various specialized and business periodicals, books and records, provides research services and also distributes information from data bases.

Employees

At December 31, 1990, the Company had approximately 20,100 full-time employees: 10,250 in broadcasting operations, 9,600 in publishing operations and 250 in corporate activities.

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. In 1990, the Company derived substantially all broadcasting revenues and approximately 66% of its publishing revenues from the sale of advertising. Virtually all of the balance of publishing revenues was derived from subscription and other circulation receipts and the sale of books and records.

Broadcasting

Television and Radio Networks

The Company operates the ABC Television Network which as of December 31, 1990, had 227 primary affiliated stations reaching 99.9% of all U.S. television households. A number of secondary affiliated stations add to the primary coverage. The ABC Television Network has a program schedule consisting of Monday through Friday Early Morning, Daytime and Late Night, Monday through Sunday Prime Time and News, as well as Children's programs and Sports, which are largely weekend. The Company also operates the ABC Radio Networks which served a total of approximately 3,050 affiliates as of December 31, 1990 through seven different program services, each with its own group of affiliated stations. The ABC Radio Networks also produce and distribute a number of radio program series for radio stations nationwide.

Generally, the Company pays the cost of producing or purchasing the broadcast rights for its network programming and pays varying amounts of compensation to its affiliated stations for broadcasting the programs and commercial announcements included therein. Substantially all revenues from network operations are derived from the sale to advertisers of time in network programs for commercial announcements. The ability to sell time for commercial announcements and the rates received are dependent on the quantitative and qualitative audience that the network can deliver to the advertiser.

Television and Radio Stations

The Company owns seven very high frequency (VHF) television stations, one ultra high frequency (UHF) television station, eleven standard (AM) radio stations and ten frequency modulation (FM) radio stations. All television stations are affiliated with the ABC Television Network and all radio stations, except as noted, are affiliated with the ABC Radio Networks. Markets, frequencies and other station details are set forth in the following tables:

Television stations

Station and market	Channel	Expiration date of FCC authorization	Television market ranking(1)
WABC-TV (New York, NY)	7	June 1, 1994	1
KABC-TV (Los Angeles, CA)	7	Dec. 1, 1993	2
WLS-TV (Chicago, IL)	7	Dec. 1, 1992	3
WPVI-TV (Philadelphia, PA)	6	Aug. 1, 1994(2)	4
KGO-TV (San Francisco, CA)	7	Dec. 1, 1993	5
KTRK-TV (Houston, TX)	13	Aug. 1, 1993	10
WTVD (Durham-Raleigh, NC)	11	Dec. 1, 1991	34
KFSN-TV (Fresno, CA)	30	Dec. 1, 1993	59

Radio stations

Station and market	Frequency AM-Kilohertz FM-Megahertz	Expiration date of FCC authorization	Radio market ranking(4)
WABC (New York, NY)	770 K	June 1, 1991	1
KABC (Los Angeles, CA)	790 K	(2)	2
WLS (Chicago, IL)	890 K	Dec. 1, 1996	3
KGO (San Francisco, CA)	810 K	Dec. 1, 1997	4
WJR (Detroit, MI)	760 K	Oct. 1, 1996	6
WBAP (Fort Worth-Dallas, TX)	820 K	Aug. 1, 1997	7
WMAL (Washington, D.C.)	630 K	Oct. 1, 1995	9
WKHX (Atlanta, GA) (3)	590 K	Apr. 1, 1996	12
KQRS (Minneapolis-St.Paul, MN)	1440 K	Apr. 1, 1997	18
KRXY (Denver, CO)	1600 K	Apr. 1, 1997	24
WPRO (Providence, RI)	630 K	(2)	28
WPLJ(FM) (New York, NY)	95.5 M	June 1, 1991	1
KLOS(FM) (Los Angeles, CA)	95.5 M	(2)	2
WYTZ(FM) (Chicago, IL)	94.7 M	Dec. 1, 1996	3
WHYT(FM) (Detroit, MI)	96.3 M	Oct. 1, 1996	6
KSCS(FM) (Fort Worth-Dallas, TX) (3)	96.3 M	Aug. 1, 1997	7
WRQX(FM) (Washington, D.C.)	107.3 M	Oct. 1, 1995	9
WKHX-FM (Atlanta, GA) (3)	101.5 M	Apr. 1, 1996	12
KQRS-FM (Minneapolis-St. Paul, MN)	92.5 M	(2)	18
KRXY-FM (Denver, CO)	107.5 M	Apr. 1, 1997	24
WPRO-FM (Providence, RI)	92.3 M	(2)	28

(1) Based on Arbitron Television Universe Estimates Summary, 1990-1991 season.
(2) See "Licenses—Federal Regulation of Broadcasting/Renewal Matters" below for description of pending license renewal applications and other matters.
(3) No network affiliation.
(4) Based on Arbitron Radio Market Survey Schedule and Population Rankings (metro survey area) as of Fall 1990.

Video Enterprises

The Company's Video Enterprises operations are largely involved in the production and supply of cable television programming, in the licensing of programming to domestic and international home video markets and television stations abroad and investment in foreign-based television and theatrical film production/distribution entities. Its primary services and household reach are:

ESPN, a cable sports programming service reaching 57,300,000 households, which is 80%-owned;

The Arts & Entertainment Network, a cable programming service devoted to cultural and entertainment programming reaching 48,400,000 households, which is 38%-owned;

Lifetime, a cable programming service devoted to women's lifestyle and health programming with special material for health care professionals reaching 51,200,000 households, which is 33 1/3%-owned;

Tele-Munchen GmbH, a Munich, Germany based television and theatrical production/distribution company with interests in cinemas and minority interests in a Munich radio station and a German cable/television program service, which is 50%-owned; and

Hamster Productions, S.A. and Tesauro, S.A., respectively, a Paris, France and a Madrid, Spain based television and theatrical production/distribution company, each of which is 25%-owned.

Competition

The ABC Television Network competes for viewers with the other television networks, independent television stations and other video media such as cable television, multipoint distribution services, satellite television program services and video cassettes; in the sale of advertising time, it competes with the other television networks, independent television stations, suppliers of cable television programs, and other advertising media such as newspapers, magazines and billboards. Substantial competition also exists for exclusive broadcasting rights for television programming. The ABC Radio Networks likewise compete with other radio networks and radio programming services, independent radio stations, and other advertising media.

The Company's television and radio stations are in competition with other television and radio stations, cable television systems, multipoint distribution services and other advertising media such as newspapers, magazines and billboards. Such competition occurs primarily in individual market areas. Generally, a television station in one market does not compete directly 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 station 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. However, they generally do not gain a significant share of the advertising marketplace.

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.

The most common sources of television service other than conventional television stations 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 multipoint distribution services ("MDS") which employ non-broadcast frequencies to transmit subscription television services to individual homes and businesses. Additional services are being provided by low power television stations and by direct satellite-to-home transmissions. Finally, the increased in-home use of video cassette recorders and players provides what is, in effect, an alternative television service.

The Company's video enterprises operations compete with a number of companies involved in developing and supplying program services for cable, distribution of video cassettes, television syndication and theatrical distribution, and with conventional television broadcasters. The development of these businesses could adversely affect the future of conventional television broadcasting.

4

4

Technological developments have created the possibility that one or more of the television services with which the ABC Television Network and the Company's stations compete will provide enhanced or "high definition" pictures and sound of a quality that is technically superior to that which is currently available to consumers. It is not yet clear when and to what extent technology of this kind will be available in the various television services, whether and how television stations will be able to avail themselves of these improvements, or whether the viewing public will make choices among services on the basis of such differences. The Company and many other segments of the television industry are intensively studying enhanced and high definition television technology, and both the Congress and the Federal Communications Commission (the "FCC") have initiated proceedings and studies of its potential and application to television service in the United States.

There is also a new radio technology known as "digital audio" which could result in additional competition to the Company's radio stations and radio networks. Digital audio is capable of providing "compact disk" quality, a quality much higher than can now be provided by existing AM and FM broadcasting services. It is not yet clear when and to what extent existing radio stations and networks will be able to avail themselves of this new technology and whether the listening public will make choices among services on the basis of the difference in audio quality. The Company and many other aspects of the radio industry are intensively studying this new technology, and the FCC has initiated a proceeding to seek information to assist it in developing technical standards and regulatory policies for the possible introduction of such new digital audio radio services.

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, among other things, to 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 its 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. During certain periods when a renewal application is pending, other applicants may file for the frequency and may be entitled to compete with the renewal applicant in a comparative hearing, and others may file petitions to deny the application for renewal of license. Renewal applications are now pending for KABC(AM), KLOS-FM, KQRS-FM, WPRO(AM) and WPRO-FM. For KABC(AM), KLOS-FM, WPRO(AM) AND WPRO-FM, the time to file competing applications and petitions to deny has passed, and no such filings have been made against these stations. All of the Company's other owned stations have been granted license renewals by the FCC for regular terms except for KQRS-FM. Action on previous KQRS-FM renewal applications has been delayed pending the outcome of a long-standing dispute involving the technical facilities of several of the FM stations in the KQRS-FM market. The dispute among the parties has now been resolved, and the FCC is expected to act on this matter following completion of construction of the station's new antenna facility and the filing of a covering license application. With regard to WPVI-TV, a petition to deny was filed in 1989 against all commercial television stations in Philadelphia (including WPVI-TV) alleging that they had failed to broadcast adequate programming about issues of concern to women and certain minority groups. The FCC rejected the petition and granted the license, but the petitioners have sought reconsideration from the FCC.

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 representatives of aliens or foreign governments.

The FCC's "multiple ownership" rules provide that a license for a television station will not be granted if the applicant owns, or has a significant interest in, another television station which provides service to areas already served by the station operated or controlled by the applicant or if granting the license would result in a concentration of control of broadcasting. A more narrowly-defined restriction applies to common ownership of two or more radio stations of the same type (AM or FM) in the same area. Those rules also preclude the grant of applications for station acquisitions which would result in the creation of new radio-television combinations in the same market under common ownership, or the sale of such a combination to a single party, subject to the availability of waiver. Under FCC policy, waiver applications that involve radio-television station combinations in the top 25 TV markets where there would be at least 30 separately owned, operated and controlled broadcast licensees after the proposed combination will generally be favorably received. Under present FCC rules, a single entity may directly or indirectly own, operate or have a significant interest in up to twelve AM and twelve FM radio stations, and up to twelve television stations (VHF or UHF), provided that those television stations operate in markets containing cumulatively no more than 25% of the television households in the country. For this purpose, ownership of a UHF station will result in the attribution of only 50% of the television households in the relevant market. The Company owns eight television stations, of which seven are VHF, resulting in a total penetration of the nation's television households, for purposes of the multiple ownership rules, of 24.34%. The Company also owns eleven AM and ten FM radio stations.

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; television licensees may not own cable television systems in communities within the service contours of their television stations; and a television network owner may not own a cable system. 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. Although these holdings are "grandfathered," under the rules these commonly owned broadcast/newspaper combinations could not be transferred together.

The FCC's rules generally provide that an entity will have the licensee's broadcast stations or newspapers attributed to it for purposes of the multiple ownership rules only if it holds the power to vote or control the vote of 5% or more of the stock of a licensee. Qualifying mutual funds, insurance companies, or bank trust departments may vote or control the vote of up to 10% of the stock of a broadcast licensee before the licensee's stations would be attributed to that entity.

Network Regulations

The Company's television network operations are subject to a consent decree (United States v. American Broadcasting Companies, Inc., 74-3600-RJK), in the United States District Court for the Central District of California, entered into and effective on November 14, 1980. The consent decree contains provisions which prohibit the acquisition of subsidiary rights and interests in television programs produced by independent suppliers and forbid the Company from engaging in the business of domestic syndication. These injunctive provisions of the consent judgment continue in perpetuity. In addition, the consent judgment contains provisions regulating for a period expiring in 1995 certain aspects of the Company's contractual relationships with suppliers of entertainment programming and with talent performers and other creative contributors to ABC Television Network entertainment programming. Similar judgments have been entered against CBS Inc. and the National Broadcasting Company, Inc. with respect to their television networks.

ABC, CBS and NBC are also currently subject to FCC rules which restrict their ability to acquire financial interests in television programs or engage in program syndication. The FCC is currently engaged in a rulemaking proceeding examining whether to repeal, retain or modify these rules. The network operated by Fox Broadcasting Company, which would otherwise be subject to these rules based on its provision of 15 hours or more of programming to its affiliates, has been granted a waiver from these rules until the earlier of May 8, 1991 or the conclusion of the proceeding. In addition, other FCC rules essentially restrict the regular prime-time programming schedules of ABC, CBS and NBC to three hours per night during the period 7:00 P.M. to 11:00 P.M. Fox has also been granted temporary relief from this restriction. The Company is supporting repeal of the financial interest and syndication rules and opposing any preferential treatment for Fox. The Company is not able to predict the outcome of these proceedings.

Radio Proceedings

In an action designed to increase the number of aural outlets, the FCC has initiated proceedings to expand the AM band to include new frequencies. This action would require, among other matters, some modifications of international treaties governing use of the radio spectrum. The FCC has also initiated proceedings that include a number of possible changes in the criteria used for making assignments in the AM band, one result of which has been proposals to facilitate interference reduction among stations. The Company is not able to predict the outcome or impact of these proceedings.

Cable Television and Other Competing Services

As previously noted (see "Competition" above), cable television can provide more competition to a television station by making additional signals available to the audience. In 1987, for the second time, the United States Court of Appeals for the District of Columbia Circuit ruled unconstitutional FCC rules which required cable television systems generally to carry the signals of television stations in whose service areas they operate. The ruling became final in 1988 when the Supreme Court declined to hear the case. In 1991, legislation was proposed which would reinstitute the rules in some form and which would also reimpose cable system rate regulation. The proposed legislation also proposes to introduce other measures to facilitate competition with cable systems from MDS and other multi-channel video providers. In addition, the FCC has determined that rate regulation should be reimposed where cable systems are not subject to "effective competition" and has issued a Further Notice of Proposed Rulemaking seeking comment on the proper standards for "effective competition" and rate regulation. The Company is not able to predict the outcome of this proposed legislation and these proceedings, which could have an impact on its broadcast stations as well as its cable services. Currently, cable television systems may decline to carry the signals of television stations in their service areas, including the signals of television stations owned by the Company or affiliated with its television network.

Most cable television systems supply additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. Many of these services (including ESPN, Arts & Entertainment and Lifetime) are also being distributed directly to viewers by means of satellite transmissions to home satellite reception dishes.

The FCC also authorizes broadcast subscription television services and MDS, and has expanded the number of frequencies available for MDS by allocating two groups of four channels each for the so-called multi-channel MDS, to be awarded by lottery. The FCC has authorized licensees in the Instructional Television Fixed Service to lease their excess capacity for commercial use, including subscription television service and has adopted rules facilitating direct broadcast satellite operations. It has also created a new service of low power television facilities to supplement existing conventional television broadcast service. The Company cannot predict the competitive effect of these services.

* * * * *

From time to time legislation may be introduced in Congress which, if enacted, might affect the Company's operations or its advertising revenues. 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 generally 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 related activities. For a complete statement of such provisions, reference is made to the Communications Act, and to such rules, regulations and pending proposals thereunder.

Publishing

The Company publishes newspapers and shopping guides, various specialized and business periodicals and books; provides research services and also distributes information from data bases. Following is a summary of the Company's historical operating performance, by type of publication for the last five years (000's omitted):

						Pro Forma (b)	
	1990	1989	1988	1987	1986	1990	1989
Inches of advertising							
Newspapers (a)	18,421	15,844	15,757	16,141	15,706	14,966	15,460
Specialized publications	3,399	3,603	3,729	3,766	3,914	3,032	3,216
Advertising revenue							
Newspapers—ROP	$307,634	$290,545	$278,789	$270,905	$255,844	$291,982	$288,084
Newspapers—inserts	49,800	44,694	43,523	35,997	32,849	48,487	44,555
Shopping guides	65,834	62,111	61,238	60,845	56,291	64,983	62,001
Specialized publications	307,686	310,169	305,665	312,508	311,593	278,192	278,096
Circulation revenue							
Newspapers	$ 85,933	$ 82,582	$ 75,025	$ 70,686	$ 56,260	$ 83,282	$ 82,204
Specialized publications	59,471	65,882	64,311	62,225	62,870	55,012	52,504
Other operating revenue							
Newspapers	$ 10,813	$ 6,635	$ 5,218	$ 4,074	$ 3,603	$ 4,798	$ 5,[illegible]
Shopping guides	4,171	4,337	5,024	5,120	7,508	4,161	4,333
Specialized publications							
Books/Music	111,643	108,012	100,909	99,504	102,413	105,790	104,711
Research services, data base and other	98,984	82,438	84,194	84,733	81,524	89,124	80,390
Total revenue							
Newspapers	$454,180	$424,456	$402,555	$381,662	$348,556	$428,549	$419,992
Shopping guides	70,005	66,448	66,262	65,965	63,799	69,144	66,334
Specialized publications	577,784	566,501	555,079	558,970	558,400	528,118	515,701
Paid circulation at year-end							
Newspapers (Mon.-Fri.)	769	891	908	941	933	762	883
Newspapers (Sun.)	958	930	915	900	856	949	920
Specialized publications	2,164	3,256	4,515	4,234	4,437	2,164	2,300

(a) Does not include inserts.

(b) Excludes 1990 and 1989 acquisitions, start-ups and disposals.

Daily Newspapers

The Company publishes nine daily newspapers in eight communities (six of which have Sunday editions). The daily newspapers and their paid circulation are as follows:

		Daily	Sunday
The Kansas City Star	Morning	300,000	416,000
Fort Worth Star-Telegram	Morning	162,000	334,000
Fort Worth Star-Telegram	Evening	97,000	
The Oakland Press (Pontiac, MI)	Morning	75,000	83,000
Belleville News-Democrat (Belleville, IL)	Morning	52,000	57,000
The Times Leader (Wilkes-Barre, PA)	Morning	50,000	59,000
Albany Democrat-Herald (Albany, OR)	Evening	21,000	
Milford Citizen (Milford, CT)	Evening	7,000	9,000
The Daily Tidings (Ashland, OR)	Evening	5,000	

Weekly Newspapers

The Company publishes weekly community newspapers in seven states. The location by state, number of publications and aggregate circulation is set forth below:

State	Number of Publications	Aggregate Circulation
Connecticut	35	320,000
Illinois	11	57,000
Massachusetts	18	60,000
Michigan	4	84,000
Oregon	6	43,000
Pennsylvania	1	11,000
Rhode Island	3	39,000

Shopping Guides and Real Estate Magazines

The Company distributes shopping guides and real estate magazines in eleven states. The location by state, number of publications and aggregate circulation is set forth below:

State	Number of Publications	Aggregate Circulation
California	6	1,796,000
Connecticut	6	149,000
Kansas	1	162,000
Massachusetts	9	168,000
Michigan	9	128,000
Missouri	1	133,000
Oregon	3	219,000
Pennsylvania	1	18,000
Rhode Island	1	20,000
Texas	1	25,000
Washington	4	330,000

Specialized Publications

The Specialized Publications consists of three groups: the Diversified Publishing Group, the Fairchild Fashion and Merchandising Group, and the Financial Services and Medical Group. Through these groups it is engaged in gathering and publishing business news and ideas for industries covered by its various publications; in the publishing of consumer, special interest, trade and agricultural publications; and in research and data base services and inspirational communications. All of the publications are printed by outside printing contractors. Following are the significant publications and services:

Title	Frequency	Circulation
Diversified Publishing Group		
Agricultural Publishing Group		
Dairy Herd Management	Monthly	106,000*
Farm Futures	13 times per year	205,000*
Farm Store Merchandising	Monthly	36,000*
Feedstuffs	Weekly	19,000
Hog Farm Management	Monthly	45,000*
Prairie Farmer	16 times per year	178,000
Tack 'n Togs Merchandising	Monthly	22,000*
Wallaces Farmer	16 times per year	170,000*
Wisconsin Agriculturist	16 times per year	49,000
Chilton Company		
Automotive Aftermarket News	Monthly	69,000*
Automotive Body Repair News	Monthly	63,000*
Automotive Industries	Monthly	91,000*
Automotive Marketing	Monthly	27,000*
Commercial Carrier Journal	Monthly	80,000*
Decorative Products World	9 times per year	30,000*
Distribution	Monthly	70,000*
Electronic Component News	Monthly	120,000*
Electronic News	Weekly	72,000
Energy User News	Monthly	32,000
Food Engineering North America	Monthly	60,000*
Food Engineering International	10 times per year	14,000*
Garden Supply Retailer	10 times per year	40,000*
Hardware Age	Monthly	71,000*
IMPO (Industrial Maintenance & Plant Operations)	Monthly	121,000*
Industrial Safety & Hygiene News	Monthly	60,000*
IAN (Instrumentation & Automation News)	Monthly	118,000*
I&CS (Instrument & Control Systems)	Monthly	89,000*
Jewelers' Circular-Keystone	Monthly	36,000
Motor Age	Monthly	139,000*
Outdoor Power Equipment	Monthly	13,000*
Owner Operator	9 times per year	95,000*
Product Design and Development	Monthly	160,000*
Review of Optometry	Monthly	29,000*

Title	Frequency	Circulation
Communications and Commodities Group		
American Metal Market	Daily	12,000
Cablevision	Biweekly	13,000*
CED (Communications Engineering and Design)	Monthly	13,000*
Multichannel News	Weekly	15,000
Video Business	Weekly	45,000*
Hitchcock Publishing Company		
Assembly Engineering	Monthly	79,000*
Heat Treating	Monthly	21,000*
Industrial Finishing	Monthly	37,000*
Iron Age/Metal Producers	Monthly	21,000*
Manufacturing Systems	Monthly	115,000*
Metal Center News	Monthly	14,000*
Office Products Dealer	Monthly	31,000*
Personal Publishing	Monthly	63,000*
Quality	Monthly	95,000*
Los Angeles Magazine	Monthly	172,000

Data Base Services

NILS Publishing Company publishes information on insurance laws and regulations. National Price Service, Inc. publishes price and product information for items available to the electrical and plumbing trades.

Inspirational Communications

Word, Incorporated, a diversified religious and inspirational communications company, publishes bibles and other religious and inspirational books and materials; produces and distributes records, tapes, sheet music, song books, films and instructional materials; and duplicates video and audio tapes.

Fairchild Fashion and Merchandising Group

Children's Business	Monthly	15,000*
Daily News Record	Daily	23,000
Footwear News	Weekly	21,000
Golf Pro Merchandiser	7 times per year	12,000*
HFD—The Weekly Home Furnishings Newspaper	Weekly	30,000
Home Fashions Magazine	Monthly	9,000*
M inc.	Monthly	236,000
SportStyle	Biweekly	27,000*
Supermarket News	Weekly	54,000
W	Biweekly	262,000
W Fashion Life	9 times per year	15,000
Women's Wear Daily	Daily	59,000

Title	Frequency	Circulation
Financial Services and Medical Group		
Institutional Investor		
Domestic Edition	Monthly	106,000*
International Edition	Monthly	38,000*
International Medical News Group		
Clinical Psychiatry News	Monthly	29,000*
Family Practice News	Semimonthly	74,000*
Internal Medicine News	Semimonthly	83,000*
Ob. Gyn. News	Semimonthly	31,000*
Pediatric News	Monthly	34,000*
Skin & Allergy News	Monthly	34,000*

*All, or substantially all, controlled circulation.

* * * * * * *

Certain operations within the Publishing Group also publish philatelic magazines, cable guides, books, visuals, directories and newsletters; conduct meetings, seminars and trade shows; provide syndication, marketing and research services; and sell insurance products.

Competition

The Company's specialized publications operate in a highly competitive environment. In the Company's various news publishing activities, it competes with almost all other information media, including broadcast media, and this competition may become more intense as communications equipment is improved and new technologies 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 the Company's specialized publications, competing general interest and consumer magazines and general news magazines publish substantial amounts of similar business material and deal with the same or related special interests or industries as those covered by the Company's publications. 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 shopping guides compete with other advertising media such as broadcasting stations, suburban and metropolitan newspapers, magazines and billboards. The Company's book publishing operations compete with other companies whose books deal with the same or related fields as those covered by the Company's titles. In most cases, there is also competition for acquisition of new book titles. In the religious and inspirational recording field, there is competition with others, not only to obtain the creative talent and music essential to the business, but also in the sale and distribution of the product.

Raw Materials

The primary raw materials used by the Company's Publishing Group are newsprint and other paper stock, which are purchased from paper merchants, paper mills and contract printers and are readily available from numerous suppliers.

Item 2. *Properties.*

The Company's headquarters building at 77 West 66th Street in New York City houses the corporate offices and the television network administrative staff, and is owned by the Company.

The Company owns the ABC Television Center adjacent to the Company's headquarters building on West 66th Street and the ABC Radio Network studios at 125 West End Avenue in New York City. In Los Angeles, the Company owns the ABC Television Center. The Company leases the ABC Television Network offices in Los Angeles, the ABC News Bureau facility in Washington, D.C. and the computer facility in Hackensack, New Jersey, under leases expiring on various dates through 2034.

The Company's broadcast operations and engineering facility and local television studios and offices in New York City are leased, but the Company has the right to acquire such properties for a nominal sum in 1997. The Company owns the majority of its other broadcast studios and offices and broadcast transmitter sites elsewhere, and those which it does not own are occupied under leases expiring on various dates through 2039.

The Company owns and leases publishing subsidiaries' executive, editorial and other offices and facilities in various cities. For leased properties, the leases expire on various dates through 2006. All of the significant premises occupied by the newspapers are owned by the Company.

Item 3. *Legal Proceedings.*

All litigation pending during 1990 was routine and incidental to the business of the Company.

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
Daniel B. Burke	62	1967	1962	President, Chief Executive Officer, Chief Operating Officer and Director.
Thomas S. Murphy	65	1957	1958	Chairman of the Board of Directors.
John B. Fairchild	64	1968	1968	Executive Vice President, Chairman of Fairchild Fashion & Merchandising Group, and Director.
John B. Sias	64	1977	1975	Executive Vice President, President of ABC Television Network Group, and Director.
Ronald J. Doerfler	49		1977	Senior Vice President and Chief Financial Officer.
Michael P. Mallardi	57		1986	Senior Vice President and President of Broadcast Group.
Phillip J. Meek	53		1975	Senior Vice President and President of Publishing Group.
Stephen A. Weiswasser ..	50		1986	Senior Vice President and Executive Vice President, ABC Television Network Group. Prior to February 1991 he was Senior Vice President and General Counsel.
Allan J. Edelson	48		1981	Vice President and Controller.
David J. Vondrak	45		1986	Vice President and Treasurer.
David Westin	38		1991	Vice President and General Counsel. Prior to February 1991 he was engaged in the practice of law as a partner in the law firm of Wilmer, Cutler & Pickering.
Philip R. Farnsworth	49		1986	Secretary. From 1986 to 1988 he was Assistant Secretary.

There is no relationship by blood, marriage or adoption among the officers. 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 37 of the 1990 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 1990 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 1990 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 38 of the 1990 Annual Report to Shareholders and is incorporated herein by reference.

Item 9. ***Changes in and Disagreements with Accountants 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 the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 7, 1991. Information concerning the executive officers is included in Part 1, on page K-14.

Item 11. ***Executive Compensation.***

Incorporated herein by reference to the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 7, 1991.

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

Incorporated herein by reference to the Company's definitive Proxy Statement for the annual meeting of shareholders to be held on May 7, 1991.

Item 13. ***Certain Relationships and Related Transactions.***

The information called for by this item is not applicable.

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 the consolidated 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.

A Form 8-K, dated December 12, 1990, filed under Item 7 certain exhibits relating to Registration Statement No. 33-38117.

CAPITAL CITIES/ABC,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 applicable 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/ABC, Inc., listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1990, are hereby incorporated by reference. With the exception of the items referred to in Items 1, 5, 6, 7 and 8, the 1990 Annual Report to Shareholders is not to be deemed filed as part of this report.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Capital Cities/ABC, Inc. for the year ended December 31, 1990 of our report dated February 28, 1991, included in the 1990 Annual Report to Shareholders of Capital Cities/ABC, Inc.

We also consent to the addition of the financial statement schedules listed in the accompanying index to consolidated financial statements and financial statement schedules to the financial statements covered by our report dated February 28, 1991 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 of the Company's common stock, Form S-8 No. 2-59014 for the registration of 287,195 shares, Form S-8 No. 2-86863 for the registration of 300,000 shares, Form S-8 No. 33-2196 relating to the issuance of an indeterminate number of shares, Form S-8 No. 33-11806 for the registration of 200,000 shares, Form S-8 No. 33-16206 for the registration of 300,000 shares, Form S-8 No. 33-25918 for the registration of 200,000 shares, Form S-8 No. 33-33761 for the registration of 200,000 shares and Form S-3 No. 33-38117 for the registration of Debt Securities and Warrants to purchase Debt Securities, and in the related Prospectuses and documents constituting Prospectuses, of our above report.

ERNST & YOUNG

Ernst & Young

New York, New York
March 19, 1991

CAPITAL CITIES/ABC, INC.

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

(3)(a) Restated Certificate of Incorporation of the Company, with amendments. Incorporated by reference to Exhibit (3)(a) to the Company's Annual Report on Form 10-K for 1989.

(3)(b) Current By-laws of the Company. Incorporated by reference to Exhibit (3) to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1990.

(4)(a) Capital Cities/ABC, Inc. Standard Multiple-Series Indenture Provisions dated December 7, 1990. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 33-38117.

(4)(b) Indenture, dated as of December 15, 1990, between the Company and Manufacturers Hanover Trust Company, as Trustee, with respect to Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 33-38117.

(4)(c) Capital Cities Communications, Inc. Standard Multiple-Series Indenture Provisions dated July 25, 1985. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 2-99204.

(4)(d) Indenture, dated as of July 25, 1985, between the Company and Manufacturers Hanover Trust Company, as Trustee, with respect to Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 2-99204.

(4)(e) Revolving Credit Agreement, dated as of January 3, 1986, as amended and restated as of June 30, 1987, among the Company, Chemical Bank and certain other banks. Incorporated by reference to Exhibit (4)(d) to the Company's Annual Report on Form 10-K for 1987.

(4)(f) Second Amendment, dated as of June 30, 1989, to the Revolving Credit Agreement set forth in Exhibit (4)(d) above. Incorporated by reference to Exhibit 4(e) to the Company's Annual Report on Form 10-K for 1989.

(4)(g) Capital Cities/ABC Finance Company, Inc. (Issuer) and Capital Cities/ABC, Inc. (Guarantor) Standard Multiple-Series Indenture Provisions, dated February 11, 1986. Incorporated by reference to Exhibit (4)(a) to Registration Statement No. 33-3236.

(4)(h) Indenture, dated as of February 11, 1986, between the Company, Guarantor, and Manufacturers Hanover Trust Company, as Trustee, with respect to Senior Debt Securities. Incorporated by reference to Exhibit (4)(b) to Registration Statement No. 33-3236.

(4)(i) Note Purchase Agreement, dated November 15, 1985, between the Company and Metropolitan Life Insurance Company. Incorporated by reference to Exhibit C to the Company's Schedule 13D dated January 13, 1986.

(4)(j) Note Purchase Agreement, dated November 15, 1985, between the Company and Teachers Insurance and Annuity Association of America. Incorporated by reference to Exhibit D to the Company's Schedule 13D dated January 13, 1986.

(4)(k) Note Purchase Agreement, dated November 15, 1985, between the Company and Equitable Variable Life Insurance Company. Incorporated by reference to Exhibit E to the Company's Schedule 13D dated January 13, 1986.

(4)(l) Note Purchase Agreement, dated November 15, 1985, between the Company and The Equitable Life Assurance Society of the United States. Incorporated by reference to Exhibit F to the Company's Schedule 13D dated January 13, 1986.

(4)(m) Form of Senior Note and Guarantee issued in exchange for notes of equal principal amount and interest rate issued in connection with the Note Purchase Agreements referred to in Exhibits (4)(i) through (4)(l) above. Incorporated by reference to Exhibit (4)(c) to Registration Statement No. 33-5315.

(4)(n) Other instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries are not being filed since the total amount of securities authorized under any of such instruments does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.

(4)(o) Rights Agreement, dated December 14, 1989, between the Company and Harris Trust Company of New York with respect to the Preferred Share Purchase Rights. Incorporated by reference to Exhibit 1 to the Company's Form 8-K dated December 15,1989.

(10)(a) Stock Purchase Agreement between the Company and Berkshire Hathaway Inc., dated March 18, 1985. Incorporated by reference to Appendix B to the Company's and American Broadcasting Companies, Inc.'s Joint Proxy Statement-Prospectus dated May 10, 1985.

(10)(b) Stock Purchase Agreement among the Company, Berkshire Hathaway Inc., National Indemnity Company, National Fire and Marine Insurance Company, Columbia Insurance Company, Nebraska Furniture Mart, Inc. and Cornhusker Casualty Company, dated January 2, 1986. Incorporated by reference to Exhibit A to the Schedule 13D dated January 8, 1986 filed by Berkshire Hathaway Inc. and others in regard to the Company's common stock.

(13) The Company's 1990 Annual Report to Shareholders. (This report, except for the portions thereof which are incorporated by reference in this Form 10-K, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K.)

(22) Subsidiaries of the Company.

(28)(a) Form 11-K for the Capital Cities/ABC, Inc. Savings & Investment Plan for the year ended December 31, 1990.

(28)(b) Undertakings.

CAPITAL CITIES/ABC, INC.

PROPERTY, PLANT AND EQUIPMENT—SCHEDULE V
(Thousands of Dollars)

	Balance at beginning of period	Operating companies acquired	Additions at cost	Retirements or sales	Other changes—reclassifications (a)	Balance at close of period
Year ended December 31, 1990:						
Land and improvements	$ 400,665	$ 783	$ 2,401	$ (511)		$ 403,338
Buildings and improvements	583,510	4,794	42,166	(9,000)		621,470
Broadcasting equipment	397,925	3,088	53,083	(3,289)		450,807
Printing machinery and equipment	162,367	4,470	9,702	(4,825)		171,714
Other, including construction-in-progress	199,300	6,942	13,460	(5,971)		213,731
	$1,743,767	$ 20,077	$120,812	$(23,596)		$1,861,060
Year ended December 31, 1989:						
Land and improvements	$ 399,400	$ 447	$ 1,582	$ (764)		$ 400,665
Buildings and improvements	495,313	1,562	90,399	(3,764)		583,510
Broadcasting equipment	360,948	1,669	44,502	(9,194)		397,925
Printing machinery and equipment	151,479	1,044	15,721	(5,877)		162,367
Other, including construction-in-progress	165,174	495	41,338	(7,707)		199,300
	$1,572,314	$ 5,217	$193,542	$(27,306)		$1,743,767
Year ended January 1, 1989:						
Land and improvements	$ 395,097	$ 22	$ 3,245	$ (67)	$ 1,103	$ 399,400
Buildings and improvements	459,766	150	35,603	(153)	(53)	495,313
Broadcasting equipment	307,756		55,185	(4,523)	2,530	360,948
Printing machinery and equipment	148,604	271	7,488	(4,220)	(664)	151,479
Other, including construction-in-progress	113,325	40	51,892	(1,531)	1,448	165,174
	$1,424,548	$ 483	$153,413	$(10,494)	$ 4,364	$1,572,314

(a) Represents in 1988, final adjustments to the purchase price allocation of the 1987 acquisition of radio stations KRXY-AM/FM and the 1986 acquisition of American Broadcasting Companies, Inc.

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

	Balance at beginning of period	Additions: Operating companies acquired	Additions: Charged to expense	Deductions: Operating companies disposed	Deductions: Accounts written-off, net	Balance at close of period
Deducted from accounts and notes receivable:						
Year ended December 31, 1990	$36,135	$2,263	$49,715	$(136)	$(50,137)	$37,840
Year ended December 31, 1989	37,702	235	53,619		(55,421)	36,135
Year ended January 1, 1989	37,798	444	51,924	(91)	(52,373)	37,702

CAPITAL CITIES/ABC, INC.

ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT—SCHEDULE VI

(Thousands of Dollars)

	Balance at beginning of period	Charged to expense	Retirements or sales	Other changes—reclassifications(a)	Balance at close of period
Year ended December 31, 1990:					
Land improvements	$ 2,058	$ 390	$ (44)		$ 2,404
Buildings and improvements	103,735	22,979	(2,051)		124,663
Broadcasting equipment	226,814	50,527	(1,592)		275,749
Printing machinery and equipment	80,651	12,317	(3,875)		89,093
Other	38,343	9,462	(245)		47,560
	$ 451,601	$ 95,675	$ (7,807)		$ 539,469
Year ended December 31, 1989:					
Land improvements	$ 1,667	$ 391			$ 2,058
Buildings and improvements	83,951	22,070	$ (2,286)		103,735
Broadcasting equipment	183,016	50,509	(6,711)		226,814
Printing machinery and equipment	73,952	12,073	(5,374)		80,651
Other	33,847	8,922	(4,426)		38,343
	$ 376,433	$ 93,965	$ (18,797)		$ 451,601
Year ended January 1, 1989:					
Land improvements	$ 1,299	$ 381	$ (13)		$ 1,667
Buildings and improvements	63,702	20,370	(99)	$ (22)	83,951
Broadcasting equipment	131,380	54,068	(3,798)	1,366	183,016
Printing machinery and equipment	65,482	12,067	(3,327)	(270)	73,952
Other	25,552	8,819	(1,080)	556	33,847
	$ 287,415	$ 95,705	$ (8,317)	$ 1,630	$ 376,433

(a) Represents in 1988, final adjustments to the purchase price allocation of the 1986 acquisition of American Broadcasting Companies, Inc.

Depreciation is computed on the straight-line method over the following estimated useful lives: buildings and improvements—10 to 55 years; broadcasting equipment—4 to 20 years; printing machinery and equipment—5 to 20 years.

SUPPLEMENTARY INCOME STATEMENT INFORMATION—SCHEDULE X

(Thousands of Dollars)

	Royalties	Advertising costs
Year ended December 31, 1990	$60,175	$145,757
Year ended December 31, 1989	59,156	131,290
Year ended January 1, 1989	56,061	115,337

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/ABC, INC.
(Registrant)

/s/ DANIEL B. BURKE
(Daniel B. Burke)
President and Chief Executive Officer March 19, 1991

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 date indicated:

Principal Executive Officer:

/s/ DANIEL B. BURKE **(Daniel B. Burke)**	March 19, 1991

Principal Financial Officer:

/s/ RONALD J. DOERFLER **(Ronald J. Doerfler)**	March 19, 1991

Controller:

/s/ ALLAN J. EDELSON **(Allan J. Edelson)**	March 19, 1991

Directors:

/s/ ROBERT P. BAUMAN **(Robert P. Bauman)**	March 19, 1991
/s/ WARREN E. BUFFETT **(Warren E. Buffett)**	March 19, 1991
/s/ DANIEL B. BURKE **(Daniel B. Burke)**	March 19, 1991
/s/ FRANK T. CARY **(Frank T. Cary)**	March 19, 1991
/s/ JOHN B. FAIRCHILD **(John B. Fairchild)**	March 19, 1991
/s/ LEONARD H. GOLDENSON **(Leonard H. Goldenson)**	March 19, 1991
/s/ FRANK S. JONES **(Frank S. Jones)**	March 19, 1991
/s/ ANN DIBBLE JORDAN **(Ann Dibble Jordan)**	March 19, 1991
/s/ JOHN H. MULLER, JR. **(John H. Muller, Jr.)**	March 19, 1991
/s/ THOMAS S. MURPHY **(Thomas S. Murphy)**	March 19, 1991
/s/ WYNDHAM ROBERTSON **(Wyndham Robertson)**	March 19, 1991
/s/ JOHN B. SIAS **(John B. Sias)**	March 19, 1991
/s/ WILLIAM I. SPENCER **(William I. Spencer)**	March 19, 1991
/s/ M. CABELL WOODWARD, JR. **(M. Cabell Woodward, Jr.)**	March 19, 1991

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/ABC, INC.
(Registrant)

Daniel B Burke

(Daniel B. Burke)
President and Chief Executive Officer March 19, 1991

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 date indicated:

Principal Executive Officer:

Daniel B Burke

(Daniel B. Burke) March 19, 1991

Principal Financial Officer:

(Ronald J. Doerfler) March 19, 1991

Controller:

(Allan J. Edelson) March 19, 1991

Directors:

(Robert P. Bauman) March 19, 1991

(Warren E. Buffett) March 19, 1991

Daniel B Burke

(Daniel B. Burke) March 19, 1991

Frank T Cary

(Frank T. Cary) March 19, 1991

(John B. Fairchild) March 19, 1991

(Leonard H. Goldenson) March 19, 1991

Leonard H Goldenson

(Frank S. Jones) March 19, 1991

Ann Dibble Jordan

(Ann Dibble Jordan) March 19, 1991

(John H. Muller, Jr.) March 19, 1991

Thomas S. Murphy

(Thomas S. Murphy) March 19, 1991

Wyndham Robertson

(Wyndham Robertson) March 19, 1991

(John B. Sias) March 19, 1991

(William I. Spencer) March 19, 1991

(M. Cabell Woodward, Jr.) March 19, 1991

DISCLOSURE®
Information Services, Inc.

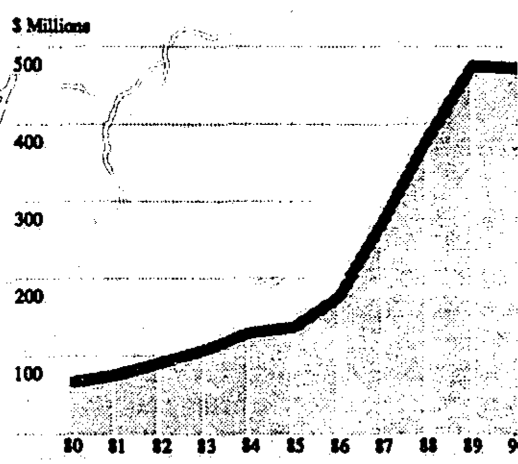
5161 River Road
Bethesda, MD 20816
(301) 951-1300

EXHIBITS FOLLOW

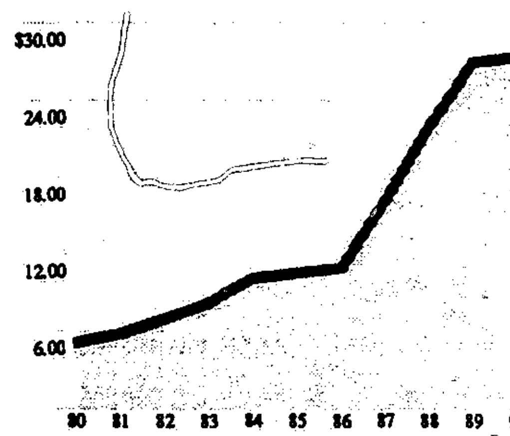
Operating Highlights

	1990	1989
Net revenues	$5,385,602,000	$4,957,394,000
Operating income	$ 923,215,000	$ 922,512,000
Net income	$ 477,780,000	$ 485,727,000
Net income per share	$27.71	$27.25
Average shares outstanding	17,240,000	17,825,000

Income Before Extraordinary Items



Income Per Share Before Extraordinary Items



To Our Shareholders

Although earnings per share increased a modest 2 percent to a record level of $27.71, 1990 was a difficult and somewhat disappointing year for Capital Cities/ABC. The small gain did not meet our expectations for the year and reflects the pressures that Capital Cities/ABC and other media companies have confronted since late summer: a deteriorating national economy, difficult competitive circumstances and the high cost of covering the conflict in the Persian Gulf.

Operating income was essentially unchanged from 1989, while net income declined by $7,947,000 to $477,780,000. An aggressive stock repurchase program had the effect of increasing net interest costs while at the same time reducing the number of average shares outstanding, which explains the modest gain in earnings per share while net income declined. Net revenues grew 9 percent in 1990 compared with 1989, with much of the gain coming in the first eight months of the year. In addition, a large revenue increase in the fall of the year was required to support a substantial increase in fees payable to the National Football League by the ABC Television Network and ESPN.

A summary of the Company's results for 1990 compared with 1989 follows:

(Dollars in millions)	1990	1989	Percent change
Net revenues	$5,385.6	$4,957.4	9%
Operating costs	4,302.7	3,877.3	11%
Depreciation and amortization	159.7	157.6	1%
Total costs	4,462.4	4,034.9	11%
Operating income	923.2	922.5	—
Interest/other, net	(85.4)	(71.4)	20%
Income before taxes	837.8	851.1	(2)%
Income taxes	(360.0)	(365.4)	(1)%
Net income	$ 477.8	$ 485.7	(2)%
Income per share	$27.71	$27.25	2%
Average shares (000)	17,240	17,825	(3)%

Two noncash items related to the January 3, 1986 ABC acquisition affected reported results for 1990 and 1989. At the time of the acquisition, the Company was required to reduce entertainment and sports programming rights from their historic costs to their fair market values, which benefited earnings in 1990 and 1989 by $0.30 and $3.10 per share, respectively. From 1991 forward, the Company's earnings will be relatively unaffected by purchase price adjustments of this nature. Amortization of intangible assets relating to the ABC acquisition amounted to $3.01 and $2.91 per share in 1990 and 1989, respectively. Excluding these two noncash acquisition-related items, earnings per share increased 12 percent, from $27.06 in 1989 to $30.42 in 1990.

The sudden and strong impact that the deepening recession and the Persian Gulf conflict had on results in late 1990 has continued to weaken sales and operating profits to date in 1991. Since we do not yet see any signs of an economic turnaround, it is reassuring to reflect on the underlying financial soundness of the Company. Our balance sheet is strong, and our operating facilities are in excellent condition. These factors will enable us to apply our available cash flow to internal or external growth possibilities as they develop.

The Company's major application of cash in 1990 was for the repurchase of its common stock in the open market. The repurchases for the year totalled 926,000 shares at a cost of $442,000,000. The shares were repurchased at an average price of $477 per share, or 7.6 times operating cash flow (operating income before depreciation and amortization). Acquisition of appropriate, sizable, advertiser-supported media properties is not currently possible at comparable multiples. The stock repurchase program has reduced the number of shares outstanding from 17,534,000 at the end of 1989 to 16,759,000 at the end of 1990. The Company plans to selectively continue the repurchase program in 1991.

On January 3, 1991, Capital Cities/ABC made its first principal payment of approximately $94,000,000 on ABC acquisition-related debt. Similar principal payments are due in each of the next three years. Although this $94,000,000 payment represented 20 percent of 1990 net income and did not create pressure on the balance sheet, the Company took advantage of its fine credit standing and favorable market conditions and late in the year sold $250,000,000 of 8¾% notes due on December 15, 2000. Following the payment on January 3, 1991, the Company held $1,265,000,000 in cash and short-term United States Government securities and had $312,500,000 of debt payable in five years or less and $1,541,000,000 of debt with maturities of five to 26 years.

Acquisitions for cash have historically been very important in the development and growth of Capital Cities/ABC. While the Company did spend $61,983,000 to acquire a number of small properties during 1990, we have only recently felt that our balance sheet and the task of combining Capital Cities and ABC were sufficiently advanced to permit the organization to seriously consider another major acquisition. Equity values have declined and although nothing has yet seemed appropriate, we will keep looking. We intend to confine the search to businesses similar to the ones with which our organization has achieved favorable results and to maintain discipline as to price and downside risk.

Broadcasting and publishing activities of the Company will be reviewed in detail in other sections of this annual report. Highlights for 1990 follow.

The ABC Television Network Group achieved higher operating earnings on an 8 percent revenue gain in 1990. The improvement in earnings was due to strong advertiser demand in the first eight months of the year and higher shares of the audience groups which are most attractive. Significant share growth, especially in the key audience demographics, was achieved in early morning, in most news segments and in prime time. Advertiser commitments made back in June for the 1990-1991 season were quite favorable, but Iraq's invasion of Kuwait on August 2, 1990, and the steadily declining overall economy thereafter materially eroded the demand for television network advertising. Network sales and operating earnings for the fourth quarter in 1990 declined from previous year levels.

During the 1989-1990 prime-time season, the ABC Television Network delivered a larger 18-49 year-old-audience than either CBS or NBC in more than half of the 22-hour prime-time schedule. *Good Morning America* was the top-rated early morning program for the year, delivering virtually as many young adult women as CBS and NBC combined. ABC's NFL *Monday Night Football* was the number one rated prime-time series for young adult men. In January 1991, ABC Sports presented an acclaimed broadcast of Super Bowl XXV, the closest championship game ever played. It was watched by 112,000,000 viewers in the United States.

ABC News emerged from an extraordinary news year in 1989 as the acknowledged industry leader and built on this position in 1990. The professionalism and depth of ABC News was particularly evident as events unfolded in eastern Europe and in the Persian Gulf region. *World News Tonight* with Peter Jennings was the most-watched evening news broadcast during the year and increased its audience share as the Gulf crisis intensified. *Nightline*, *20/20*, *PrimeTime Live* and ABC *World News This Morning* all strengthened their audience shares based on delivery of comprehensive and balanced reporting and analysis of key domestic and international events.

The three major television networks continue to face several unfavorable trends. Although the percentage of United States homes subscribing to cable is leveling off, the viewing of non-network alternatives, primarily basic cable networks, continued to grow. During 1990, viewing of the ABC, CBS and NBC networks fell from 64 percent to 61 percent in prime time. While these viewing shifts create new options for network advertisers, the traditional networks still represent the greatest efficiency in terms of development and distribution of first-class entertainment and information programming to the American public. As long as this remains true, marketers will use the networks to introduce new products and to promote existing brands.

Earnings for the Broadcast Group rose slightly in 1990. All eight of the Company's television stations were once again ranked or tied for first in their individual markets. Generally, local television advertising demand was weak, and national advertisements purchased market-by-market diminished in the second half of the year as network sales declined. Results were generally more satisfactory for the three California stations, with revenue and earnings growth outpacing the other five locations.

Our 21 radio stations had both gains and losses in terms of audience delivery but overall had a satisfactory year in terms of franchise. Total revenues were virtually flat with 1989, and profits declined slightly. The ABC Radio Network's earnings improved modestly.

Video Enterprises' profits declined in 1990, but the division's cable programming networks, its growing involvement in foreign co-ventures and its international licensing activities still represent strong growth potential. ESPN incurred a $35,000,000 operating loss in its first-year coverage of its new four-year contract with Major League Baseball. As a result, ESPN's overall earnings declined for the first time in five years. The renewal of its contract with the National Football League was also expensive, but marginal profitability was maintained due to increased support from cable system operators. The Arts & Entertainment and Lifetime cable networks continued to improve in every way: subscriber count, audience delivery and revenue and earnings growth.

The Publishing Group reported slightly improved earnings on a 4 percent revenue gain in 1990. Gains in Kansas City and Fort Worth enabled the daily newspaper group to report higher profits in 1990. Results at the Kansas City Star included expenses associated with discontinuation of its afternoon edition. Extremely soft marketplace conditions at the specialized publications, together with the costs of a significant reorganization, resulted in lower earnings for that group.

Our broadcasting and publishing properties have always been actively involved in community affairs. Collectively they participate in the Partnership For a Drug-Free America campaign, which may well be contributing to the decline of substance abuse in this country. Our operations contributed commercial time and advertising space worth over $40,000,000 in 1990 and $125,000,000 over the past four years. Another corporate effort, PLUS (Project Literacy U.S.), made further progress in the fight against inadequate reading and writing skills in the nation's workforce. A highlight in 1990 included the "National Literacy Honors," a television network special broadcast in March from the White House, hosted by President and Mrs. Bush. In May, PLUS launched its "Workforce Literacy" campaign in cooperation with a host of national organizations, including the Departments of Labor and Education.

Capital Cities/ABC has made a strong commitment to a policy of equal employment and advancement opportunities for all qualified individuals. In 1990, 21 percent of the Company's overall work force was minority, and 45 percent was female. We continue to recognize the ongoing need to increase the representation of both minorities and females throughout all parts of the Company.

By any objective standard, we feel that the combination of Capital Cities and ABC has been successful. The resulting company is a strong one, and its numerous broadcast and print activities enjoy strong audience and advertiser support. The attractiveness of most of the business sectors in which the Company competes has, however, brought strong and determined competitors. While we are confident that our strong financial condition and outstanding organization should enable the Company to extend its fine record, we recognize that many of our largest and most profitable operations can be regarded as mature.

As it enters its 37th year, the challenge for Capital Cities/ABC is to use its obvious strengths to build a future of continuing growth and promise. In the Broadcast Group section of this report, you will find reference to several minority investments the Company has made in western Europe. These are small beginnings with excellent partners, and we believe they will position us well as European countries continue to permit more development of commercial television. We also intend to invest in the introduction of new products such as *Episodes*, a magazine for viewers of ABC daytime serial dramas that was launched in 1990, and the exciting new European edition of *W* that was introduced in German, French, Italian and English editions in early 1991. During 1990, the Company funded pre-tax losses in excess of $37,000,000 for these and other such projects. If just a reasonable percentage of these projects are successful, they will make significant contributions in future years.

During early 1991, the FCC is expected to act on regulations which have limited the degree to which the major television networks can invest in, produce and benefit from the syndication of entertainment programming. It is hoped that the regulations will be relaxed, if not repealed. In anticipation of coming changes, ABC Productions was formed in 1989 under the leadership of Brandon Stoddard. In little over a year, ABC Productions has made great progress toward the goal of developing successful series and special programming which our Company can own or co-own with others and can broadcast over ABC facilities or license to others.

While short-term prospects for outperforming the general economy are not promising, we remain optimistic about the longer term. We have the resources, the organization and the determination necessary to build on the Company's thirty-six years of solid growth.

We note with regret the death of Joseph P. Dougherty in 1990. Joe was a former President of the Company's Broadcasting Division and a Director until his retirement in 1989. His many contributions helped mold the Company into its present form. Also in 1990, George P. Jenkins retired from the Board and sadly, Thomas A. Macioce passed away. Both of these Directors gave many years of outstanding and dedicated service to the Board of Capital Cities/ABC and prior to the merger, to the Board of American Broadcasting Companies, Inc.

We are pleased to report that Wyndham Robertson, Vice President, Communications at the University of North Carolina, was elected to our Board of Directors.

As always, we appreciate the interest and support of our stockholders. We also wish to thank the thousands of fellow employees whose dedication and outstanding efforts will keep Capital Cities/ABC moving forward in the months and years ahead.

Daniel B Burke

DANIEL B. BURKE
President and
Chief Executive Officer

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

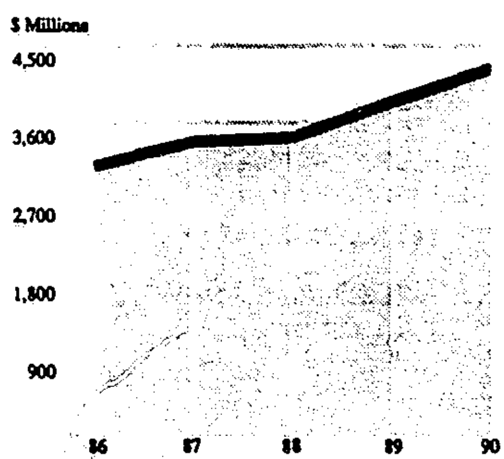
Broadcasting

The Company's broadcasting operations, which consist of the ABC Television Network Group and the Broadcast Group, had 1990 net revenues of $4,283,600,000, an increase of 10 percent, or $383,600,000, over 1989. Operating earnings of $830,500,000 in 1990 decreased $5,600,000 from the prior year. Broadcasting's 1990 and 1989 results are summarized as follows:

(Dollars in millions)	1990	1989
Net revenues	$4,283.6	$3,900.0
Operating costs	3,331.3	2,943.3
Depreciation and amortization	121.8	120.6
Total costs	3,453.1	3,063.9
Operating income	$ 830.5	$ 836.1

Acquisition-related adjustments from historic costs to fair market value for entertainment programming and sports rights of the ABC Television Network benefited 1990 and 1989 earnings by $8,500,000 and $92,000,000, respectively. In addition, both 1990 and 1989 results include amortization of intangibles (principally arising from the ABC acquisition) of $45,800,000 and $46,200,000, respectively. Excluding these two noncash acquisition-related factors, total broadcasting earnings would have been $868,800,000 in 1990, a 10 percent increase from $790,300,000 in 1989.

Broadcasting
Net Revenues



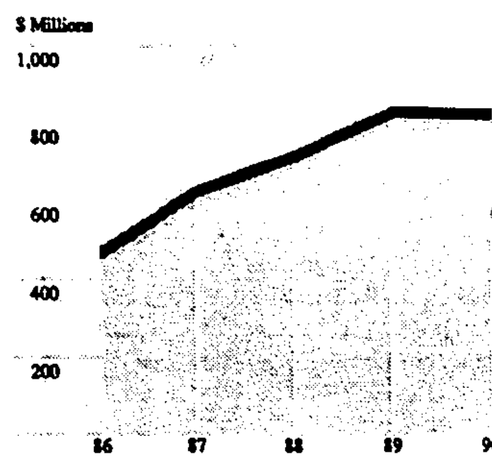
ABC Television Network Group

ABC Television Network Group revenues and profits improved significantly in 1990, but this growth was achieved only during the first eight months of the year. By the fourth quarter, the network's operating environment had deteriorated quite dramatically. The recessionary economy and the conflict in the Persian Gulf significantly dampened national advertiser demand and weakened network pricing. As a result, network revenues and profits eroded in the fourth quarter and will likely be further suppressed in 1991.

Revenues increased approximately 8 percent in 1990 to $2,600,000,000, due to healthy advertiser demand earlier in the year and strong pricing gains during the 1990-1991 upfront selling season. Operating expenses (excluding purchase price adjustments) increased 5 percent for the year, reflecting higher than anticipated costs for licensed entertainment, sports programming and news-gathering costs. The network's 1990 operating profits exceeded $230,000,000 compared to approximately $160,000,000 in 1989, excluding purchase price adjustments and goodwill amortization in both years.

As gratifying as 1990 results were, a weak national economy, improved audience delivery by competitive media and the costs of news

Broadcasting
Operating Income



28

coverage in the Middle East will make near-term growth quite difficult. Even with a strong scatter market for the first three quarters of 1990 and a record upfront 1990-1991 selling season, the combined three-network marketplace increased only 3 percent in 1990. Fourth quarter industry revenues actually declined by almost 3 percent. Scatter pricing dropped well below upfront levels by the end of the year and weakened further in the first quarter of 1991 with the start of the armed conflict in the Persian Gulf.

Audience gains at other broadcast and cable media in recent years make it increasingly difficult for the three major networks to attract additional viewers. The basic cable networks, for example, improved their aggregate national ratings by approximately 20 percent in the fourth quarter of 1990, helped by a full schedule of NFL football games. Combined three-network ratings declined by 6 percent over the same period. For full year 1990, the three-network prime-time audience share dropped to 61 percent from 64 percent in 1989. ABC's growth in this tough competitive environment was due to its demographic leadership in young adult viewers throughout most of the broadcast day.

During the course of a week in prime time, more than 137,000,000 viewers tune to the ABC Television Network. ABC finished the 1989-1990 season in its best competitive position relative to the two other major networks since the date of the merger. Among young adult women, ABC was the only network to show increases compared with the prior season. In prime time, ABC reduced NBC's lead by almost two-thirds in its delivery of women 18-49. For the first time since the 1983-1984 season, ABC finished the year as the top-rated network in the delivery of men 18-49. The improved delivery was most notable on Friday and Sunday nights, although ABC also performed well on Tuesday and Wednesday evenings.

On Tuesday night, *Who's The Boss?*, *Roseanne* and *Coach* were among the top-rated programs for young adult women and helped the network win the night in that key demographic. Also, *thirtysomething*'s loyal viewers continued to generate strong advertiser appeal. Two programs on Wednesday night, *Wonder Years* and *Doogie Howser, M.D.*, also ranked among the most popular situation comedies of the season. Friday night's comedy lineup, especially *Full House* and *Family Matters* from 8:00 to 9:00 pm, was one of the most-improved time periods on the schedule. After steady gains during the season and through the fall of 1990, both of these programs now rank among the top 15 most-watched programs and often place in the top ten. As a result, ABC won Friday night virtually every week. On Sunday night, *America's Funniest Home Videos*, introduced in the spring of 1990, was also among the top-ten rated shows.

The Monday-Friday daytime time period has suffered serious audience erosion over the past few seasons. While still a significantly profitable daypart, programming costs have risen faster than revenue growth in recent years, and its profit contribution has declined significantly from historical levels. How the network might better compete in this programming area is currently under extensive review. Nonetheless, ABC remained the most popular network for young adult women in 1990, as it has been for fourteen years primarily because of the popular appeal of its afternoon serial dramas. *General Hospital* and *All My Children* finished 1990 as two of the most highly-rated daytime programs. In weekend children's programming, ABC was the top rated network among children 2-11.

Good Morning America dominated the early morning time period during 1990, finishing first in household ratings every week of the year. *GMA* has developed a clear superiority in the delivery of women 18-49. The program's coverage of the Persian Gulf conflict attracted additional viewers during the fourth quarter of 1990 and first quarter of 1991. Profits for 1990 improved to record levels.

ABC News brought another extraordinary news year into focus with its innovative and comprehensive coverage. More viewers turned to ABC than any other source for its regularly scheduled news broadcasts and its special event coverage. *World News Tonight* with Peter Jennings was the top-rated evening newscast for the second consecutive year and the only early evening news program to improve its audience delivery in 1990. The *American Agenda*, a cornerstone of the program, again won several awards for its in-depth reporting on key domestic issues. On Friday night, *20/20* with Hugh Downs and Barbara Walters achieved solid ratings with its extensive investigative reports and special features. *PrimeTime Live*, hosted by Sam Donaldson and Diane Sawyer, completed its first full year on the weekly schedule with improved household and young demographic delivery. Additionally, *Peter Jennings Reporting: The Killing Fields* won both an Alfred I. duPont-Columbia University Award and a George Polk Award. ABC News President Roone Arledge and *20/20* host Barbara Walters were inducted into the Television Academy Hall of Fame in 1990, and David Brinkley won a George Foster Peabody Award for his career achievements.

ABC Sports performed well in an extremely competitive sports marketplace. ABC's NFL *Monday Night Football*, in the first year of a new four-year contract, averaged a 17.2 household rating during the regular season, a 4 percent decline from the 1989 season. The longest running series on the network schedule, *Monday Night Football*, was the number one rated prime-time program for young adult men in 1990. The New York Giants - San Francisco 49ers game in December was the most-watched Monday night game in the program's history. As part of the new NFL contract, ABC Sports broadcast its first two playoff games ever in January 1991 and capped the football season with coverage of Super Bowl XXV from Tampa, Florida. ABC's *Wide World of Sports* was 1990's highest-rated anthology series, and the division's balanced schedule of Big 10/Pac 10 college football, Triple Crown racing, college basketball and major golf championships provided perennial audience strength.

ABC programming won more than 200 awards in 1990, including 52 Emmys. In prime time ABC won 22, more than any other network. ABC News won three for *PrimeTime Live*, two for *20/20* and one for the *Koppel Report*.

There were several key executive changes at the network. Stephen A. Weiswasser, Senior Vice President and General Counsel of the Company, was named Executive Vice President of the ABC Television Network Group. Dennis D. Swanson, President of ABC Sports, assumed additional responsibilities for Monday-Friday Daytime and Children's Programming and Philip R. Beuth was named President of Early Morning and Latenight Entertainment, having been Senior Vice President in charge of *Good Morning America* since 1986.

As the network looks ahead, there is every indication that the soft revenue environment will persist through at least the first half of 1991. The 1991 war coverage has pre-empted regularly scheduled programming and displaced commercial time. Additionally, several advertisers chose not to run their commercials during war coverage. Budgets have been deferred to later in the year or cancelled. Furthermore, the industry's expensive new sports contracts renewals have taxed the marketplace even more by adding commercial inventory and putting downward pressure on pricing.

On the expense side, the network has taken advantage of the major cost-cutting opportunities that existed. It has also successfully controlled most internal expenses to inflation-rate levels or lower. The continuing coverage of events in the Persian Gulf has been, and will remain, expensive. The cost of licensed entertainment programming, which is produced by outside suppliers, remains one of the fastest-growing network cost components as well. This is especially true for the renewal of successful prime-time series that have been on the schedule for a number of years.

Attracting additional advertising revenue to cover the cost of several of these renewals will be difficult, even if the marketplace were healthier. Under current advertising conditions, network profitability could suffer further erosion.

The network has experienced similar revenue and cost pressures before. What is different this time is that the competitive environment has radically changed. That is why the network's top priority must be to produce more prime-time programming internally. Besides providing greater cost control and scheduling flexibility, program ownership would allow participation in television's ancillary markets. However, the network will need fundamental regulatory changes in this regard. The FCC is now considering whether the restrictions that govern the networks' relationships with their prime-time program suppliers should be retained or modified.

The Commission's decision, expected in March of 1991, will largely influence both the network's ability to fund its current mix of programming and its ability to compete effectively in today's new competitive environment.

Broadcast Group

The Broadcast Group achieved record revenues and earnings for the fifth successive year since the merger of Capital Cities and ABC. Net revenues increased by approximately 13 percent to $1,760,000,000 while operating income, at $631,000,000 (before amortization of intangibles), marginally exceeded 1989's performance.

Video Enterprises' ESPN unit accounted for the majority of the Group's revenue increase, which was driven to a significant extent by the telecast of the first year of its new Major League Baseball contract and a new National Football League contract. At the same time, the high cost of the rights for baseball and the lower than anticipated ratings performance for baseball telecasts curtailed the Group's profit growth.

Clearly, the combination of a weakened national economy and the caution created by the deepening Middle East crisis caused advertising demand to be under significant pressure in the fourth quarter. It also served to erode revenue gains achieved by the Group earlier in the year, as it did for many media companies.

Revenues and earnings at the television stations grew modestly in 1990 at rates similar to those experienced in 1989. The ABC Radio Networks fared somewhat better due in part to the full-year inclusion of Satellite Music Network, Inc., which was acquired in August 1989. However, the lack of revenue growth at our radio stations served to reduce our overall radio profits for the year. If the year started on a note of cautious optimism, it ended on a note of uncertainty.

Television Stations

Advertising revenues for the television stations, moderated by fourth quarter weakness, increased approximately 5 percent. Revenues in 1990 were favorably affected by increased spending for political advertising but were tempered by an imbalance in the supply/demand relationship at the network level in the fourth quarter, which saw traditional spot dollars diverted to lower cost network alternatives. Despite difficult market conditions, record performances were achieved at the New York, Los Angeles, Chicago and San Francisco stations.

The enviable competitive position that each of the Group's eight stations occupy in their respective markets enables them to outperform most industry standards. However, the increase in original programming by traditional and new competitors and the explosion of sports programming opportunities continue to erode our audience advantage and limit premium revenue opportunities.

Our eight television stations continue to be the largest such group under common ownership in the country, reaching 24.3 percent of the total ADI (Area of Dominant Influence) television homes, slightly under the 25 percent limitation established by the Federal Communications Commission. In the November 1990 "sweeps" period, each of the eight stations was either ranked or tied for first in their respective markets. The four annual national audience surveys, commonly referred to as "sweeps," have seen our stations achieve from a minimum of five first-ranked stations to a high of eight in each of the survey periods taken since the combination of the two companies.

The television stations have achieved success through their commitment to provide their communities with a meaningful and appealing combination of news and entertainment programming, with an emphasis on local news and information. The following table reflects how each station's principal news programs performed during the last survey period:

Station and Market	Market rank	News program rank: Early evening	News program rank: Late evening
WABC-TV (New York)	1	1	1(T)
KABC-TV (Los Angeles)	2	1	2
WLS-TV (Chicago)	3	1	1
WPVI-TV (Philadelphia)	4	1	1
KGO-TV (San Francisco)	5	1	4
KTRK-TV (Houston)	10	1	1
WTVD (Durham-Raleigh)	34	2	2
KFSN-TV (Fresno)	59	1	2

Sources: *Nielsen, November 1990, except KFSN-TV which is Arbitron, November 1990*
(T) Tied

For the past five years the television stations have been organized into two groups of four stations. The East and West configuration reflected practical geographical considerations and enabled the Company to take advantage of the skills and experience of two seasoned television executives to guide the stations during this period. We believe that transition was managed very effectively. Now, with the retirement in 1991 of Kenneth M. Johnson, President of the Television Stations - West, the station group will be operated as a single unit under the direction of Lawrence J. Pollock, previously President, Television Stations - East.

Radio

The ABC Radio Networks again achieved record revenues and profits despite the fact that revenue growth tapered off as the Company closed out the year. The August 1989 acquisition of Satellite Music Network, Inc. contributed to the record performance. The networks continue preeminent in their industry by all significant criteria, while serving more than 3,050 affiliates nationwide. A number of new ad hoc program services has heightened network radio competition in recent years, and new combinations of once separately measured program entities have served to alter traditional measurement rankings.

During 1990, the ABC Radio Networks reconfigured its seven traditional programming networks into five new networks for sales and marketing purposes. While the realignment in no way affects the programming of the networks or any of its affiliate relationships, the reconfiguration differentiates the ABC Radio Networks from its competitors for advertisers and enhances market penetration. The ABC Radio Networks retain an enviable ratings position as seen in the following chart:

Network	Audience share	National rank
ABC Prime	16.7%	1
ABC Platinum	8.6%	3
ABC Genesis	8.3%	4
ABC Excel	4.3%	11 (T)
ABC Galaxy	3.1%	14

Source: *RADAR 42, Fall '90 Network Audiences to all Commercials, All broadcast, except overnight, Persons 12+*
(T) Tied

The networks continue to offer their affiliates and the communities they serve a broad spectrum of radio programming designed to inform and entertain. They feature the talents and resources of ABC News and the perceptive views of Paul Harvey, who continues as the most popular and respected radio commentator on the national scene.

Despite the outstanding year achieved by several of the division's 21 radio stations, the deteriorating advertising marketplace encountered in the fourth quarter served to further exacerbate problems at the weaker stations. As a result, the radio stations experienced virtually no revenue gain in 1990 and a small earnings decline.

The Company's 21 radio stations (eleven AM and ten FM) reach 25.6 percent of the United States as reflected in the following chart and continue as the largest and most profitable radio station group in the country.

Station and Market	Market rank	# of stations in market	% of U.S.
WABC-AM/WPLJ-FM (New York)	1	43	6.9%
KABC-AM/KLOS-FM (Los Angeles)	2	43	4.6%
WLS-AM/WYTZ-FM (Chicago)	3	40	3.3%
KGO-AM (San Francisco)	4	50	2.5%
WJR-AM/WHYT-FM (Detroit)	6	35	1.7%
WBAP-AM/KSCS-FM (Fort Worth-Dallas)	7	29	1.6%
WMAL-AM/WRQX-FM (Washington, D.C.)	9	36	1.5%
WKHX-AM/FM (Atlanta)	12	25	1.1%
KQRS-AM/FM (Minneapolis-St. Paul)	18	19	1.0%
KRXY-AM/FM (Denver)	24	31	0.8%
WPRO-AM/FM (Providence)	28	26	0.6%
Total			25.6%

Source: *Arbitron, Fall 1990 Radio Market Survey Schedule & Population Rankings Metro persons 12+*

While a soft marketplace often hides progress in programming acceptance, we continue to have ratings problems at the AM and FM stations in New York and Chicago. Clearly, a resolution to the problems in these key markets represents a significant upside opportunity for the Company. Our stations in Los Angeles, San Francisco, Fort Worth-Dallas and Minneapolis each had an excellent 1990, and our AM station in Washington, DC rebounded after a difficult year.

Video Enterprises

Video Enterprises generated significantly higher revenues in 1990, but operating profits declined sharply from 1989. Despite the decline, 1990 represented the second best year in the division's history, and Video Enterprises continues to hold great promise for the Company in the future.

More readily identified with its successful cable activities -- ESPN, Arts & Entertainment (A&E) and Lifetime -- Video Enterprises is also involved in program distribution and has an increasing presence in the foreign marketplace. The division is also involved in several entrepreneurial business investments.

ESPN continued as the premiere cable sports network in the country and expanded its reach to approximately 57,300,000 households as of the end of 1990. This level of penetration represents 61.5 percent of US television households, more than any other cable network. A&E and Lifetime, partially owned by the Company, also have continued to participate in cable's increased acceptance and growth and have enhanced their subscriber bases.

Unfortunately, many of ESPN's accomplishments during the year have been overshadowed by the network's rating and revenue experience with its first-year coverage of Major League Baseball. The audience for these telecasts fell short of original estimates and generated lower revenues than anticipated, resulting in a

$35,000,000 operating loss in the first year of the contract. On a more positive note, ESPN's acquisition of the rights to telecast baseball, a game regarded by many as "the national pastime," was highly important to maintaining ESPN as the premiere cable sports franchise in the industry. Additionally, ESPN demonstrated that it could handle an extraordinarily complex operation with great skill and, despite the shortfall in ratings expectations, mount a series of sports presentations that achieved approximately 40 percent higher ratings than did alternate programming the year before. Moreover, while baseball caused earnings to decline from 1989 levels, ESPN's results from all other activities in 1990 significantly exceeded original expectations and those of the prior year.

ESPN successfully met the challenge of renewing several large cable affiliate contracts on terms which more equitably reflect the value of its program investments, such as baseball. ESPN also augmented the marketing effort required to re-sign cable affiliates at higher incremental fees for the new NFL contract (concluded with 99.9 percent of ESPN subscribers). These represent major accomplishments that have beneficial long-term implications.

April 1990 marked the launch of ESPN's joint venture in Japan with several major Japanese partners to provide a sports programming service to cable subscribers. While it is too early to predict meaningful success, an important step has been taken in a significant market. ESPN's 25 percent investment in The European Sports Network (TESN), a satellite-distributed sports service available throughout western Europe, also demonstrates our commitment to participate in the international marketplace. ESPN's participation in these ventures represents investments for the long-term and is not anticipated to be profitable in the near future.

Video Enterprises' other cable programming ventures continue to perform very well. A&E, the entertainment and cultural network, and Lifetime, which is targeted to women viewers, have continued to upgrade their programming and find increased viewer and advertiser acceptance. Both networks again experienced significantly increased revenue and profits. The Company owns 38 percent of A&E and 33 percent of Lifetime. Lifetime, which currently devotes its Sunday telecasts to medical and health-related programming, also has developed a new business called Healthlink, which provides a monthly video tape service to approximately 8,000 doctors' offices.

Video Enterprises' increased international presence has taken the form of several equity investments in existing companies whose principals have a proven track record in television program production and distribution in their respective countries. Early in the year, Video Enterprises acquired 25 percent investment positions in Hamster Productions, S.A. in Paris, France and Tesauro, S.A. in Madrid, Spain. These complement the 50 percent interest the Company previously acquired in Tele-Munchen GmbH in Germany. The Company believes that these investments and related co-production arrangements will enable it to participate in the expanding European marketplace. Through Tele-Munchen, the Company also maintains a significant minority interest in Tele-5, an independent German television network that, while holding real promise in the long run, currently incurs significant losses. The Company is allied with several major European media partners in this endeavor, and we believe that the combination of their support and the potential offered by a strong and growing German marketplace favors a successful outcome.

Publishing

Revenues of the Publishing Group exceeded $1,100,000,000 in 1990, with most of the 4 percent revenue increase resulting from 1990 acquisitions. Operating income improved slightly in 1990, with gains by the daily newspapers and shopping guides being partially offset by declines at certain of the specialized publications operations. Publishing's 1990 and 1989 results are summarized below:

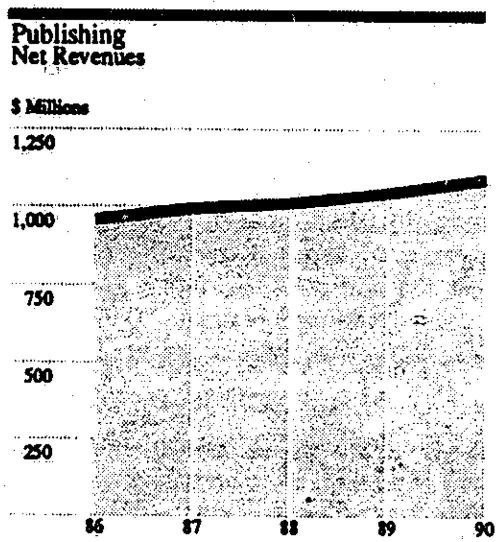
(Dollars in millions)	1990	1989
Net revenues	$1,102.0	$ 1,057.4
Operating costs	934.0	891.5
Depreciation and amortization	35.6	35.5
Total costs	969.6	927.0
Operating income	$ 132.4	$ 130.4

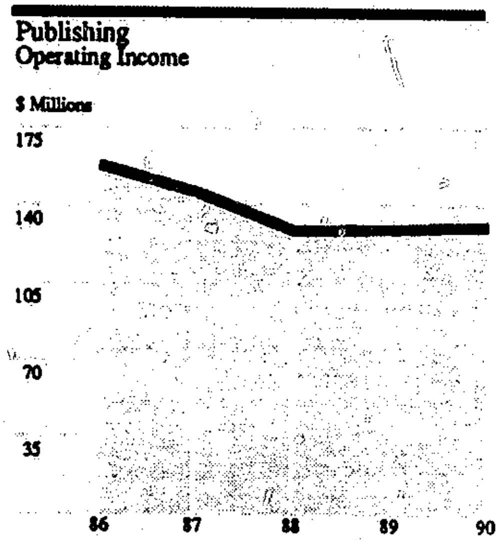
The year was marked by a significant restructuring of the Company's specialized publishing operations, which resulted in a realignment of a number of publications and disposition or closing of others. Including the effect of the realignment and 1989 and 1990 acquisitions, the Diversified Publishing Group (formerly called ABC Publishing) enjoyed a record year in revenues and profits. The daily newspapers and shopping guides also achieved record results. Overall results in the fashion, financial services and medical sectors were down. The net effect of the numerous weekly newspapers acquired in late 1989 and early 1990 was mixed but taken together has been unfavorable to-date. Thirteen publishing acquisitions were completed in 1990 at a total purchase price of $54,542,000, and there were eight dispositions or shutdowns of specialized publications.

Specialized Publications

In 1986, the first year of the combined Company, specialized publications accounted for 50 percent of Publishing Group profits before amortization of intangible assets. By 1989, a 40 percent decline in specialized publishing profits reduced its share of the total to 35 percent and more than accounted for the three-year decline in Publishing Group profitability. As a result, and in view of major changes occurring in marketplaces served by the Company, senior publishing management initiated a review of its specialized publishing operations in late 1989.

Guidelines were developed to determine the conditions under which the Company would serve any given market niche, including dollar and profit margin minimums and market positions. To maximize market strength, individual publications serving similar markets would be grouped together. Those not meeting the criteria would be divested or discontinued.





As a result, a major restructuring of specialized publications was announced in March and implemented during the balance of the year. Highlights included:

- Fairchild Publications was downsized to its historical roots. *Supermarket News, HFD* and Fairchild Books were added to the Fashion Group which was formed in early 1989, and the resulting organization was renamed the Fairchild Fashion and Merchandising Group. Michael F. Coady was named President of the Group. *Financial Services Week* and *Travel Agent* were sold, and *MIS Week* was discontinued. Eighteen other Fairchild titles were transferred to other groups.

- The ABC Publishing Group was expanded to include a number of former Fairchild publications and was renamed the Diversified Publishing Group. Robert G. Burton, President of ABC Publishing, continues as President of the expanded group. *American Metal Market, Multichannel News* and the recently acquired International Thomson publications -- *Cablevision, CED* and *Video Business* -- were joined to form a new Diversified Publishing unit, the Communications and Commodities Group. Four Fairchild manufacturing publications were reassigned to Hitchcock Publishing. Fairchild's *Metalworking News* and Hitchcock's *Machine and Tool Blue Book* were closed. *Electronic News* and *Energy User News* were transferred to the Chilton publishing unit.

- Fairchild's International Medical News Group, comprised of six medical newspapers and Mercury Press, were reassigned to the newly formed Financial Services and Medical Group, which also includes Institutional Investor. Peter A. Derow was named President of the new group.

- Other dispositions included the remaining ABC Consumer publications. The *Compute!* group of magazines and books and *McCall's Needlework & Crafts* were sold in June. *Musical America* and Schwann magazines were sold in January 1991.

The restructuring generated nearly $4,000,000 of one-time costs during 1990. It has positioned the Company's specialized publishing operations to better cope with present market vagaries and take maximum advantage of future opportunities.

In 1990, total specialized publications revenue and expenses were up 2 percent from 1989, and operating income (excluding amortization of intangibles) increased 1 percent. Excluding the effect of 1989 and 1990 acquisitions and dispositions, profits declined 3 percent.

Excluding 1990 and 1989 acquisitions and dispositions, the Diversified Publishing Group had modest revenue and profit growth in 1990. Its largest component, the Chilton Company, had a small revenue increase and a modest profit decline. Despite circulation investments in many of its trade titles, magazine profits were up. During the year, Chilton acquired Stanley Publishing, adding to its successful line of automotive trade publications. The Chilton Research Services unit was selected by the four major networks to handle the Voter Research and Survey's data collection.

Word, Incorporated completed another strong year in 1990, with revenues and operating income at record levels. Word realized substantial cost reductions due to new duplicating abilities from the 1990 acquisition of International Cassette Corporation. Word continued to dominate the Best Seller list. Four of the top five best-selling inspirational books in 1990 were from Word, along with three out of the top five best-selling Gospel records.

NILS (National Insurance Law Service) ended 1990 with its tenth consecutive year of record revenues and operating income. NILS provides a national data base service of regulatory information for customers in the insurance and legal professions, in both print and electronic form.

Hitchcock Publishing experienced a slight decline in revenue while increasing operating profits. *Personal Publishing* had a turnaround year and is now profitable. PEMCO, Hitchcock's trade show operations was spun off into a stand-alone profit center during 1990. PEMCO had another record year, for both revenues and operating income. It now serves as the trade show unit for the Company.

Los Angeles magazine finished 1990, its 30th anniversary year, with a decline in revenues and operating income, which was typical of the economic slowdown experienced by many city and regional publications. However, *Los Angeles* magazine again finished the year as the number one city/regional magazine in total ad pages sold.

The Agricultural Publishing Group reported revenue and profit substantially above the prior year. This performance was fueled by the *Farm Futures* acquisition and the improved agricultural marketplace.

The newly named Fairchild Fashion and Merchandising Group operated in a severely depressed sector of the economy in 1990, particularly in the latter half. At continuing operations, revenues were up less than one percent, expenses were up 2 percent and profits declined 11 percent. *Home Furnishings Daily* and *Supermarket News* posted strong gains in revenues and operating income over 1989, while *Women's Wear Daily* and *Children's Business* showed slight increases. These were not enough to overcome shortfalls at *Daily News Record*, *Footwear News* and *SportStyle*. *W's* revenues were virtually flat, and earnings were down, indicative of the extremely difficult year for consumer fashion publications.

Certain assets of *Manhattan Inc.* were purchased in the third quarter of 1990, and elements were integrated with *M* to form a new publication known as *M inc.* This magazine debuted in September to both critical acclaim and favorable reader response. Many advertisers, however, have adopted a wait and see attitude before making a substantial commitment.

As the year ended, final preparations were made to launch *W* in Europe to be named *W Fashion Life*. The new publication is the first Pan-European fashion lifestyle publication. Published in four languages, it is initially being distributed in France, Italy, Germany and England.

Revenues and operating income for the Financial Services and Medical Group declined in 1990. Notwithstanding the continued contraction throughout the financial services industry, Institutional Investor's revenues increased by 4 percent. This was a result of impressive gains achieved in its newsletter and conference units, offset by lower advertising revenues from its magazines. Similarly, impressive gains in operating income from newsletters and conferences were more than offset by declines in magazine operating income. The newsletter unit successfully launched *Global Money Management*, its first new publication in nine years. The magazine received an Overseas Press Club award for its article "The Wild, Wired World of Electronic Exchanges."

Revenues and operating income at the International Medical News Group declined substantially as a consequence of the continuing low level of new product introductions by pharmaceutical companies and market share declines experienced by four of its six publications. During the course of the year, a number of important management changes were made throughout the group in an effort to improve future performance.

Newspapers and Shopping Guides

Total newspaper and shopping guides operating income increased 5 percent in 1990, compared with 1989. Daily newspapers posted a 4 percent overall profit gain on revenue and expense increases of 4 percent. Unfavorable results at some weekly operations, mainly those recently acquired, offset the dailies' gains.

The newspapers were helped once again by favorable newsprint prices. Despite a mid-year price increase, average prices for the full year were under average 1989 levels. Most of the dailies increased subscription prices during the year, and three newspapers raised daily single copy prices to 50 cents near year end.

On March 1, 1990, the Kansas City Star Company combined its morning and afternoon editions into a single morning paper, *The Kansas City Star*. The new *Kansas City Star* contains all news and feature elements of both editions. Acceptance among evening readers was enthusiastic, with virtually all former exclusive evening readers shifting to the morning *Star*. Circulation gains were recorded for all editions. The Star Company achieved record revenue and operating profit. Total advertising revenue increased 1 percent over 1989, and circulation revenue remained flat. *The Star*'s news and editorial staffs received a number of awards for journalistic excellence, including first place for general excellence from the Missouri Press Association, first place for public affairs coverage from the Inland Press Association and awards from the Missouri National Education and Missouri Public Health associations.

Despite an uncertain local economic climate, the *Fort Worth Star-Telegram* posted a 4 percent gain in revenues and a 5 percent gain in profits. A single-copy price increase to 50 cents from 25 cents met less reader resistance than projected; a Sunday Bulldog edition brought an average sales increase of over 10,000 copies; advertising revenue for two supplements -- Tarrant Business and Star-Time (weekend guide) -- continued to improve; and what may be unique anywhere in the U.S., *Class Acts*, a tabloid for school kids, made a profit. A rack-sales only real estate guide begun in October also shows revenue potential. In response to a mid-year readership study, the paper redesigned its news and features fronts and laid the groundwork for publishing revamped zoned editions in 1991. The newsroom won the Scripps Howard Foundation's public service award for its reporting on the Jim Wright investigation and a National Headliner Award for coverage of the eighth Van Cliburn International Piano competition.

Benefiting in part from the merger of the nearby Detroit newspapers, *The Oakland Press* in Pontiac, Michigan, had excellent advertising and circulation revenue gains. Despite a downturn in the economy at year-end, it achieved record profits. *The Press* was cited as "Michigan's Best" daily newspaper in its circulation class by the Michigan Press Association. Integration of two companion weeklies acquired in 1990, the (Lapeer) *County Press* and *Reminder*, was nearly completed, with both to be printed in Pontiac.

The *Belleville News-Democrat* experienced its second straight year of declining profits. A slight revenue gain was exceeded by expense increases associated with expansion into neighboring areas begun in 1989. Circulation rose 6 percent daily and 4 percent Sunday. The *News-Democrat* won 32 awards for excellence, including 13 first-place awards-- more than in any previous year. The Belleville weekly group acquired four additional weeklies in 1990, bringing the total to ten. The group produced slightly reduced profits in a soft market. Legal Communications Corporation exceeded last year's records with a 17 percent increase in operating income. An electronic information data base system, DataTrac, was launched, and projected growth over the next several years looks excellent.

At *The Times Leader* in Wilkes-Barre, Pennsylvania, revenues were up 3 percent, and profits were down slightly. Paid circulation of the three-year-old Sunday edition increased over 9 percent, surpassing that of a competitor. *The Sunday Dispatch*, an 11,000 circulation weekly newspaper in Pittston, between Wilkes-Barre and Scranton, was acquired in March 1990.

In late 1989 and early 1990, the Company more than doubled the size of its publishing operations in New England through several acquisitions. The New England Newspaper Group now publishes 73 mastheads and distributes more than 750,000 copies weekly to households in Connecticut, Massachusetts and Rhode Island. In retrospect, the expansion was ill-timed, as the serious problems in the New England economy have adversely affected all media, including local print. The New England Newspaper Group operated at a loss in 1990, compared with positive results in prior years. Measures are underway to maximize results in a continuing soft economy, including improved sales efforts, consolidation of all Connecticut and Rhode Island printing into one facility and continued streamlining of expenses.

The Oregon newspaper group of two dailies, six weeklies and two philatelic publications enjoyed modest revenue and profit increases over 1989's record levels. The papers continue to rank well among their peers in statewide editorial contests.

Sutton Industries, Inc. headquartered in Laguna Niguel, California, had record operating income and profit margins in 1990. Sutton distributes almost 1,800,000 copies of its publications each week in northern and southern California. Profits at Sutton were up significantly on a 4 percent revenue gain. Continued improvements in automation were made in 1990, including the purchase of a press in northern California and additional inserting equipment in southern California.

The "Nickel" publications in Seattle-Tacoma and Spokane, Washington, and Portland, Oregon, experienced another record year. Overall profits were up substantially on a 12 percent revenue increase. Over 95 percent of the more than 500,000 copies of these tabloid advertising-only publications are picked up each week by consumers at supermarkets and convenience stores throughout the three markets.

At the Pennypower Shopping News, revenues were down slightly at its two operating locations of Wichita, Kansas, and Springfield, Missouri. Profits increased because of the absence of losses at the Topeka, Kansas, location, which was closed in late 1989.

Financial Overview

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

Results of Operations — 1990 Compared to 1989

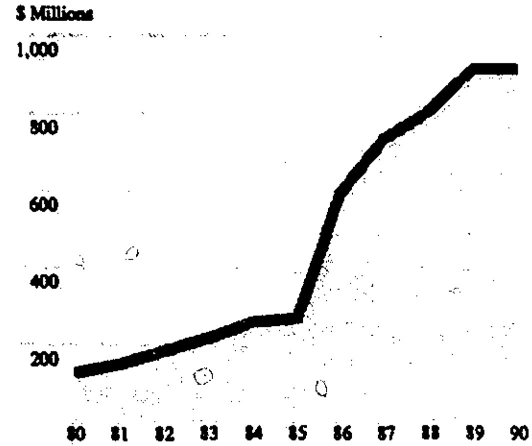
Consolidated net revenues for 1990 were $5,385,602,000, compared with $4,957,394,000 in 1989, a 9% increase. Broadcasting net revenues for 1990 were $4,283,633,000, compared with $3,899,989,000 in 1989, representing a 10% increase. Publishing Group net revenues increased 4%, from $1,057,405,000 in 1989 to $1,101,969,000 in 1990.

Net revenues in 1990 for the ABC Television Network increased 8%, compared with 1989. Strong television network revenue gains in the first eight months of 1990 were moderated by a weak scatter market for the balance of the year and by the absence of the telecast of the World Series in 1990. Television station and radio operations reported modest revenue gains in 1990. The video operations reported significant revenue increases, primarily due to ESPN's first year coverage of Major League Baseball and its new National Football League contract. Publishing revenues increased 4%, with most of the increase resulting from 1990 acquisitions. Excluding the effect of 1989 and 1990 acquisitions and dispositions, the Publishing Group's net revenues were 2% higher in 1990.

Total costs and expenses for 1990 were $4,462,387,000, compared with $4,034,882,000 in 1989, an 11% increase. Excluding purchase price adjustments, total costs and expenses for the Company increased 8% from 1989. Broadcasting costs in 1990 (excluding purchase price adjustments) increased 10% from 1989. Costs and expenses for the ABC Television Network increased moderately, primarily as a result of higher prime-time programming costs and ABC News production and news gathering expenses. Costs for the Company's video operations increased very significantly, primarily due to the cost of the program rights and production expenses for coverage by ESPN of Major League Baseball. Costs of the Company's television station and radio operations increased moderately, principally due to higher programming and news department expense and the inclusion of Satellite Music Network, Inc., which was acquired in August 1989. Costs and expenses in 1990 for the Company's publishing operations increased 5% from 1989. Excluding the effect of 1989 and 1990 acquisitions, dispositions and start-ups, publishing expenses increased only 2% from 1989. Publishing expenses were favorably impacted in 1990 by the reduced cost of newsprint and were unfavorably impacted by charges incurred in connection with the reorganization of the specialized publications operations.

Operating income for 1990 was $923,215,000, compared with $922,512,000 in 1989. Broadcasting earnings declined slightly in 1990. The ABC Television Network reported a slight decline in operating income after including the effect of purchase price adjustments in both years. Excluding the effect of purchase price adjustments in both years, the ABC Television Network reported a significant profit improvement in 1990 over 1989. Television station earnings increased

Operating Income



40

moderately in 1990, while earnings for the video operations declined as a result of losses incurred at ESPN in its first year of coverage of Major League Baseball. Radio operations declined slightly in a difficult sales environment. Publishing earnings improved slightly in 1990, with gains by the daily newspapers being partially offset by declines at several of the specialized publications as well as a one-time $4,000,000 charge incurred in connection with the reorganization of the specialized publications operations.

Results for 1990 and 1989 reflect a reduction in entertainment programming and sports rights at the ABC Television Network from historic costs to fair market values recorded in connection with the acquisition of ABC of $8,500,000 and $92,000,000, respectively. These reduced costs (net of income taxes) benefited per share earnings by $0.30 and $3.10 in 1990 and 1989, respectively. The Company anticipates the effect of such reductions will be immaterial in 1991 and thereafter. Results for 1990 and 1989 also include a charge of $3.71 per share and $3.57 per share, respectively, for amortization of intangible assets.

Net financial expense (interest expense less interest income) for 1990 increased $2,314,000 from 1989. This slight net increase resulted mainly from reduced interest income due to lower interest rates on invested cash as well as interest foregone due to significant repurchases of the Company's common stock. Interest of $13,802,000 and $11,183,000 was capitalized in 1990 and 1989, respectively. The Company's effective tax rate was 43.0% in 1990 and 42.9% in 1989.

Earnings per share for 1990 were $27.71, a 2% gain over the $27.25 reported in 1989. Consolidated net income for 1990 amounted to $477,780,000, a decrease of 2% from the $485,727,000 earned in 1989. Average shares outstanding for 1990 were 17,240,000, compared with 17,825,000 in 1989, the decrease reflecting repurchases of common stock during 1989 and 1990.

The current economic climate continues to adversely affect advertising demand for both the broadcasting and publishing operations. In addition, the Persian Gulf conflict will have a significant negative impact on the Company's results in the first quarter of 1991. The conflict has substantially increased news-gathering costs and pre-emptions of television commercial time and has created further uncertainty in the advertising marketplace.

Results of Operations —
1989 Compared to 1988

Consolidated net revenues for 1989 were $4,957,394,000, compared with $4,773,453,000 in 1988, a 4% increase. Broadcasting net revenues for 1989 were $3,899,989,000, compared with $3,749,557,000 in 1988, representing a 4% increase. Publishing Group net revenues increased 3%, from $1,023,896,000 in 1988 to $1,057,405,000 in 1989.

Net revenues in 1989 for the ABC Television Network increased slightly as a result of strong advertising demand in the second half of the year which offset the impact of the incremental revenues from the 1988 telecasts of the Winter Olympics and the Super Bowl. The increased advertising demand in the second half of 1989 came mainly as a result of a stronger upfront market place for the ABC Television Network's 1989-1990 season. Revenues for ESPN increased significantly, while television station and radio revenues increased moderately. Publishing revenues increased 3%, with the newspaper operations accounting for most of the gain.

Total costs and expenses for 1989 were $4,034,882,000, compared with $3,957,424,000 in 1988, a 2% increase. Excluding purchase price adjustments, total costs and expenses for the Company were slightly lower than in 1988. Broadcasting costs in 1989 (excluding purchase price adjustments) decreased 2% from 1988. Costs and expenses for the ABC Television

Network decreased, primarily as a result of the absence of production and rights costs associated with the 1988 telecast of the Winter Olympic Games offset by increased prime-time programming (partially a result of the 1988 Writers Guild strike) and news-gathering expenses. Costs for the Company's other broadcasting operations increased moderately, principally due to higher programming, selling and administrative expenses. Costs and expenses in 1989 for the Company's publishing operations increased 4% from 1988. This increase was primarily due to higher selling and administrative expenses and a charge associated with the planned merger of the morning and afternoon newspapers in Kansas City into a single morning newspaper. Publishing expenses were favorably impacted in 1989 by the reduced cost of newsprint and by the mid-year disposition of two consumer magazines.

Operating income for 1989 was $922,512,000, compared with $816,029,000 in 1988, a 13% increase. Broadcasting operations reported a 16% increase. The ABC Television Network reported significantly improved earnings (excluding purchase price adjustments) in 1989, compared with a slight loss in 1988. Operating earnings for ESPN were substantially ahead of 1988, while the television stations and radio operations reported moderate increases. Publishing earnings improved slightly in 1989, with gains for the newspapers being offset by declines for several of the specialized publications.

Results for 1989 and 1988 reflect a reduction in entertainment programming and sports rights at the ABC Television Network from historic costs to fair market values recorded in connection with the acquisition of ABC of $92,000,000 and $191,000,000, respectively. These reduced costs (net of income taxes) benefited per share earnings by $3.10 and $6.60 in 1989 and 1988, respectively. The Company anticipates the effect of such reductions will be approximately $8,500,000 in 1990 ($0.30 per share, net of income taxes) and immaterial amounts in 1991 and thereafter. Results for 1989 and 1988 also include a charge of $3.57 per share and $3.70 per share, respectively, for amortization of all intangible assets.

Net financial expense (interest expense less interest income) for 1989 decreased $57,100,000 from 1988. This net decline resulted primarily from increased interest income of $49,155,000 due to significantly higher levels of cash investments resulting from the 1988 exercise of warrants (issued in connection with the acquisition of ABC in 1986) and accumulated cash flow from operations. Interest of $11,183,000 and $10,304,000 was capitalized in 1989 and 1988, respectively. The Company's effective tax rate was 42.9% in 1989 and 43.7% in 1988.

Consolidated net income for 1989 amounted to $485,727,000, an increase of 25% from the $387,076,000 earned in 1988. Earnings per share for 1989 were $27.25, a 22% gain over the $22.31 reported in 1988. Average shares outstanding for 1989 were 17,825,000, compared with 17,350,000 in 1988, the increase primarily reflecting the 1988 exercise of warrants partially offset by repurchases of the Company's common stock in 1989.

Available Cash Flow

Available cash flow is defined by the Company as cash from operations before changes in operating assets and liabilities, less amounts reinvested in such operations for capital expenditures and program licenses and rights. The Company believes this discussion of cash flow constitutes the most meaningful way to present this information as it serves to highlight management's discretionary cash initiatives. Available cash flow is often referred to as "free cash flow" and is considered by the Company and others to be one of the most meaningful measures of performance of advertiser-supported media companies.

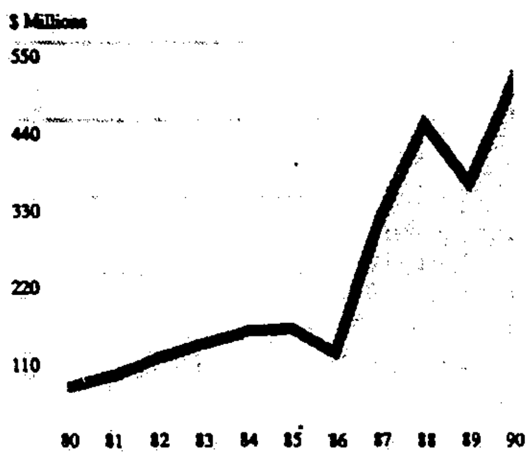
In 1990, the Company's available cash flow was $508,363,000, compared with $353,255,000 in 1989, an increase of $155,108,000, or 44%. The increase was

92

primarily a result of slightly lower cash flow from operations offset by substantially decreased investment in program licenses and rights and substantially decreased capital spending in 1990. The Company's investment in program licenses and rights and capital spending returned to more normal levels in 1990. In the prior year, the programming investment increased significantly primarily as a result of the disruption in the delivery of prime-time programming due to a strike by the Writers Guild of America. Capital spending in 1989 was impacted by the purchase of approximately $70,000,000 of second generation satellite transponders at the ABC Television Network and ESPN, which are scheduled to be operational in 1993 and 1994.

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 has allowed the Company to make selective acquisitions, invest in new business start-ups, reduce debt and, when deemed appropriate, repurchase its common stock. The continued judicious employment of available cash flow should enhance the Company's future growth in earnings and stockholders' equity, and enable it, when appropriate, to reduce outstanding debt.

Available Cash Flow



The available cash flow for 1990 of $508,363,000 was increased by $250,500,000 from the issuance of long-term debt and $48,398,000 from the proceeds from common stock issued under Employee Stock Plans. This resulted in total cash provided of $807,261,000. Common stock purchased for treasury required $446,724,000, acquisitions of operating properties required $61,983,000, the increase in working capital items (excluding programming) required $47,786,000, other miscellaneous investing and financing activities required $27,915,000 and the increase in short-term investments required $797,401,000. These items, along with dividends of $3,417,000, resulted in total cash applied of $1,385,226,000. The Company's policy is very conservative with respect to investment of its cash. At December 31, 1990, all its cash was invested in highly-liquid United States Government investments with a weighted average life to maturity of 123 days. The Financial Accounting Standards Board defines a cash equivalent as one whose maturity at the date of purchase is three months or less. At December 31, 1990, $797,401,000 of the Company's investments did not meet the definition of a cash equivalent and are therefore classified in the consolidated financial statements as short-term investments. The excess of cash applied over cash provided resulted in a decrease of $577,965,000 in cash and cash investments from December 31, 1989.

Capital Expenditures and Program Commitments

In 1990, capital expenditures amounted to $120,812,000, a decrease of $72,730,000 from the $193,542,000 spent in 1989. Capital spending in the prior year included approximately $70,000,000 for the purchase of second generation satellite transponders at the ABC Television Network and ESPN.

The largest portion of 1990 spending was in the Company's broadcasting operations, where $105,500,000 was spent. Broadcasting capital expenditures included $25,500,000 for facilities improvements, $6,900,000 for transponders at ESPN, and $73,100,000 for broadcast

43

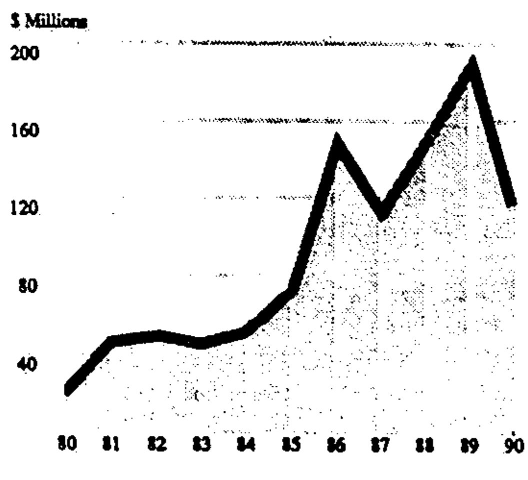
equipment to support current operations. In 1990, the Publishing Group spent $14,500,000 for ongoing operations, including $2,300,000 for facilities upgrades.

The Company anticipates that 1991 capital expenditures will approximate $140,000,000. This amount includes $40,000,000 for facilities improvements and an additional $7,000,000 for transponders at ESPN. Facility upgrades in 1991 will include a rebuild of the radio station operations in Los Angeles. Expenditures for broadcast and publishing equipment to support ongoing operations are expected to be $93,000,000, which approximates annual depreciation expense.

As the operator of the ABC Television Network, ESPN and eight television stations, the Company will continue to enter into programming commitments to purchase the broadcast rights for various feature films, sports and other programming. Total commitments to purchase broadcast programming were approximately $3,238,000,000 at the end of 1990. This amount is substantially payable over the next five years.

The Company plans to fund its operations and commitments from internally generated funds and, if needed, from various external sources of funds which are available.

Capital Expenditures



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 amounted to $3,367,897,000 at December 31, 1990, an increase of $76,037,000 from the 1989 year-end total of $3,291,860,000. The increase was primarily attributable to the addition of $477,780,000 of net income and $48,398,000 from common stock issued under Employee Stock Plans, offset by $446,724,000 of purchases of common stock to be held as treasury shares.

At December 31, 1990, total interest-bearing debt was $1,947,390,000, a net increase of $252,319,000 from 1989. Of this increase, $250,000,000 was attributable to the issuance of 8¾% notes, due December 15, 2000. These notes were issued under a $500,000,000 shelf registration which was filed during 1990. The net proceeds from the sale of these unsecured notes will be used for general corporate purposes, which may include the repayment of long-term and short-term indebtedness of the Company.

As more fully described in Note 6 to the Consolidated Financial Statements, total interest-bearing debt at December 31, 1990 includes $100,000,000 of commercial paper supported by a $1,000,000,000 bank revolving credit agreement, $1,825,000,000 of public and privately placed notes and debentures and $22,390,000 of other long-term debt. At December 31, 1990, the weighted average interest rates of the commercial paper and of all other long-term instruments was 8.4% and 10.1%, respectively. The Company plans to fund the repayment of its debt from internally generated funds and, if needed, from various external sources of funds which are available.

44

The Company's debt to total capital ratio at the end of each of the last five years was as follows:

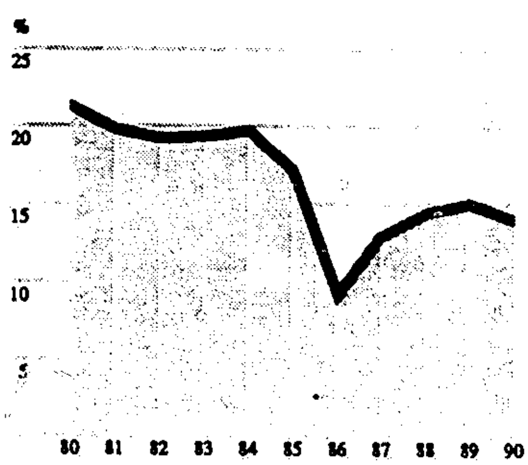
(Dollars in millions)	Debt	Total capital	Ratio
1990	$1,947.4	$5,542.5	35%
1989	$1,695.1	$5,221.9	32%
1988	$1,693.5	$4,948.5	34%
1987	$1,696.9	$4,128.9	41%
1986	$1,821.8	$3,964.7	46%

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 items) bears to average stockholders' equity. The Company's return on average stockholders' equity was 14.3% in 1990 and 15.4% in 1989. The decreased return in 1990 was primarily attributable to the 2% decline in net income.

The Company's return on equity has benefited both from its historical 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. In 1986, the return on equity decreased substantially as a result of transactions related to the acquisition of ABC. The significant resulting decline in return on equity was reversed beginning in 1987 as the Company's historical operating patterns returned.

Return on Equity



Since 1988, the Board of Directors of the Company has authorized the repurchase of up to 2,000,000 shares of the Company's common stock. The repurchases are made from time to time in the open market at prices then prevailing. As of February 28, 1991, the Company has repurchased 1,504,000 shares of its common stock under this authorization for a total cost of $697,000,000, at an average cost of $463 per share.

Intangible Assets

At December 31, 1990, the Company's intangible assets, before accumulated amortization, totaled $2,532,222,000, which accounted for approximately 38% of the Company's total assets.

Intangible assets represent the excess of the purchase price over the underlying fair market value of tangible assets acquired. In accordance with *Accounting Principles Board Opinion No. 17*, the Company amortizes substantially all intangible assets over 40 years. This practice is arbitrarily mandated by *Opinion No. 17* without regard to whether these assets have or have not declined in value.

All of the Company's intangible assets have resulted from the acquisition of broadcasting and publishing properties. Historically, such intangible assets have substantially increased in value and have long and productive lives. We believe that the Company's intangible assets have appreciated in value, and that the requirements of *Opinion No. 17* when applied to such publishing and broadcasting assets understate net income and stockholders' equity. The amortization of intangible assets had the effect of reducing 1990 net income by $63,985,000, or $3.71 a share. The amortization of substantially all intangible assets is not a deductible item in computing income taxes.

45

Financial Summary 1980-1990

(Dollars in thousands except per share data)

	1990	1989	1988
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	$4,283,633	$3,899,989	$3,749,557
Publishing	1,101,969	1,057,405	1,023,896
Total	5,385,602	4,957,394	4,773,453
Operating income			
Broadcasting	$ 830,457	$ 836,149	$ 722,171
Publishing	132,371	130,444	129,720
Income from operations	962,828	966,593	851,891
General corporate expense	(39,613)	(44,081)	(35,862)
Total	923,215	922,512	816,029
Income before extraordinary items (a)	$ 477,780	$ 485,727	$ 387,076
Income per share before extraordinary items (a)	$27.71	$27.25	$22.31
Cash dividends per common share	$ 0.20	$ 0.20	$ 0.20
Average shares (000's omitted)	17,240	17,825	17,350
Return on average stockholders' equity (b)	14.3%	15.4%	14.7%
SELECTED CASH FLOW DATA			
Cash provided			
Operations, before changes in operating assets and liabilities	$ 672,705	$ 701,269	$ 558,633
Available cash flow (c)	508,363	353,255	439,714
Proceeds from issuance of long-term debt	250,500	2,200	500
Proceeds from disposition of operating companies	5,018	7,490	19,072
Cash applied			
Acquisition of operating companies	$ 61,983	$ 81,465	$ 18,143
Common stock purchased for treasury	446,724	232,849	3,644
Capital expenditures	120,812	193,542	153,413
Reduction of long-term debt	2,475	1,556	3,458
Dividends	3,417	3,538	3,427
AT YEAR-END			
Working capital	$1,919,944	$1,735,617	$1,504,954
Total assets	6,696,187	6,359,507	6,088,871
Long-term debt	1,947,390	1,695,071	1,693,543
Stockholders' equity	3,367,897	3,291,860	3,025,505
Number of shares outstanding (000's omitted)	16,759	17,534	17,999
Price range of common stock			
Closing market price	$459¾	$564⅛	$362¼
High for the year	633	568	369¾
Low for the year	380	353	297

(a) Extraordinary items amounted to $265,746,000 ($16.35 per share) in 1986, $7,585,000 ($0.58 per share) in 1984 and $2,430,000 ($0.18 per share) in 1980.

(b) Income before extraordinary items divided by average stockholders' equity.

(c) Cash provided from operations before changes in operating assets and liabilities, less amounts reinvested for capital expenditures and program licenses and rights.

46

1987	1986	1985	1984	1983	1982	1981	1980
$3,433,749	$3,153,619	$ 378,297	$ 348,106	$ 302,785	$274,298	$214,498	$167,010
1,006,597	970,755	642,583	591,616	459,510	389,282	359,286	305,098
4,440,346	4,124,374	1,020,880	939,722	762,295	663,580	573,784	472,108
$ 632,910	$ 474,535	$ 150,970	$ 144,182	$ 124,696	$117,906	$ 99,134	$ 85,394
146,717	158,999	138,512	133,179	104,034	79,010	67,520	58,186
779,627	633,534	289,482	277,361	228,730	196,916	166,654	143,580
(33,637)	(30,856)	(11,981)	(9,849)	(8,366)	(7,128)	(7,468)	(6,205)
745,990	602,678	277,501	267,512	220,364	189,788	159,186	137,375
$ 279,078	$ 181,943	$ 142,222	$ 135,193	$ 114,704	$ 96,317	$ 80,518	$ 70,783
$16.46	$11.20	$10.87	$10.40	$8.53	$7.25	$6.12	$5.38
$ 0.20	$ 0.20	$ 0.20	$ 0.20	$0.20	$0.20	$0.20	$0.20
16,950	16,250	13,080	13,000	13,455	13,280	13,150	13,165
13.4%	9.7%	17.5%	19.9%	19.6%	19.5%	20.1%	21.5%
$ 468,380	$ 268,162	$ 223,296	$ 196,600	$ 169,363	$137,529	$108,208	$ 86,589
307,737	112,343	146,179	142,734	124,945	103,677	79,940	62,978
—	1,350,507	493,329	18,065	202,527	1,944	111,640	3,834
—	703,378	7,222	5,000	3,200	—	13,808	—
$ 13,248	$3,162,661	$ 51,109	$ 146,843	$ [illegible]016	$ 21,588	$157,128	$ 32,308
576	1,075	484	46,135	45,619	676	125	14,753
116,309	153,082	75,384	53,866	47,595	51,651	48,634	23,611
124,904	367,528	7,872	16,030	32,766	55,867	67,935	23,122
3,231	3,219	2,595	2,570	2,656	2,627	2,603	2,573
$ 640,574	$ 416,230	$ 830,986	$ 240,985	$ 265,847	$ 16,353	$ 4,288	$ 35,408
5,378,372	5,191,416	1,884,931	1,208,172	1,052,912	776,013	697,620	519,958
1,696,901	1,821,805	714,298	222,995	220,960	48,449	102,372	58,667
2,224,921	1,948,627	889,260	734,455	625,255	544,267	443,822	359,081
16,193	16,126	12,998	12,867	13,103	13,180	13,025	12,902
$345	267½	$224½	$164⅝	$144	$119⅝	$73¾	$58¾
450	279¾	229	174½	157¼	136¾	80½	72
267¼	208¼	152¼	123½	114¾	64⅝	56½	40

(47)

Consolidated Statement of Income

(Dollars in thousands except per share amounts)

	1990	1989	1988
Net revenues	$5,385,602	$4,957,394	$4,773,453
Costs and expenses			
Direct operating expenses	3,256,273	2,867,518	2,908,481
Selling, general and administrative	1,046,454	1,009,765	889,110
Depreciation	95,675	93,965	95,705
Amortization of intangible assets	63,985	63,634	64,128
	4,462,387	4,034,882	3,957,424
Operating income	923,215	922,512	816,029
Other income (expense)			
Interest expense	(168,859)	(174,417)	(182,362)
Interest income	94,375	102,247	53,092
Miscellaneous, net	(10,951)	785	517
	(85,435)	(71,385)	(128,753)
Income before income taxes	837,780	851,127	687,276
Income taxes			
Federal	285,500	295,100	241,500
State and local	74,500	70,300	58,700
	360,000	365,400	300,200
Net income	$ 477,780	$ 485,727	$ 387,076
Net income per share	$27.71	$27.25	$22.31
Average shares outstanding (000's omitted)	17,240	17,825	17,350

See accompanying notes.

Consolidated Statement of Cash Flows

(Dollars in thousands)

	1990	1989	1988
Cash flows from operating activities			
Net income	**$ 477,780**	$ 485,727	$ 387,076
Adjustments to reconcile net income to net cash			
Noncash and nonoperating items			
Depreciation	**95,675**	93,965	95,705
Amortization of intangible assets	**63,985**	63,634	64,128
Increase in deferred liabilities	**14,040**	57,058	9,866
Other noncash items	**21,225**	885	1,858
Cash from operations before changes in operating assets and liabilities	**672,705**	701,269	558,633
(Increase) decrease in program assets and liabilities, net	**(43,530)**	(154,472)	34,494
(Increase) in accounts receivable	**(39,371)**	(86,692)	(1,107)
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	**5,148**	30,267	(34,506)
(Increase) in other operating assets, net	**(13,563)**	(30,537)	(19,483)
Net cash provided by operating activities	**581,389**	459,835	538,031
Cash flows from investing activities			
Capital expenditures	**(120,812)**	(193,542)	(153,413)
Acquisition of operating companies	**(61,983)**	(81,465)	(18,143)
Increase in short-term investments	**(797,401)**	—	—
Other investing activities	**(25,440)**	40,910	23,339
Net cash used in investing activities	**(1,005,636)**	(234,097)	(148,217)
Cash flows from financing activities			
Common stock purchased for treasury	**(446,724)**	(232,849)	(3,644)
Proceeds from issuance of long-term debt	**250,500**	2,200	500
Dividends	**(3,417)**	(3,538)	(3,427)
Reduction of long-term debt	**(2,475)**	(1,556)	(3,458)
Net proceeds from common stock warrant activity	—	—	407,604
Common stock issued under Employee Stock Plans	**48,398**	17,015	12,975
Net cash (used in) provided by financing activities	**(153,718)**	(218,728)	410,550
Net (decrease) increase in cash and short-term cash investments	**(577,965)**	7,010	800,364
Cash and short-term cash investments			
Beginning of period	**1,141,004**	1,133,994	333,630
End of period	**$ 563,039**	$1,141,004	$1,133,994

See accompanying notes

49

Consolidated Balance Sheet

December 31, 1990 and 1989
(Dollars in thousands)

Assets	1990	1989
Current assets		
Cash and short-term cash investments	$ 563,039	$1,141,004
Short-term investments	797,401	—
Accounts and notes receivable (net of allowance for doubtful accounts of $37,840 in 1990 and $36,135 in 1989)	828,341	784,095
Program licenses and rights	408,381	410,019
Other current assets	219,229	200,456
Total current assets	2,816,391	2,535,574
Property, plant and equipment, at cost		
Land	403,338	400,665
Buildings and improvements	621,470	583,510
Broadcasting and publishing equipment	622,521	560,292
Other, including construction-in-progress	213,731	199,300
	1,861,060	1,743,767
Less accumulated depreciation	539,469	451,601
Property, plant and equipment, net	1,321,591	1,292,166
Intangible assets (net of accumulated amortization of $354,404 in 1990 and $300,220 in 1989)	2,177,818	2,207,052
Program licenses and rights, noncurrent	204,306	180,760
Other assets	176,081	143,955
	$6,696,187	$6,359,507

See accompanying notes

50

Liabilities and Stockholders' Equity	1990	1989
Current liabilities		
Accounts payable	$ 108,873	$ 87,226
Accrued compensation	86,513	107,080
Accrued interest	55,941	55,457
Accrued expenses and other current liabilities	209,189	198,628
Program licenses and rights	145,130	157,967
Taxes on income	194,199	190,725
Long-term debt due within one year	96,602	2,874
Total current liabilities	896,447	799,957
Deferred compensation	164,143	130,604
Deferred income taxes	154,147	159,407
Unearned subscription revenue	37,209	42,346
Program licenses and rights, noncurrent	50,367	59,152
Other liabilities	102,114	108,456
Long-term debt due after one year	1,850,788	1,692,197
Total liabilities	3,255,215	2,992,119
Minority interest	73,075	75,528
Stockholders' equity		
Preferred stock, no par value (4,000,000 shares authorized)	—	—
Common stock, $1 par value (80,000,000 shares authorized)	18,394	18,394
Additional paid-in capital	998,570	970,906
Retained earnings	3,057,745	2,583,382
	4,074,709	3,572,682
Less common stock in treasury, at cost (1,634,361 shares in 1990 and 859,633 shares in 1989)	706,812	280,822
Total stockholders' equity	3,367,897	3,291,860
	$6,696,187	$6,359,507

(51)

Consolidated Statement of Stockholders' Equity

(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance January 3, 1988	$18,394	$646,124	$1,717,544	$(157,141)	$2,224,921
Net income for 1988	—	—	387,076	—	387,076
541,016 warrants purchased	—	(34,266)	—	—	(34,266)
1,767,478 warrants exercised	—	339,451	—	102,419	441,870
27,701 shares issued under Employee Stock Purchase Plan	—	7,215	—	996	8,211
22,432 shares issued on exercise of employee stock options	—	3,123	—	1,641	4,764
10,727 shares purchased for treasury	—	—	—	(3,644)	(3,644)
Cash dividends	—	—	(3,427)	—	(3,427)
Balance January 1, 1989	18,394	961,647	2,101,193	(55,729)	3,025,505
Net income for 1989	—	—	485,727	—	485,727
20,930 shares issued under Incentive Compensation Plan	—	4,593	—	2,900	7,493
22,246 shares issued under Employee Stock Purchase Plan	—	3,744	—	2,917	6,661
14,705 shares issued on exercise of employee stock options	—	922	—	1,939	2,861
523,441 shares purchased for treasury	—	—	—	(232,849)	(232,849)
Cash dividends	—	—	(3,538)	—	(3,538)
Balance December 31, 1989	18,394	970,906	2,583,382	(280,822)	3,291,860
Net income for 1990	—	—	477,780	—	477,780
4,566 shares issued under Incentive Compensation Plan	—	1,903	—	595	2,498
104,679 shares issued under Employee Stock Purchase Plan	—	22,528	—	13,509	36,037
50,411 shares issued on exercise of employee stock options	—	3,233	—	6,630	9,863
934,384 shares purchased for treasury	—	—	—	(446,724)	(446,724)
Cash dividends	—	—	(3,417)	—	(3,417)
Balance December 31, 1990	$18,394	$998,570	$3,057,745	$(706,812)	$3,367,897

See accompanying notes

52

1. Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of all significant subsidiaries. Investments in other companies which are at least 20% owned are reported on the equity method. All significant intercompany accounts and transactions have been eliminated.

Property, Plant and Equipment — Depreciation – Depreciation is computed on the straight-line method for financial accounting purposes and on accelerated methods for tax purposes. Estimated useful lives for major asset categories are 10-55 years for buildings and improvements, 4-20 years for broadcasting equipment and 5-20 years for publishing machinery and equipment. 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. The broadcasting and publishing intangible assets, all of which may be characterized as scarce assets with very long and productive lives, have historically increased in value with the passage of time. In accordance with *Accounting Principles Board Opinion No. 17*, substantially all of these intangible assets are being amortized over periods of up to 40 years, even though in the opinion of management there has been no diminution of value of the underlying assets.

Program Licenses and Rights — Program licenses and rights and the related liabilities are recorded when the license period begins and the program is available for use. Television network and station rights for theatrical movies and other long-form programming are charged to expense primarily on accelerated bases related to the usage of the program. Television network series costs and multi-year sports rights are charged to expense based on the flow of anticipated revenue.

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

Postretirement Benefits Other Than Pensions — In December 1990, *Financial Accounting Standards Board Statement No. 106* was issued which requires a change in the method of accounting for postretirement benefits other than pensions. The Company is evaluating the impact of this standard which must be implemented by 1993. The impact of such adoption on the consolidated financial statements is expected not to be material.

Short-term Investments — Short-term investments consists of highly liquid U.S. Government instruments with original maturities in excess of three months, and are carried at cost, which approximates market. Short-term investments which have a maturity of three months or less at the time of purchase are considered cash equivalents.

Reporting Year — The Company's reporting year is a year ending on December 31. Prior to 1989, the Company's reporting year was a fiscal year ending the Sunday closest to December 31.

2. Acquisitions

During 1990, the Company completed a number of small acquisitions for a combined cash purchase price of $61,983,000. During 1989, the Company acquired Satellite Music Network, Inc., a 50% interest in Tele-Munchen GmbH, and several publishing operations. The combined cash purchase price for these acquisitions was $81,465,000. In 1988, the Company completed several acquisitions for a combined cash purchase price of $18,143,000.

Notes to Consolidated Financial Statements—(Continued)

3. Income Per Share

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

	1990	1989	1988
Common shares	17,185	17,753	16,965
Stock options	55	72	75
Warrants	—	—	310
Total	17,240	17,825	17,350

4. Shareholder Rights Plan

In 1989, the Company adopted a Shareholder Rights Plan. The Plan becomes operative in certain events involving the acquisition of 20% or more of the Company's common stock by any person or group in transactions not approved by the Company's Board of Directors. In the case of Berkshire Hathaway Inc., pursuant to an existing agreement, the threshold for activation of the Rights Plan is the acquisition of more than 30% of the Company's common stock.

Upon the occurrence of such an event, each Right, unless redeemed by the Board, entitles its holder to purchase at the Right's exercise price of $2,000, a number of common shares of the Company, or in certain circumstances the acquiring company's common shares, having a market value of twice that price. The Rights expire in 1999.

5. Commitments

At December 31, 1990, the Company is committed to the purchase of broadcast rights for various feature films, sports and other programming aggregating approximately $3,238,000,000.

The aggregate payments related to these commitments during the next five years are summarized as follows:

1991 — $1,087,091,000; 1992 — $803,227,000; 1993 — $ 759,304,000; 1994 — $355,529,000; 1995 — $ 161,844,000.

The Company anticipates 1991 capital expenditures for property, plant and equipment will approximate $140,000,000.

Rental expense under operating leases amounted to $90,098,000, $86,498,000 and $88,008,000 for 1990, 1989 and 1988, respectively.

Future minimum annual rental payments under noncancelable leases are as follows (000's omitted):

	Capital leases	Operating leases
1991	$ 7,839	$ 72,194
1992	6,982	62,917
1993	6,597	47,085
1994	6,364	34,947
1995	6,259	30,120
1996 and thereafter	145,849	155,348
Minimum lease payments	179,890	$402,611
Imputed interest	(118,106)	
Present value of minimum lease payments	$ 61,784	

Total minimum payments for operating leases have not been reduced for future minimum sublease rentals aggregating $45,497,000.

6. Long-Term Debt

Long-term debt at December 31, 1990 and 1989 is as follows (000's omitted):

	1990	1989
Commercial paper supported by bank revolving credit agreement	$ 100,000	$ 100,000
10.8% Senior Notes due 1994, with annual sinking fund payments of $93,750 beginning in 1991	375,000	375,000
8¼% notes due 1996	200,000	200,000
10½% notes due 1997	200,000	200,000
8⅞% notes due 2000	250,000	—
11¾% subordinated debentures due 2013, with annual sinking fund payments of $8,000 beginning in 1994	200,000	200,000
11⅝% debentures due 2015, with annual sinking fund payments of $12,000 beginning in 1996	300,000	300,000
8¾% debentures due 2016, with annual sinking fund payments of $12,000 beginning in 1997	300,000	300,000
Other long-term debt	22,390	20,071
	$1,947,390	$1,695,071

The aggregate payments of long-term debt outstanding at December 31, 1990 for the next five years, excluding commercial paper, are summarized as follows: 1991 – $96,602,000; 1992 – $97,507,000; 1993 – $97,015,000; 1994–$105,446,000; 1995–$9,948,000.

Interest paid on long-term debt during 1990, 1989 and 1988 amounted to $182,177,000, $185,894,000 and $193,177,000, respectively.

A subsidiary of the Company has issued commercial paper, $100,000,000 of which was outstanding at December 31, 1990, at a weighted average interest rate of 8.4%. The commercial paper is supported by a $1,000,000,000 bank revolving credit agreement terminating on June 30, 1992, unless otherwise extended. The agreement requires a facility fee on the average daily commitment of .09%. Under terms of the bank revolving credit agreement, the Company and its consolidated subsidiaries are required to maintain a consolidated net worth of $1,840,162,000 at December 31, 1990, increasing annually by 33 percent of the consolidated net income of the previous year. The commercial paper outstanding at December 31, 1990 is classified as long-term, since the Company intends to renew or replace with long-term borrowings all, or substantially all, of the commercial paper. However, the amount of commercial paper outstanding in 1991 is expected to fluctuate and may be reduced from time to time.

The 8¾% debentures, 11⅝% debentures and 11¾% debentures are redeemable at the option of the Company, in whole or in part, at a declining premium to par until 2006, 2005 and 2003, respectively, and at par thereafter; provided, however, that these debentures not be redeemed from, or in anticipation of, funds borrowed at certain specified lower interest rates for a period of ten years from their dates of issuance. The 10½% notes and 8¼% notes are redeemable at par starting in 1992 and 1993, respectively. The 10.8% Senior Notes are not redeemable prior to 1992, at which time they may be redeemed at a price of 104% of par until maturity.

During 1990, the Company filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to $500,000,000 of unsecured debt securities. In late 1990, the Company issued $250,000,000 of 8⅞% notes due December 15, 2000. These notes are not redeemable prior to that date.

The Company has unconditionally guaranteed the 10.8% Senior Notes, the 8¼% notes, the 8¾% debentures which have been issued by a wholly-owned subsidiary, the commercial paper, and any borrowings which may be made by a subsidiary under the bank revolving credit agreement.

Notes to Consolidated Financial Statements—(Continued)

7. Employee Benefit Plans

The Company has defined benefit pension plans or qualified profit sharing plans covering substantially all of its employees not covered by union plans. The profit sharing plans provide for contributions by the Company in such amount as the Board of Directors may annually determine. Contributions to the profit sharing plans of $6,700,000, $6,786,000 and $6,616,000 were charged to expense in 1990, 1989 and 1988, respectively.

With respect to the defined benefit pension plans, the Company's policy is to fund amounts as are necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and compensation. The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 9% at year-end 1990 and 1989. The rate of increase in future compensation levels and the expected long-term rate of return on assets were 5% and 8%, respectively, in 1990 and 1989.

The components of net pension cost for 1990, 1989 and 1988 are as follows (000's omitted):

	1990	1989	1988
Service cost of current period	$ 14,349	$ 12,460	$ 13,078
Interest cost on projected benefit obligation	32,985	28,923	25,419
Actual return on plan assets	(1,494)	(54,328)	(42,729)
Net amortization and deferral	(34,789)	20,036	10,474
Net pension cost	$ 11,051	$ 7,091	$ 6,242

The following table sets forth the pension plans' funded status and amounts recognized in the balance sheet at December 31, 1990 and 1989 (000's omitted):

	1990	1989
Actuarial present value of accumulated plan benefits (including vested benefits of $311,192 in 1990 and $274,766 in 1989)	$ 323,595	$ 286,006
Plan assets at fair value, primarily publicly traded securities and short-term cash investments	$ 436,490	$ 453,316
Projected benefit obligation for service rendered to date	(393,723)	(344,941)
Plan assets in excess of projected benefit obligation	42,767	108,375
Prior service cost not yet recognized in net periodic pension cost	25,482	22,404
Unrecognized net gain from past experience different from that assumed	(36,172)	(85,417)
Unrecognized net asset (transition amount) being recognized principally over 15 years	(22,469)	(24,715)
Prepaid pension cost included in balance sheet	$ 9,608	$ 20,647

The Company also has a Savings & Investment Plan which allows eligible employees to allocate up to 10% of salary through payroll deduction among a Company stock fund, a diversified equity fund and a guaranteed income fund. The Company matches 50% of the employee's contribution, up to 5% of salary. In 1990, 1989 and 1988, the cost of this plan (net of forfeitures) was $10,038,000, $7,437,000 and $6,942,000, respectively.

8. Segment Data

The Company's business operations are classified into two segments: Broadcasting and Publishing. Broadcasting operations include the ABC Television Network and eight television stations, the ABC Radio Networks and 21 radio stations, and cable television programming services. The Publishing segment includes newspapers, shopping guides, various specialized business and consumer periodicals and books, research services and database publishing. There are no material product transfers between segments of the Company, and virtually all of the Company's business is conducted within the United States. The segment data is as follows (000's omitted):

	1990	1989	1988	1987	1986
Broadcasting					
Net revenues	$4,283,633	$3,899,989	$3,749,557	$3,433,749	$3,153,619
Direct operating costs	3,331,316	2,943,321	2,904,668	2,680,582	2,554,932
Depreciation	75,088	74,333	76,303	73,730	78,952
Amortization of intangible assets	46,772	46,186	46,415	46,527	45,200
Total operating costs	3,453,176	3,063,840	3,027,386	2,800,839	2,679,084
Income from operations	$ 830,457	$ 836,149	$ 722,171	$ 632,910	$ 474,535
Assets at year-end	$4,250,540	$4,177,132	$3,927,891	$4,018,775	$4,186,650
Capital expenditures	105,475	173,078	138,043	102,425	104,278
Publishing					
Net revenues	$1,101,969	$1,057,405	$1,023,896	$1,006,597	$ 970,755
Direct operating costs	934,022	891,542	858,102	822,123	778,201
Depreciation	18,363	17,971	18,361	18,878	15,353
Amortization of intangible assets	17,213	17,448	17,713	18,879	18,202
Total operating costs	969,598	926,961	894,176	859,880	811,756
Income from operations	$ 132,371	$ 130,444	$ 129,720	$ 146,717	$ 158,999
Assets at year-end	$ 916,346	$ 899,499	$ 898,608	$ 908,193	$ 920,896
Capital expenditures	14,450	13,015	15,085	13,114	48,589
Consolidated					
Net revenues	$5,385,602	$4,957,394	$4,773,453	$4,440,346	$4,124,374
Income from operations	$ 962,828	$ 966,593	$ 851,891	$ 779,627	$ 633,534
General corporate expense	(39,613)	(44,081)	(35,862)	(33,637)	(30,856)
Operating income	923,215	922,512	816,029	745,990	602,678
Interest expense	(168,859)	(174,417)	(182,362)	(190,806)	(185,511)
Interest and other income	83,424	103,032	53,609	8,794	5,576
Income before income taxes	$ 837,780	$ 851,127	$ 687,276	$ 563,978	$ 422,743
Assets employed by segments	$5,166,886	$5,076,631	$4,826,499	$4,926,968	$5,107,546
Cash investments and other corporate assets	1,529,301	1,282,876	1,262,372	451,404	83,870
Total assets at year-end	$6,696,187	$6,359,507	$6,088,871	$5,378,372	$5,191,416

Notes to Consolidated Financial Statements—(Continued)

9. 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):

	1990		1989		1988	
	Amount	%	Amount	%	Amount	%
Income before income taxes	$837,780		$851,127		$687,276	
Income tax expense at statutory Federal rate	$284,845	34.0	$289,383	34.0	$233,674	34.0
State and local income taxes, net of Federal benefit	48,166	5.8	45,358	5.3	38,750	5.6
Amortization of intangibles	21,311	2.5	20,891	2.5	21,804	3.2
Other, net	5,678	0.7	9,768	1.1	5,972	0.9
Total	$360,000	43.0	$365,400	42.9	$300,200	43.7

Income tax expense is comprised of the following (000's omitted):

	1990	1989	1988
Federal			
Current	$296,200	$317,400	$239,600
Deferred	(10,700)	(22,300)	1,900
	285,500	295,100	241,500
State and local			
Current	77,000	75,100	58,000
Deferred	(2,500)	(4,800)	700
	74,500	70,300	58,700
Total	$360,000	$365,400	$300,200

Income taxes paid, net of refunds received, during 1990, 1989 and 1988 amounted to $351,770,000, $295,682,000 and $228,570,000, respectively.

In December 1987, *Financial Accounting Standards Board Statement No. 96* was issued which requires a change in the method of accounting for income taxes. This statement must be implemented by 1992. The Company does not expect to adopt the standard prior to 1992, and the impact on the financial statements of such adoption is estimated not to be material.

The provision (benefit) for deferred income taxes represents the tax effect of transactions reported in different periods for financial and income tax reporting purposes, and results from the following timing differences (000's omitted):

	1990	1989	1988
Accelerated depreciation	$ 11,300	$ 14,900	$13,600
Program costs	(1,900)	(6,500)	(1,800)
Deferred compensation	(7,500)	(21,300)	(1,900)
Other	(15,100)	(14,200)	(7,300)
Total	$(13,200)	$(27,100)	$ 2,600

Deferred income taxes at December 31, 1990 include approximately $130,000,000 of taxes relating to the disposition of broadcasting and cable properties by the Company and its subsidiaries in 1986, deferred under the provisions of Section 1071 of the Internal Revenue Code.

10. Common Stock Plans

The Company has stock option plans under which certain key personnel have been granted 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:

	1990	1989	1988
Outstanding options, beginning of year	111,968	120,373	143,055
Granted	—	6,300	—
Canceled or expired	(450)	—	(250)
Exercised	(50,411)	(14,705)	(22,432)
Outstanding options, end of year	61,107	111,968	120,373
Average price of options exercised during the year	$76.66	$106.40	$75.74
Exercise price of outstanding options, end of year	$61.50 to $383.38	$61.50 to $383.38	$40.13 to $383.38
Options exercisable, end of year	55,257	103,418	112,037
Options available for future grant	495,605	495,155	501,455

The Company has an Employee Stock Purchase Plan which allows eligible employees, through contributions of up to 15% of their compensation, to 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 104,679, 22,246 and 27,701 shares under the Plan in 1990, 1989 and 1988, respectively. As of December 31, 1990, 468,947 shares remain available to be purchased through the period ending April 1995.

The Company has an incentive compensation plan for certain of its employees under which amounts payable are based upon appreciation in the market price of the Company's common stock. Payments are made in either cash, common stock or a combination thereof, at the discretion of the Company.

11. Common Stock and Stockholder Information (Unaudited)

As of February 28, 1991, the approximate number of holders of common stock was 8,900. Dividends of $.05 per share have been paid for each quarter of 1990 and 1989. The common stock is traded on the New York and Pacific Stock Exchanges. The high, low and closing prices of the Company's common stock for each quarter of 1990 and 1989 are as follows:

	1990			1989		
	High	Low	Close	High	Low	Close
1st quarter	$574	$494	$510½	$385½	$353	$379½
2nd quarter	626	508¼	623	484	379¼	465
3rd quarter	633	438	467	534½	461½	525
4th quarter	496¾	380	459¼	568	506	564¼

Notes to Consolidated Financial Statements—(Continued)

12. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1990, 1989 and 1988 (000's omitted, except per share amounts). The net income per share computation for each quarter and the year are separate calculations. Accordingly, the sum of the quarterly net income per share amounts may not equal the net income per share for the year.

	First quarter	Second quarter	Third quarter	Fourth quarter	Year
1990					
Net revenues	$1,262,321	$1,357,284	$1,214,772	$1,551,225	$5,385,602
Costs and expenses	1,050,773	1,086,949	1,070,826	1,253,839	4,462,387
Operating income	211,548	270,335	143,946	297,386	923,215
Interest expense	(42,595)	(41,900)	(41,822)	(42,542)	(168,859)
Interest and other income	17,250	19,476	24,090	22,608	83,424
Income before income taxes	186,203	247,911	126,214	277,452	837,780
Income taxes	79,900	105,600	54,500	120,000	360,000
Net income	$ 106,303	$ 142,311	$ 71,714	$ 157,452	$ 477,780
Net income per share	$6.08	$8.19	$4.16	$9.34	$27.71
1989					
Net revenues	$1,120,441	$1,226,499	$1,101,238	$1,509,216	$4,957,394
Costs and expenses	956,616	961,991	943,961	1,172,314	4,034,882
Operating income	163,825	264,508	157,277	336,902	922,512
Interest expense	(47,459)	(43,819)	(41,951)	(41,188)	(174,417)
Interest and other income	29,807	25,864	26,855	20,506	103,032
Income before income taxes	146,173	246,553	142,181	316,220	851,127
Income taxes	63,400	106,400	61,400	134,200	365,400
Net income	$ 82,773	$ 140,153	$ 80,781	$ 182,020	$ 485,727
Net income per share	$4.59	$7.83	$4.56	$10.33	$27.25
1988					
Net revenues	$1,288,807	$1,159,486	$1,009,555	$1,315,605	$4,773,453
Costs and expenses	1,121,846	914,809	871,295	1,049,474	3,957,424
Operating income	166,961	244,677	138,260	266,131	816,029
Interest expense	(46,370)	(45,805)	(45,494)	(44,693)	(182,362)
Interest and other income	6,754	8,014	17,068	21,773	53,609
Income before income taxes	127,345	206,886	109,834	243,211	687,276
Income taxes	57,000	93,000	47,200	103,000	300,200
Net income	$ 70,345	$ 113,886	$ 62,634	$ 140,211	$ 387,076
Net income per share	$4.16	$6.78	$3.55	$7.76	$22.31

60

Report of Ernst & Young, Independent Auditors

The Board of Directors and Shareholders
Capital Cities/ABC, Inc.

We have audited the accompanying consolidated balance sheets of Capital Cities/ABC, Inc. as of December 31, 1990 and 1989, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Cities/ABC, Inc. at December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

Ernst & Young

Ernst + Young

New York, New York
February 28, 1991

61

Report of Management

The management of Capital Cities/ABC, Inc. is responsible for the preparation of and the information included in the consolidated financial statements. These statements, including the accompanying notes, have been prepared in accordance with generally accepted accounting principles and include amounts which are based upon management's best estimates and judgments.

In recognition of its responsibility for the integrity and reliability of the data contained in the financial statements, management maintains a system of internal controls. Internal controls are designed to provide reasonable but not absolute assurance at appropriate cost that assets are safeguarded from loss or unauthorized use, and that the financial records are reliable for the preparation of financial statements.

The Audit Committee of the Board of Directors, which is composed of six outside directors, meets periodically with management, the independent auditors and the internal auditors to ensure that each is carrying out its responsibilities. The Audit Committee reports its conclusions and recommendations to the Board of Directors. Both the independent and internal auditors have free and direct access to the Audit Committee.

The financial statements have been audited by the Company's independent auditors in accordance with generally accepted auditing standards. In that connection, the independent auditors develop and maintain an understanding of the Company's accounting controls and conduct such tests and related procedures as they deem necessary to render their opinion as to the fairness of the presentation in all material respects of the financial statements in conformity with generally accepted accounting principles.

Daniel B. Burke

Daniel B. Burke
President and
Chief Executive Officer

Ronald J. Doerfler

Ronald J. Doerfler
Senior Vice President and
Chief Financial Officer

Exhibit (22)

As of December 31, 1990

Subsidiaries of Capital Cities/ABC, Inc.

	Jurisdiction of Incorporation
Capital Cities/ABC, Inc. (parent)	New York
ABC Holding Company, Inc.	Delaware
ABC Consumer Magazines Holding Company, Inc.	Delaware
ABC Consumer Magazines, Inc. (stock sold - 1/30/91)	Delaware
ABC Daytime Circle, Inc.	Delaware
ABC Network Holding Company, Inc.	Delaware
ABC Equipment Leasing, Inc.	New York
ABC Motion Pictures, Inc.	Delaware
ABC Records, Inc.	New York
ABC Circle Music, Inc.	New York
American Broadcasting Music, Inc.	New York
ABC Theatre Holdings, Inc.	Delaware
ABC Interstate Theatres, Inc.	Delaware
ABC Southeastern Theatres, Inc.	Delaware
Ambro Land Holdings, Inc.	Delaware
Ambroco Development Corp.	New York
Broadway Development Corp.	New York
Columbus West Development Corp.	New York
67th Street Development Corp.	New York
66th Street Development Corp.	New York
Circle Location Services, Inc.	Delaware
Stage Five Productions, Inc.	California
TNC Company, Inc.	Delaware
ABC News Holding Company, Inc.	Delaware
ABC News, Inc.	Delaware
ABC News Intercontinental, Inc.	Delaware
Worldwide Television News Corporation	Delaware
ABC News Overseas Sales, Inc.	Delaware
ABC Radio Network, Inc.	Delaware
ABC Radio Network Sales, Inc.	New York
ABC/Watermark, Inc.	Delaware
Satellite Music Network, Inc.	Delaware
ABC Sports Holding Company, Inc.	Delaware
ABC Sports, Inc.	New York
ABC Sports Intercontinental S.A.R.L.	France
ABC Sports Marketing, Inc.	Delaware
ABC Sports Video, Inc.	Delaware
American Broadcasting Companies, Inc.	Delaware
Capital Cities/ABC National Television Sales, Inc.	Delaware
Capital Cities/ABC Video Enterprises, Inc.	Delaware
ABC Sports International, Inc.	Delaware
Capital Cities/ABC Video Enterprises Worldwide Holdings, Inc.	Delaware
Capital Cities/ABC Video Musical Investments, Inc.	Delaware
Capital Cities/ABC Video Productions, Inc.	Delaware
Capital Cities/ABC Video Publishing, Inc.	Delaware
Capital Cities/ABC Video Systems, Inc.	Delaware

Capital Cities/ABC, Inc. (parent)(continued)
ABC Holding Company, Inc. (continued)
Capital Cities/ABC Video Enterprises, Inc. (continued)

French Productions, Inc.	Delaware
Spanish Productions, Inc.	Delaware
910353 Ontario Inc.	Canada
Chilton Holding Company, Inc.	Delaware
Chilton Company	Delaware
The Center for Curriculum Development, Inc.	Delaware
Automotive Information Properties, Inc.	Illinois
ESPN Holding Company, Inc.	Delaware
ESPN, Inc.	Delaware
English Sports, Inc.	Delaware
ESPN 88	United Kingdom
ESPN Enterprises, Inc.	Delaware
Farm Progress Holding Company, Inc.	Delaware
Farm Progress Companies, Inc.	Illinois
Farm Progress Insurance Services, Inc.	Illinois
Indiana Prairie Farmer Insurance Services, Inc.	Indiana
The Miller Publishing Company, Inc.	Minnesota
Hitchcock Holding Company, Inc.	Delaware
Hitchcock Publishing Company	Delaware
Professional Exposition Management Company, Inc.	Delaware
KABC-AM Radio, Inc.	Delaware
KGO-AM Radio, Inc.	Delaware
KGO Television, Inc.	Delaware
KLOS-FM Radio, Inc.	Delaware
L.I.C. Warehouse Realty Company, Inc.	Delaware
Los Angeles Magazine Holding Company, Inc.	Delaware
Los Angeles Magazine, Inc.	Delaware
NILS Holding Company, Inc.	Delaware
NILS Publishing Company	Delaware
National Price Service, Inc.	Delaware
101 West 67th Realty Company, Inc.	Delaware
77 West 66 Realty Company, Inc. (merged into American Broadcasting Companies, Inc. - 1/22/91)	Delaware
1313 Vine Realty Company, Inc.	Delaware
36/38/40 West 66 Realty Company, Inc.	Delaware
WABC-AM Radio, Inc.	Delaware
WABC Television, Inc. (merged into American Broadcasting Companies, Inc. - 1/9/91)	Delaware
WLS-AM Holding Company, Inc.	Delaware
WLS, Inc.	Delaware
WLS Television, Inc.	Delaware
WMAL Holding Company, Inc.	Delaware
WMAL, Inc.	Delaware
Word Holding Company, Inc.	Delaware
Word, Incorporated	Texas
International Cassette Corp.	Texas
Word Communications Ltd.	British Columbia
Word Direct Marketing Services, Inc.	Texas
Word (U.K.) Limited	United Kingdom

Capital Cities/ABC, Inc. (parent)(continued)

ABC Holding Company, Inc. (continued)	
WPLJ-FM Radio, Inc.	Delaware
WYTZ-FM Radio, Inc	Delaware
ABC/Kane Productions International, Inc.	Delaware
Capital Cities Entertainment Systems, Inc.	Delaware
Capital Cities Media, Inc.	New York
Capital Cities/ABC Publishing/Far East, Inc.	Japan
Fairchild Publications S.A.R.L.	France
Foothills Trader, Inc.	Connecticut
Guilford Publishing Company, Inc.	Delaware
Imprint, Inc.	Delaware
Lloyd Adams Enterprises, Inc.	Massachusetts
Pennysaver, Inc.	Massachusetts
Mariner Newspapers, Inc.	New York
Newside Publications, Inc.	Delaware
Practical Homeowner Holding Company, Inc.	New York
Quad County Publishing, Inc.	Illinois
Capital Cities Vision, Inc.	New York
CC Finance Holding Corporation	Delaware
Capital Cities/ABC Finance Company, Inc.	Delaware
CC Texas Holding Co., Inc.	Delaware
KTRK Television, Inc.	Michigan
Southfield Realty Company, Inc.	Michigan
Weehawken Corporation	Delaware
CCC Properties, Inc.	New York
Institutional Investor, Inc.	Delaware
Institutional Investor (Europe) Limited	United Kingdom
JBS Productions Holding Company, Inc.	Delaware
a.k.a. Productions, Inc.	Delaware
Empty Chair Productions, Inc.	Delaware
The Kansas City Star Company (also owns the preferred stock of Capital Cities Media, Inc.)	Missouri
KQRS Holding Corporation	Delaware
KQRS, Inc.	Delaware
KRXY Holding Corporation	Delaware
KRXY Radio, Inc.	Delaware
Legal Com of Delaware, Inc.	Delaware
Legal Communications Corporation	Missouri
The Oakland Press Company	Michigan
Pennypower of Kansas, Inc.	Delaware
Pennypower Shopping News, Inc.	Kansas
Schwann Publications, Inc.	Delaware
Star-Telegram, Inc.	Delaware
Media Transport, Inc.	Texas
Sutton Industries, Inc.	Delaware
PSP & D, Inc.	Delaware
Texas Media Holding Company, Inc.	Delaware
WBAP-KSCS, Inc.	Delaware
TV Connection, Inc.	Delaware
Wilson Publishing Company	Rhode Island

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K
ANNUAL REPORT
Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

[] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1990.

[] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission file number 1-4278

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CAPITAL CITIES/ABC, INC.
77 West 66 Street
New York, New York 10023

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

Capital Cities/ABC, Inc. Savings & Investment Plan

Date: March 15, 1991

By David J. Vondrak

David J. Vondrak, a member of the Employee Benefits Committee

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Financial Statements and Supplementary Schedules

December 31, 1990

(With Report of Ernst & Young, Independent Auditors Thereon)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Index to Financial Statements

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

The Board of Directors
Capital Cities/ABC, Inc.:

We have audited the accompanying combined statements of financial condition of the Capital Cities/ABC, Inc. Savings & Investment Plan as of December 31, 1990 and 1989, and the related combined statements of income and changes in plan equity for each of the three years in the period ended December 31, 1990 and the related supplemental schedules listed in the accompanying index to the financial statements. These financial statements and schedules are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements and supplemental schedules listed in the accompanying index to the financial statements present fairly, in all material respects, the combined financial position of the Capital Cities/ABC, Inc. Savings & Investment Plan at December 31, 1990 and 1989, and the combined results of its operations and changes in its plan equity for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

Ernst & Young

ERNST & YOUNG

New York, New York
March 12, 1991

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combined Statements of Financial Condition

December 31, 1990 and 1989

ASSETS	1990	1989
Investments, at market (notes 1 and 3):		
Equity Securities:		
Capital Cities/ABC, Inc. common stock (cost of $112,396,970 and $101,387,914 in 1990 and 1989, respectively)	$199,347,025	$235,371,566
Other (cost of $17,334,127 and $15,684,524 in 1990 and 1989, respectively)	17,796,813	17,180,401
Total equity securities	217,143,838	252,551,967
Other investments:		
Bankers Trust Pyramid Directed Account Cash Fund	4,771,387	2,730,949
Corporate notes (cost of $1,000,000)	1,000,000	-
Convertible debentures (cost of $100,000)	-	77,500
Funds on deposit with insurance company	73,168,403	58,389,679
Total other investments	78,939,790	61,198,128
Total investments	296,083,628	313,750,095
Participants loans (note 2)	5,379,127	3,920,695
Interest and dividends receivable	674,809	545,402
Total assets	$302,137,564	$318,216,192
LIABILITIES AND PLAN EQUITY		
Due to former participants	$ 3,474,536	$ 2,499,028
Payables for purchases of investments	1,904,689	592,753
Due to Capital Cities/ABC, Inc.	1,395,981	181,637
Plan equity	295,362,358	314,942,774
Total liabilities and plan equity	$302,137,564	$318,216,192

See accompanying notes to combined financial statements.

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combined Statements of Income and Changes in Plan Equity

Years ended December 31, 1990, 1989 and 1988

	1990	1989	1988
Investment income:			
Dividends	$ 759,563	$ 709,450	$ 587,779
Interest	6,380,986	5,108,561	3,886,479
Total investment income	7,140,549	5,818,011	4,474,258
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants (note 1)	3,048,264	1,956,415	1,296,099
Net gain (loss) on sales of common stock	(1,004,609)	1,082,374	1,027,944
Net increase (decrease) in unrealized appreciation of plan assets held at year end (note 1)	(48,044,288)	82,833,505	7,957,446
	(38,860,084)	91,690,305	14,755,747
Contributions:			
Participants (note 2)	23,394,286	21,549,642	20,674,930
Employer (notes 1 and 2)	10,678,809	6,937,953	7,186,990
Total contributions	34,073,095	28,487,595	27,861,920
Interest on participants' loans (note 2)	384,073	219,897	106,786
Cash transferred from other plan (note 2)	4,587,947	-	-
Total	185,031	120,397,797	42,724,453
Distributions to terminated and withdrawing participants (note 1):			
Capital Cities/ABC, Inc. common stock, at market value	5,549,780	5,333,198	3,167,098
Cash	14,215,667	15,502,327	13,603,426
Total distributions	19,765,447	20,835,525	16,770,524
Change in plan equity	(19,580,416)	99,562,272	25,953,929
Plan equity:			
Beginning of year	314,942,774	215,380,502	189,426,573
End of year	$295,362,358	$314,942,774	$215,380,502

See accompanying notes to combined financial statements.

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Combined Financial Statements

December 31, 1990, 1989 and 1988

(1) Summary of Significant Accounting Policies

(a) The accompanying combined financial statements present plan equity and changes therein of the Capital Cities/ABC, Inc. Savings & Investment Plan (the Plan) on an accrual basis. The Plan consists of three funds:

- Fund A - Capital Cities/ABC, Inc. Common Stock Fund
- Fund B - Diversified Equity Fund
- Fund C - Guaranteed Income Fund

(b) The investment in common stock of Capital Cities/ABC, Inc. (Capital Cities/ABC) is stated at market value which is based on the year-end stock quotation from the New York Stock Exchange.

Investments of the Diversified Equity Fund consist of equity securities and convertible debentures of companies other than Capital Cities/ABC. The market value of the equity investments is also based on year-end stock quotations from the New York Stock Exchange.

Investments of the Guaranteed Income Fund consist of funds on deposit with an insurance company under contract which provides for a guaranteed minimum annual rate of interest of 9.5% for 1990. The Guaranteed Income Fund is valued at cost plus interest earned.

Uninvested cash may be temporarily invested in obligations of the U.S. Government or other short-term investments.

Realized gains and losses on sales of securities are accounted for on a weighted average cost basis. Purchases and sales are recorded on a trade date basis. Dividend income is accrued on the ex-dividend date. Interest income is recorded on an accrual basis as earned.

Unrealized appreciation at the beginning and end of each year and the net (decrease) increase for each year included in the accompanying statements of income and changes in plan equity are as follows:

	1990	1989	1988
Balance at beginning of year	$135,457,029	$ 52,623,524	$44,666,078
Balance at end of year	87,412,741	135,457,029	52,623,524
Net (decrease)/increase	$(48,044,288)	$ 82,833,505	$ 7,957,446

(1) Summary of Significant Accounting Policies (Continued)

(c) Distributions to terminated and withdrawing participants are based upon the market value of units and/or shares credited to participants' accounts as of the effective date of termination or withdrawal. The difference between the market value on the effective date of distribution and the cost of shares distributed is shown separately in the accompanying combined statements of income and changes in plan equity.

(d) Employer contributions are reported net of forfeitures of $115,920, $145,955 and $309,730 for 1990, 1989 and 1988, respectively.

(2) Description of Plan

The Plan is an employee savings and investment plan for participating employees of American Broadcasting Companies, Inc. (ABC) (an indirect wholly owned subsidiary of Capital Cities/ABC) and those other subsidiaries and divisions of Capital Cities/ABC which were previously a part of, or affiliates of ABC. Individuals who became employees of the corporate and other broadcasting properties of Capital Cities/ABC subsequent to 1988 are eligible to participate in the Plan. In addition, employees of Satellite Music Network, Inc. (an indirect wholly owned subsidiary of Capital Cities/ABC) and approximately 5,000 employees of certain subsidiaries of Capital Cities/ABC's Publishing Group were eligible to participate in the Plan effective January 1 and April 1 of 1990, respectively. Satellite Music Network, Inc. had previously maintained its own plan. Effective April 1, 1990 this plan was merged with the Capital Cities/ABC, Inc. Savings & Investment Plan and as a result, a cash transfer of $4,587,947 was made to the Plan.

Under the Plan, eligible employees may authorize payroll deductions of either 2, 3, 4 or 5% of their annual compensation to be invested in one or more of three funds. Such contributions may be in the form of regular after-tax contributions (taxable), or tax deferred contributions. Capital Cities/ABC will contribute an amount equal to 50% of such deductions, to be invested in the Capital Cities/ ABC, Inc. Common Stock Fund (Fund A). On October 1, 1987, the Plan was amended to allow employees to contribute an additional unmatched 2, 3, 4 or 5% of annual compensation, which may be designated either taxable or tax deferred contributions for any year. Total annual contributions by the employer and employee to a participant's account are limited to $30,000 for all defined contribution plans. The IRS-imposed limitation on tax deferred contributions for 1990 is $7,979 for employees. Participants are fully vested with respect to their own contributions at all times. For periods covered in these financial statements, participants with less than 5 years of service vest with respect to employer contributions over a three-year period, one-third each year. Upon completion of 5 years of service, death, permanent disability, retirement or termination of service after age 65, a participant's account is considered fully vested.

The Plan permits the Employee Benefits Committee to postpone distributions of a member's account in instances where a member's termination of services arises out of a change in ownership of stock or all or part of the assets of a member's employing unit and such member is reemployed by the acquiring entity if such termination is not deemed a "separation from service" within the meaning of the applicable income tax rulings or regulations. In such instances the Employee

(Continued)

(2) Continued

Benefits Committee may postpone the distribution until such distribution may be accomplished without adverse income tax consequences to the member or to the Plan or may allow a transfer to another qualified plan or allow a permissible tax-free rollover.

Under the Plan, members are allowed to obtain loans equal to the lesser of the amount of such member's account attributable to taxable and tax deferred contributions or the maximum amount allowable under federal tax regulations with $1,000 being the minimum. The loans bear interest at a rate determined by the Employee Benefits Committee.

The value of a participant's account is determined based upon share value for Fund A and unit values for Funds B and C. Upon permanent disability or retirement, the amount credited to a participant's account is distributed to him or his beneficiary, either in a lump sum or in installments over a period not exceeding ten years. Upon termination of employment for reasons other than permanent disability or retirement, the amount credited to the participant's account is distributed to him in a lump sum. While employed, a participant may, in 10% increments or a lump sum, withdraw from the Plan the amount credited to his account which is attributable to his taxable contributions. Upon a withdrawn participant's termination, the vested amount credited to his account attributable to employer contributions is distributed to him. If a participant terminates prior to vesting with respect to employer contributions, forfeited funds are used to reduce the contribution of the sponsor company. Distributions of Fund A are paid either in shares of Capital Cities/ABC common stock or cash. Distributions for Funds B and C are paid in cash.

As of December 31, 1990 there were 8,823 participants in Fund A, 3,170 participants in Fund B and 5,643 participants in Fund C.

As of December 31, 1990 there were 4,671,820 total units in Fund B and 22,106,949 total units in Fund C with unit values of 4.56 and 3.22 respectively.

(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Notes to Combined Financial Statements

December 31, 1990, 1989 and 1988

(3) Changes in Investment in Equity Securities

Changes in investment in equity securities, at cost, for the years ended December 31, 1990 and 1989 were as follows:

	Shares	Cost
Capital Cities/ABC, Inc. common stock:		
Balance at December 31, 1988	419,005	$ 99,311,722
Purchases	10,858	5,090,341
Distributions to terminated and withdrawing participants	(12,630)	(3,014,149)
Balance at December 31, 1989	417,233	101,387,914
Purchases	27,170	13,546,150
Distributions to terminated and withdrawing participants	(10,214)	(2,537,094)
Balance at December 31, 1990	434,189	$112,396,970
Other equity securities:		
Balance at December 31, 1988	500,275	$ 14,616,048
Purchases	269,491	9,819,424
Sales	(279,163)	(8,750,948)
Balance at December 31, 1989	490,603	15,684,524
Purchases	361,477	12,637,670
Sales	(349,180)	(10,988,067)
Balance at December 31, 1990	502,900	$ 17,334,127

(Continued)

(4) Administration of the Plan

Under the terms of a trust agreement between Bankers Trust Company (the Trustee) and the Plan, the Trustee manages the Plan assets on behalf of the Plan. For the periods ending December 31, 1990, 1989 and 1988, substantially all the Plan assets were held by the Trustee.

During the period 1988 through 1990, the cost of administering the Plan was paid directly by Capital Cities/ABC, Inc.; the Plan assets were not used to meet such obligations.

(5) Termination of the Plan

Although Capital Cities/ABC has not expressed any intent to terminate the Plan, it may be terminated at any time by action of its Board of Directors. In the event of termination, the amounts credited to the participants' accounts become fully vested and the Trustee is required to distribute such amounts to participants or continue the trust fund and pay benefits therefrom in accordance with the provisions of the Plan.

(6) Federal Income Taxes

Capital Cities/ABC, Inc. has received a letter of determination from the IRS stating that the Plan as amended through December 22, 1987 meets the requirements of Section 401(a) of the Internal Revenue Code, as amended, and that the trust established thereunder is entitled to exemption from payment of Federal income taxes under provisions of Section 501(a) of the Code.

Participants are not subject to federal income tax on employer contributions made to their accounts under the Plan, or on the earnings in their accounts, until amounts in their accounts are withdrawn or distributed.

SUPPLEMENTAL SCHEDULES

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Investments

December 31, 1990

DESCRIPTION	NUMBER OF SHARES	COST	MARKET VALUE
Equity Securities:			
Alcan Alum Ltd Com	21,000	$ 445,418	$ 409,501
Amerada Hess Corp Com	9,000	251,130	417,375
American Cyanamid Co Com	4,500	233,110	236,813
Baker Hughes Inc Com	7,000	195,339	179,375
Baxter Intl Inc Com	16,500	369,288	459,938
Bowater Inc Com	13,000	341,408	276,250
Burlington Northern Inc Com	12,000	255,042	345,000
Capital Cities/ABC, Inc Com	434,189	112,396,970	199,347,025
Caterpillar Inc Del	8,000	478,076	376,000
CBI Industries	10,000	294,149	402,500
CBS Inc Com	2,800	459,819	483,350
Champion Intl Corp Com	14,000	456,318	358,750
Eastman Kodak Co Com	7,000	280,725	291,375
Emerson Elec Co Com	11,000	367,848	415,250
Engelhard Corp Com	20,000	338,036	377,500
Ensearch Corp Com	11,500	275,215	232,875
Exxon Corp Com	10,000	465,775	517,500
Gannett Inc Com	11,000	414,242	397,375
General Motors Corp Com	11,000	418,731	378,125
W.R. Grace & Co.	14,000	352,024	334,250
GTE Corp Com	18,000	486,753	526,500
IBP Inc Com	18,500	319,390	386,188
IMC Fertilizer Group Inc Com	7,000	243,924	244,125
Intl Business Machines Corp Com	6,000	658,391	678,000
James Riv Corp	11,000	353,018	288,750
Litton Industries	6,000	463,694	465,000
May Dept Stores Co Com	11,000	460,061	470,250
Mellon Bk Corp Com	12,200	292,695	289,750
Mobil Corp Com	6,000	210,116	348,000
Morgan JP & Co Com	12,700	505,777	563,563
Morrison Knudsen Corp Com	9,000	365,170	385,875
Nynex Corp Com	5,000	366,863	355,625
Pennzoil Co Com	7,000	556,189	462,000
Rollins Environmental Svcs Inc Com	14,200	123,398	126,025
Ryder Sys Inc Com	15,000	405,066	225,000
Safeco Corp Com	9,000	278,253	295,875
Seagrams Ltd Com	6,000	470,996	528,000
Sonat Inc Com	11,000	346,798	515,625
Sundstrand Corp Com	13,500	344,342	391,500
Texaco Inc Com	6,000	300,769	363,000
Tribune Co New Com	13,000	531,891	458,250
Ual Corp Com	4,000	387,068	440,500
Union Pacific Corp Com	5,500	390,007	388,438
United Technologies Corp	7,000	289,857	335,125

79

Schedule 1
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Investments

December 31, 1990

DESCRIPTION	NUMBER OF SHARES	COST	MARKET VALUE
Equity Securities: (Continued)			
United Telecom Inc Kans Com	17,000	390,388	395,250
USX Corp Com	13,000	435,979	396,500
Weyerhaeuser Co Com	16,000	394,162	350,000
Whirlpool Corp Com	10,000	271,422	235,000
Total Equity Securities	937,089	129,731,097	217,143,838
Other Investments:			
Bankers Trust Pyramid Directed Account Cash Fund		4,771,387	4,771,387
Corporate notes:			
Ford Motor Credit Corp Dtd 12/28/90, 9% due 1/7/91		500,000	500,000
Signa Corp Dtd 12/21/90, 8.05% due 1/4/91		500,000	500,000
Funds on deposit with insurance Co.: Group Annuity Contracts With AETNA Life Insurance		73,168,403	73,168,403
Total Other Investments		78,939,790	78,939,790
Total Investments		$208,670,887	$296,083,628

Schedule 2

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Financial Condition

December 31, 1990

ASSETS	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	$199,347,025	$199,347,025	$ -	$ -
Other	17,796,813	-	17,796,813	-
Total equity securities	217,143,838	199,347,025	17,796,813	-
Other investments:				
Bankers Trust Pyramid Directed Account Cash Fund	4,771,387	2,180,631	2,313,861	276,895
Corporate notes	1,000,000	-	1,000,000	
Funds on deposit with insurance company	73,168,403	-	-	73,168,403
Total other investments	78,939,790	2,180,631	3,313,861	73,445,298
Total investments	296,083,628	201,527,656	21,110,674	73,445,298
Participant loans	5,379,127	3,656,206	376,889	1,346,032
Interest and dividends receivable	674,809	33,795	65,874	575,140
Interfund transfer receivable (payable)	-	407,732	(121,144)	(286,588)
Total assets	$302,137,564	$205,625,389	$21,432,293	$75,079,882
LIABILITIES AND PLAN EQUITY				
Due to former participants	$ 3,474,536	$ 2,063,143	$ 208,403	$ 1,202,990
Payables for purchases of investments	1,904,689	1,580,392	324,297	-
Due to (from) Capital Cities/ ABC, Inc.	1,395,981	522,649	(712,776)	1,586,108
Plan equity	295,362,358	201,459,205	21,612,369	72,290,784
Total liabilities and plan equity	$302,137,564	$205,625,389	$21,432,293	$75,079,882

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Financial Condition

December 31, 1989

ASSETS	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investments, at market				
Equity Securities:				
Capital Cities/ABC, Inc. common stock	$235,371,566	$235,371,566	$ -	$ -
Other	17,180,401	-	17,180,401	-
Total equity securities	252,551,967	235,371,566	17,180,401	-
Other investments:				
Bankers Trust Pyramid Directed Account Cash Fund	2,730,949	794,813	1,936,136	-
Convertible debentures	77,500	-	77,500	-
Funds on deposit with insurance company	58,389,679	-	-	58,389,679
Total other investments	61,198,128	794,813	2,013,636	58,389,679
Total investments	313,750,095	236,166,379	19,194,037	58,389,679
Participants loans	3,920,695	2,963,285	242,120	715,290
Interest and dividends receivable	545,402	24,121	61,181	460,100
Interfund transfer receivable (payable)	-	(235,546)	(63,047)	298,593
Total assets	$318,216,192	$238,918,239	$19,434,291	$59,863,662
LIABILITIES AND PLAN EQUITY				
Due to former participants	$ 2,499,028	$ 1,963,010	$ 129,736	$ 406,282
Payables for purchases of investments	592,753	545,307	47,446	-
Due to (from) Capital Cities/ ABC, Inc.	181,637	(496,287)	(448,139)	1,126,063
Plan equity	314,942,774	236,906,209	19,705,248	58,331,317
Total liabilities and plan equity	$318,216,192	$238,918,239	$19,434,291	$59,863,662

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1990

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 759,563	$ 84,978	$ 674,585	$
Interest	6,380,986	69,603	165,938	6,145,445
Total investment income	7,140,549	154,581	840,523	6,145,445
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminating and withdrawing participants	3,048,264	3,048,264	-	
Net (loss) on sales of common stock	(1,004,609)	-	(1,004,609)	
Net (decrease) in unrealized appreciation of plan assets held at year end	(48,044,288)	(47,033,596)	(1,010,692)	
	(38,860,084)	(43,830,751)	(1,174,778)	6,145,445
Contributions:				
Participants	23,394,286	9,068,164	4,422,144	9,903,978
Employer	10,678,809	10,678,809	-	-
Total contributions	34,073,095	19,746,973	4,422,144	9,903,978
Interest on participants' loans	384,073	349,614	7,538	26,921
Participants' transfers	-	839,605	(796,817)	(42,788)
Cash transferred from other plan	4,587,947	422,626	692,939	3,472,382
Total	185,031	(22,471,933)	3,151,026	19,505,938
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	5,549,780	5,549,780		-
Cash	14,215,667	7,425,291	1,243,905	5,546,471
Total distributions	19,765,447	12,975,071	1,243,905	5,546,471
Change in plan equity	(19,580,416)	(35,447,004)	1,907,121	13,959,467
Plan equity:				
Beginning of year	314,942,774	236,906,209	19,705,248	58,331,317
End of year	$295,362,358	$201,459,205	$21,612,369	$72,290,784

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1989

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 709,450	$ 83,402	$ 626,048	$ -
Interest	5,108,561	63,460	95,339	4,949,762
Total investment income	5,818,011	146,862	721,387	4,949,762
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants	1,956,415	1,956,415	-	-
Net gain on sales of common stock	1,082,374	-	1,082,374	-
Net increase in unrealized appreciation of plan assets	82,833,505	81,510,811	1,322,694	-
	91,690,305	83,614,088	3,126,455	4,949,762
Contributions:				
Participants	21,549,642	9,728,524	3,311,978	8,509,140
Employer	6,937,953	6,937,953	-	-
Total contributions	28,487,595	16,666,477	3,311,978	8,509,140
Interest on participants' loans	219,897	200,749	4,842	14,306
Participants' transfers	-	(1,969,840)	(741,703)	2,711,543
Total	120,397,797	98,511,474	5,701,572	16,184,751
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	5,333,198	5,333,198	-	-
Cash	15,502,327	8,411,892	1,547,569	5,542,866
Total distributions	20,835,525	13,745,090	1,547,569	5,542,866
Change in plan equity	99,562,272	84,766,384	4,154,003	10,641,885
Plan equity:				
Beginning of year	215,380,502	152,139,825	15,551,245	47,689,432
End of year	$314,942,774	$236,906,209	$19,705,248	$58,331,317

Schedule 3
(Continued)

CAPITAL CITIES/ABC, INC. SAVINGS & INVESTMENT PLAN

Combining Statements of Income and Changes in Plan Equity

December 31, 1988

	Total Funds	Fund A - Capital Cities/ ABC, Inc. Common Stock Fund	Fund B - Diversified Equity Fund	Fund C - Guaranteed Income Fund
Investment income:				
Dividends	$ 587,779	$ 82,370	$ 505,409	$ -
Interest	3,886,479	76,716	62,560	3,747,203
Total investment income	4,474,258	159,086	567,969	3,747,203
Appreciation of Capital Cities/ABC, Inc. common stock distributed to terminated and withdrawing participants	1,296,099	1,296,099	-	-
Net gain on sale of common stock	1,027,944	-	1,027,944	-
Net increase in unrealized appreciation of plan assets	7,957,446	6,387,067	1,570,379	-
	14,755,747	7,842,252	3,166,292	3,747,203
Contributions:				
Participants	20,674,930	6,610,991	1,487,553	12,576,386
Employer	7,186,990	7,186,990	-	-
Total contributions	27,861,920	13,797,981	1,487,553	12,576,386
Interest on participants' loans	106,786	106,786	-	-
Participants' transfers	-	518,889	741,464	(1,260,353)
Total	42,724,453	22,265,908	5,395,309	15,063,236
Distributions to terminated and withdrawing participants:				
Capital Cities/ABC, Inc. common stock, at market value	3,167,098	3,167,098	-	-
Cash	13,603,426	7,595,999	1,283,335	4,724,092
Total distributions	16,770,524	10,763,097	1,283,335	4,724,092
Change in plan equity	25,953,929	11,502,811	4,111,974	10,339,144
Plan equity:				
Beginning of year	189,426,573	140,637,014	11,439,271	37,350,288
End of year	$215,380,502	$152,139,825	$15,551,245	$47,689,432

CONSENT OF ERNST & YOUNG

We consent to incorporation by reference in the Registration Statement (Form S-8 No 33-2196) pertaining to the Capital Cities/ABC, Inc. Savings and Investment Plan and in the related Prospectus of our report dated March 12, 1991, with respect to the combined financial statements and schedules of the Capital Cities/ABC, Inc. Savings & Investment Plan included in this Annual Report (Form 11-K) for the year ended December 31, 1990.

Ernst + Young

ERNST & YOUNG

New York, New York
March 15, 1991

EXHIBIT (28)(b)

The Registrant hereby undertakes as follows, which undertakings shall be and hereby are incorporated by reference into Form S-8 Registration Statements No. 2-58945, No. 2-59014, No. 2-86863, No. 33-2196, No. 33-11806, No. 33-16206, No. 33-25918 and No. 33-33761

UNDERTAKINGS

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, represent 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.

(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.

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 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.

The undersigned Registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered, to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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.